

MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

May 2, 2017 – 9:30 A. M.

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Tuesday, May 2, 2017, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Henry McMaster, Chair;
Mr. Curtis M. Loftis, Jr., State Treasurer;
Mr. Richard Eckstrom, Comptroller General;
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and
Representative W. Brian White, Chairman, Ways and Means Committee.

Also attending were State Fiscal Accountability Authority Director Grant Gillespie; Authority General Counsel Keith McCook; Governor's Chief of Staff Trey Walker; Treasurer's Chief of Staff Clarissa Adams; Comptroller General's Chief of Staff Eddie Gunn; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Budget Chief of Staff Beverly Smith; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

Adoption of Agenda for State Fiscal Accountability Authority

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority adopted the agenda as amended to delete regular session item #1(e) concerning a permanent improvement item for Coastal Carolina University.

Minutes of Previous Meeting

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority approved the minutes of the March 9, 2017, State Fiscal Accountability Authority meeting.

Blue Agenda

Upon a motion by Senator Leatherman, seconded by Governor McMaster, the Authority approved blue agenda items #1, #2, #3, #4, and #6, as noted herein. Governor McMaster, Mr. Eckstrom, Senator Leatherman, and Mr. Loftis voted for the motion. Mr. White abstained from voting on the motion.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority approved blue agenda item #5, as noted herein. Governor McMaster, Mr. Eckstrom, Senator Leatherman,

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and Mr. Loftis voted for the motion. Mr. White abstained from voting on the motion.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority approved blue agenda item #7, as noted herein. Governor McMaster, Mr. Eckstrom, and Senator Leatherman. Mr. Loftis voted against the motion. Mr. White abstained from voting on the motion.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority approved blue agenda item #8, as noted herein. Governor McMaster, Mr. Eckstrom, and Senator Leatherman. Mr. Loftis voted against the motion. Mr. White abstained from voting on the motion.

State Treasurer’s Office: Bond Counsel Selection (Blue Agenda Item #1)

The Authority approved the referenced bond counsel assignment as recommended by the State Treasurer’s Office:

CONDUIT ISSUES:

Description of Issue	Agency/Institution (Borrower)	Borrower’s Counsel	Issuer’s Counsel
\$80,000,000 Economic Development Bonds	CareAlliance Health Services d/b/a Roper St. Francis Healthcare Conduit: JEDA	Haynsworth Sinkler Boyd	Howell Linkous & Nettles
\$21,000,000 Economic Development Bonds	Hammond School Conduit: JEDA	Nexsen Pruet	Parker Poe Adams & Bernstein
\$7,500,000 Special Source Refunding Revenue Bonds	Newberry County Memorial Hospital Conduit: Newberry County	Pope Flynn	Jay Tothacer, Esq, County Attorney

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel
\$ 84,000,000 State Institution Bond	Clemson University	Pope Flynn

Information relating to this matter has been retained in these files and is identified as Exhibit 1.

***Department of Administration, Facilities Management and Property Services: Easements
(Blue Agenda Item #2)***

The Authority approved granting the referenced easements as recommended by the Department of Administration, Facilities Management and Property Services:

- (a) County Location: Spartanburg and Laurens
From: Department of Administration
To: Dominion Carolina Gas Transmission, LLC
Consideration: \$700
Description/Purpose: To grant a 0.155 acre easement for the construction, installation, operation and maintenance of a 12-inch natural gas transmission line beneath the Enoree River. The easement is part of the Moore to Chappells Pipeline for Dominion Carolina's Transco to Charleston Project to meet the increasing demand for natural gas for local commercial, industrial and power generation customers. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.

- (b) County Location: Laurens
From: Department of Administration
To: Dominion Carolina Gas Transmission, LLC
Consideration: \$700
Description/Purpose: To grant a 0.055 acre easement for the construction, installation, operation and maintenance of a 12-inch natural gas transmission line beneath the Little River. The easement is part of the Moore to Chappells Pipeline for Dominion Carolina's Transco to Charleston Project to meet the increasing demand for natural gas for local commercial, industrial and power generation customers. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.

- (c) County Location: Horry
From: Department of Administration
To: Grand Strand Water & Sewer Authority
Consideration: \$1
Description/Purpose: To grant a 0.06 acre permanent easement, together with the right of ingress and egress, for the purpose of constructing, inspecting, operating, replacing, cleaning, repairing and maintaining pumps, tanks, sewer lines, electrical lines, controls, valves and any other sewer services facilities appurtenant on property of the Department of Parks Recreation and Tourism. The easement is needed to provide sewer service to an additional facility at

Myrtle Beach State Park. The easement is being sought by the Department of Parks, Recreation and Tourism for the benefit of the property. Real Property Services has determined that SCPRT has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

- (d) County Location: Chester
From: Department of Administration
To: Duke Energy Carolinas, LLC
Consideration: \$1
Description/Purpose: To grant a 0.28 acre permanent easement, together with the right of ingress and egress, for the purpose of constructing, reconstructing, operating, patrolling, maintaining, inspecting, repairing, replacing, relocating, adding, modifying and removing underground electric lines and facilities on property of the Department of Parks, Recreation and Tourism. The easement is needed to provide upgraded electrical service to the campground at Chester State Park. The easement is being sought by the Department of Parks, Recreation and Tourism for the benefit of the property. Real Property Services has determined that SCPRT has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

- (e) County Location: Charleston
From: Medical University of South Carolina
To: Charleston Horizon Devco, LLC
Consideration: \$1
Description/Purpose: To grant non-exclusive perpetual easements of 0.081 acres, 0.402 acres, and 0.034 acres for the construction of a roadway, pedestrian walkway and associated utilities across three parcels owned by MUSC and the MUSC Foundation located within the Horizon District. Following completion of construction, the easements will be dedicated to the City of Charleston. The grant also includes a temporary easement for construction and development of the road and pedestrian walkway. The easements will be of mutual benefit to MUSC and Charleston Horizon Devco. Real Property Services has determined that MUSC has complied with the requirement of the statute in that the easements do not appear to materially impair the utility of the property or damage it.

Information relating to this matter has been retained in these files and is identified as Exhibit 2.

Department of Administration, Facilities Management and Property Services: Real Property Conveyances (Blue Agenda Item #3)

The Authority approved the following real property conveyances as recommended by the Department of Administration, Facilities Management and Property Services:

- (a) **Controlling Agency:** **Department of Commerce, Division of Public Railways**
Acreage: 25.3 ± acres
Location: 1840 Reynolds Avenue, North Charleston
County: Charleston
Purpose: To dispose of surplus real property.
Price/Project: \$6,000,000/Project FLE
Disposition of Proceeds: To be retained by the Department of Commerce's Division of Public Railways pursuant to Proviso 93.23.

This rail-served property will not be marketed or sold publicly as it is an economic development transaction based on the company's intent to invest \$30M and create 30 jobs. The deed will not contain any recapture provision. The sale price for the property is \$300,000 below appraised value.

- (b) **Controlling Agency:** **Department of Commerce, Division of Public Railways**
Acreage: 2.743 ± acres together with a 42,370 square foot warehouse building (Building 1079) and a 24,840 square foot shed (Building 1001)
Location: 2575 McRitchie Avenue, North Charleston
County: Charleston
Purpose: To dispose of surplus real property.
Price/Transferred To: Not less than appraised value/To be determined
Disposition of Proceeds: To be retained by the Department of Commerce's Division of Public Railways pursuant to Proviso 93.23.

Information relating to this matter has been retained in these files and is identified as Exhibit 3.

Division of Procurement Services: Procurement Audits and Certifications (Blue Agenda #4)

The Division of Procurement Services (the Division), in accord with Section 11-35-1210, audited the following agencies and recommended certification within the parameters described in

the audit report for the following limits (total potential purchase commitment whether single-or multi- year contracts are used):

- a. The Citadel (for a period of three years): supplies and services, \$500,000* per commitment; consultant services, \$500,000* per commitment; information technology, \$500,000* per commitment; construction contract award, \$500,000 per commitment; construction contract change order, \$150,000 per change order; Architect/Engineer Contract Amendment, \$25,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

Based on The Citadel's response to the findings in the audit report, the Division believes adequate corrective action has been implemented that will ensure compliance with the South Carolina Consolidated Procurement Code, State regulations, and the College's procurement policies and procedures in all material respects. The Division recommended the Authority grant The Citadel the certification limits noted above.

- b. On August 23, 2016, the State Fiscal Accountability Authority suspended Florence-Darlington Technical College's sole source authority for one year and did not authorize procurement certification above the basic \$50,000 limit allowed by Law. The Division performed this audit in accordance with Section 11-35-1210 of the South Carolina Consolidated Procurement Code to determine if the sole source authority and procurement certification should be restored. The Division recommends Florence-Darlington Technical College's sole source authority and its procurement certification be restored within the parameters described in the audit report for the following limits for a period of three years:

Florence-Darlington Technical College (for a period of three years): supplies and services, \$150,000* per commitment; consultant services, \$100,000* per consultant; information technology, \$100,000* per commitment; construction contract change order, \$25,000 per change order; Architect/Engineer Contract Amendment, \$5,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The College complies with the South Carolina Consolidated Procurement Code, State regulations, and College's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. The Division recommended the Authority grant Florence-Darlington Technical College the certification limits noted above.

- c. SC Law Enforcement Division (for a period of three years): supplies and services, \$250,000* per commitment; information technology, \$100,000* per commitment; consultant services, \$100,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The SC Law Enforcement Division complies with the South Carolina Consolidated Procurement Code, State regulations, and College's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. The Division recommended the Authority grant the SC Law Enforcement Division the certification limits noted above.

- d. Department of Public Safety (for a period of three years): supplies and services, \$500,000* per commitment; information technology, \$100,000* per commitment; consultant services, \$100,000* per commitment; construction contract change order, \$25,000 per change order; Architect/Engineer Contract Amendment, \$5,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The Department of Public Safety complies with the South Carolina Consolidated Procurement Code, State regulations, and College's procurement policies and procedures in all material respects and the internal procurement operating procedures are adequate to properly handle procurement transactions. The Division recommended the Authority grant the Department of Public Safety the certification limits noted above.

As recommended by the Division of Procurement Services, the Authority granted

procurement certifications, in accord with Section 11-35-1210, for the following agency within the parameters described in the audit report for the following limits (total potential purchase commitment whether single-or multi- year contracts are used):

- a. The Citadel (for a period of three years): supplies and services, \$500,000* per commitment; consultant services, \$500,000* per commitment; information technology, \$500,000* per commitment; construction contract award, \$500,000 per commitment; construction contract change order, \$150,000 per change order; Architect/Engineer Contract Amendment, \$25,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

- b. Florence-Darlington Technical College (for a period of three years): supplies and services, \$150,000* per commitment; consultant services, \$100,000* per consultant; information technology, \$100,000* per commitment; construction contract change order, \$25,000 per change order; Architect/Engineer Contract Amendment, \$5,000 per amendment; and restore the College's sole source authority.

*Total potential purchase commitment whether single or multi-term contracts are used.

- c. SC Law Enforcement Division (for a period of three years): supplies and services, \$250,000* per commitment; information technology, \$100,000* per commitment; consultant services, \$100,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

- d. Department of Public Safety (for a period of three years): supplies and services, \$500,000* per commitment; information technology, \$100,000* per commitment; consultant services, \$100,000* per commitment; construction contract change order, \$25,000 per change order; Architect/Engineer Contract Amendment, \$5,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

Information relating to this matter has been retained in these files and is identified as Exhibit 4.

Insurance Reserve Fund: Insurance Rates (Blue Agenda Item #5)

The Insurance Reserve Fund (IRF) has as its mission the provision of property and liability insurance coverage at the lowest possible cost for its insureds. The IRF has worked

diligently to avoid rate increases and not increased its rates since 2006.

The IRF's actuaries, at the most recent actuarial rate review, determined that the IRF's rates need to be increased. The actuaries have recommended in the first phase to implement a property rate increase for the Seacoast and Beach areas beginning July 1, 2017. They also recommended taking rate increases in Property, Tort Liability and Medical Professional Liability in the future to be phased in over a 4 year period.

Ann Macon Smith, IRF Director, appeared before the Authority to the Authority on the rate increase status. No action was required by the Authority.

Mr. Loftis inquired if prior transfers from the Insurance Reserve Fund (IRF) to the General Assembly are considered loans. Ms. Smith stated that the transfer was made in accord with Proviso 90.19 that was effective September 1, 2009. She stated that the proviso did not provide for repayment of the money and it was not determined to be a loan. Mr. Loftis commented that it is a taking. He asked if the insureds were notified of the taking and that some of their premiums were removed from the fund. Ms. Smith stated that the proviso was public information and that she does not believe the insureds were notified. She said the money was transferred directly from the fund and was calculated to be an amount of the State portion of the premium only.

Mr. Loftis further inquired if the funds were in a trust fund or governed by the State's insurance laws. Ms. Smith said her understanding is that the funds are in a trust. She commented that there is nothing that she can think of that would prevent the Legislature from passing a proviso to direct those funds to where they are needed more.

Mr. Loftis asked Ms. Smith if she thought it was reasonable for those who pay into the fund to receive notice when money is transferred out of the fund. Ms. Smith said she thought that was reasonable. Mr. Loftis further stated that there would be alarm if the money had been taken out of a healthcare trust fund. He also stated that there is no such thing as a trust fund because the General Assembly has the authority given to it by the State constitution to take the money.

Mr. Eckstrom stated that he had questions concerning the Willis Towers Watson letter provided to the Authority. He asked if what Willis Towers Watson did an actuarial study. Ms. Smith said that it is an actuarial study. Mr. Eckstrom asked how often the study is done. Ms.

Smith said that they annually perform a policy holder equity analysis for the IRF and that a rate study can be performed annually or upon request. Mr. Eckstrom further asked what is looked at in determining the adequacy of rates. He also asked what was meant by policy holder equity and policy holder equity ratio. He also noted that there appears to be a target. Ms. Smith said there is a target of 0%-1.5% reserve to policy holder equity ratio. She said the policy holder equity is reported in the National Association of Insurance Commissioners' report that is completed annually. She noted that it is also in the IRF's annual financials. Ms. Smith further stated that the reserves are what is needed to pay any individual claim or for those things not yet specified as claims but will be received as claims. Mr. Eckstrom asked if that was IBNR (incurred but not reported). Ms. Smith responded that it was. She said that when the reserves, the IBNR, and reserve expenses are combined there should be enough money in the policy holder equity to pay losses. She stated that it is set at a ratio instead of a specific figure. She said that as long as equity grows along with expenses and reserves grow things are fine, but if things get out of balance such that reserves are far more than equity then rates need to be adjusted.

In further discussion, Ms. Smith noted that over the last two years the IRF has experienced an increase in property claims. She said the direct claims that have been paid in the property line not associated with a catastrophe was significantly above the trend. She said the trend is \$7 million to \$10 million a year, but that they paid \$14 million in property claims. Mr. Eckstrom asked if the actuaries identified why the increase occurred. Ms. Smith stated that the increase was due to a couple of fire losses, hail damage, the historic flood, and Hurricane Matthew.

Mr. Eckstrom noted that the Lawson report going back to 2011 indicated that a rate change was needed and provided various options that could be pursued to accommodate the rate change. He asked if any of the recommendations were ever undertaken by the IRF. Mr. Gillespie stated that the recommendations were brought to the attention of the administration. He said, however, that another option was brought at that time that indicated that if nothing was done increases would have to be much more. Mr. Eckstrom asked what was the thought behind not doing anything. Mr. Gillespie said that he could research what happened during those time periods. Mr. Eckstrom asked Ms. Smith if she knew why the recommendations were not acted upon. Ms. Smith stated that the thought at one time was that the better solution was to tighten up

the definition of extended coverage code instead of issuing a rate increase. She said that tried up and complied with the industry standard for defining what does fall within tier 1 and tier 2. She said at the same time they increased the property deductible and shifted the deductible rate credit which resulted in a significant increase in premiums returning to the fund without undertaking a rate study. She said in another year they looked at a different line of insurance and increased the deductible and shifted the rate discount for the higher deductible in auto comp and collision. She said that affected a change without a rate increase. Ms. Smith also noted the IRF was in a period of transition with the Board and restructuring and was not sure how things would work. She said they did not want to bind the next governing body and did not want to make a decision that would impact people right before the transition.

Mr. Eckstrom noted that this is the first time that he has seen this item. He stated that the Authority members should have more input in decisions that defer to take action. He said not taking action never solves an issue, but drives up the costs.

Mr. Eckstrom further asked how much information did non-state entities have that rates would be increased significantly. Ms. Smith said all insureds were notified of the increase on April 3rd to become effective with renewal beginning July 1st. Mr. Eckstrom commented that insureds should be notified that delaying rate increases that have been recommended by actuaries could result in significant increase later. He said the Authority should have a role in ratifying decisions not to do anything.

Mr. Loftis asked if the IRF's administrative authority under the statute includes the ability to set fees and rates. He said he thinks that is a reach under the statute. He said he did not see evidence in 1-11-140 that anyone other than the Authority is supposed set rates. Mr. Gillespie noted that this issue has not come before the Authority in some time. He said that through due diligence and research the IRF wanted to make sure that there was precedence for an administrative change to the rates. He noted that there was such precedence and that the last administrative rate change occurred in 2006. He stated the matter can be brought before the Authority.

Mr. Loftis pointed out that in 2008 premiums were waived for the State's insureds. He asked if premiums were waived for non-state entities as well. Ms. Smith indicated that she would have to review the proviso to see what the impact was.

The Authority received the briefing as information only.

Information relating to this matter has been retained in these files and is identified as Exhibit 5.

Executive Director: Revenue Bonds (Blue Agenda Item #6)

The Authority approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Newberry County
Amount of Issue: Not Exceeding \$7,500,000 Special Source Refunding Revenue Bonds (\$7,500,000 refunding involved)
Allocation Needed: -0-
Name of Project: Refunding of Series 2005 and Bonds and Series 2008 Bond (Newberry County Memorial Hospital)
Employment Impact: none
Project Description: the refunding of all or a portion of the outstanding principal amount of the originally issued (i) \$10,985,000 Special Source Refunding Revenue Bonds (Newberry County Memorial Hospital), Series 2005 of Abbeville County, and (ii) \$1,400,000 Hospital Revenue Bond (Newberry County Memorial Hospital), Series 2008
Bond Counsel: Josiah C. T. Lucas, Pope Flynn, LLC
(Exhibit 6)

- b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$80,000,000 Economic Development Revenue Bonds (\$58,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: CareAlliance Health Service d/b/a/ Roper St. Francis Healthcare
Employment Impact: maintain 5,600
Project Description: (i) refunding the outstanding Series 2012B and Series 2014D bonds to provide for a bank-held period through maturity; (ii) financing the costs of acquiring, constructing and equipping capital assets and improvements throughout the health care system of Roper St. Francis, and (iii) paying certain fees and expenses incurred in connection with the issuance of the Series 2017 bonds.
Note: negotiated sale
Bond Counsel: Jeremy L. Cook, Haynsworth Sinkler Boyd, P.A.
(Exhibit 7)

- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$21,000,000 Economic Development Revenue Bonds (\$5,000,000

refunding involved)
Allocation Needed: -0-
Name of Project: Hammond School
Employment Impact: maintaining 111 jobs
Project Description: construction, renovation, equipping and improving certain facilities of Hammond School as part of Hammond School's 50 Forward Capital Campaign initiative, including, but not limited to (a) construction and equipping of a new Innovation Center, (b) renovation of the Upper School Gym, (c) construction and equipping of a new Lower School playground, and (d) construction and equipping of a new Lower School Innovation Center and refunding all or a portion of the \$5,000,000 Variable Rate Demand Purchase Revenue Bonds, Series 2005, currently outstanding in the principal amount of \$5,000,000.
Note: negotiated private sale
Bond Counsel: Alan M. Lipsitz, Nexsen Pruet LLC
(Exhibit 8)

Executive Director: HarborChase Senior Living Volume Cap Ceiling Allocation Reinstatement (Blue Agenda Item #7)

On January 31, 2017, the Authority granted a tentative ceiling allocation for the HarborChase Senior Living project in the amount of \$27,000,000 with an expiration date of May 1, 2017. The Jobs-Economic Development Authority (JEDA) advised that the bonds for which the allocation was granted did not close before the May 1, 2017, expiration date. JEDA requested that the allocation be reinstated in the amount of \$27,000,000 pursuant to S.C. Code of Laws Section 1-11-560(D) for a period of 31 consecutive calendar days from May 2, 2017. Section 1-11-560(D) provides, in part, that the Authority “may reinstate for a period of not more than thirty one consecutive calendar days in any one calendar year part or all of an allocation approved but not extended previously”. JEDA also certifies that the authorized request previously submitted in connection with the allocation is still true and correct. If the request to reinstate the allocation is granted by the Authority, the reinstated allocation will expire on Friday, June 2, 2017, if the bonds are not issued on or before that date.

Mr. Eckstrom asked why an item is on the blue agenda that requires a decision and a vote by the Authority. Mr. Gillespie said that from a precedence standpoint these are the type of items that have been on the blue agenda. He said that prior administrations have handled blue

agenda items differently. Mr. Eckstrom said that it has been his observation that blue agenda items that provide information. He noted that the item on the Insurance Reserve Fund was accepted as information and did not require any action of the Authority. He also noted that the ceiling allocation item should also be voted on publicly for approval. He stated that these items should be on the green (regular session) agenda for the Authority to vote on them. Mr. Gillespie he said can talk to the other members' offices to determine the best way to move forward.

Mr. Loftis asked if the JEDA ceiling allocation increases will be on the Authority's agenda in the future since the Authority will no longer approve JEDA's bond issuances. He said the statutory framework from the federal government and other entities has the Authority authorizing and overseeing certain activity, but that the Authority is no longer going to authorize and oversee JEDA issuances. Mr. Gillespie stated that the ceiling allocation action item will stay with the Authority. Mr. Loftis questioned if the Authority should continue to approve ceiling where it has no authority over the entity receiving the allocation.

In accord with Code Section 1-11-560(D), the Authority granted the Jobs-Economic Development Authority's request for a 31-day reinstatement of the ceiling allocation to HarborChase at Riverwalk, from May 2, 2017, through June 2, 2017, in the amount of \$27,000,000.

Information relating to this matter has been retained in these files and is identified as Exhibit 9.

Executive Director: Economic Development (2017 Ceiling Allocation) (Blue Agenda #8)

The initial balance of the 2017 state ceiling allocation is \$496,111,900. In accord with Code Section 1-11-520, \$198,444,760 (40% of the total) was designated as the state pool and \$297,667,140 (60% of the total) was designated as the local pool. There is presently a state ceiling balance of \$444,111,900 remaining for 2017. Allocation requests for 2017 totaling \$70,604,000 have been received thus far.

The recommendation from the Department of Commerce for allocations for this cycle totals \$9,302,000. The Department of Commerce made the following recommendation for allocation from the local pool:

Greenville Housing Authority, Elements West End (City of Greenville), \$9,302,000;

Granting the recommended request will leave an unexpended state ceiling balance of \$434,809,900 (state pool - \$198,444,760; local pool - \$236,365,140) to be allocated later in the calendar year.

In accord with Code Section 1-11-500 et seq. and upon the recommendation of the Department of Commerce, the Authority granted the following tentative ceiling allocation from the local pool:

Greenville Housing Authority, Elements West End (City of Greenville), \$9,302,000

Mr. Eckstrom stated that he had the same concerns regarding blue agenda item #8 as he did with blue agenda item #7.

Information relating to this matter has been retained in these files and is identified as Exhibit 10.

Dept. of Administration, Executive Budget Office: Permanent Improvement Projects (R#1)

The Authority was asked to approve permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Executive Budget Office. All items had been reviewed favorably by the Joint Bond Review Committee.

Mr. Eckstrom asked why regular session items #1(a) and #1(h) were not on the CPIP. Bryan Stirling, Director of the South Carolina Department of Corrections, appeared before the Authority on this item. He stated that the CPIP is a 5-year plan and they needed to act on acquiring the net (item #1(f)) to make their institutions safer for their staff and general public. Mr. Eckstrom noted that he was inquiring about item #1(b). Mr. Stirling stated that the pre-release center needed space for office space to house staff.

In further discussion, Mr. Eckstrom asked with regard to land acquisition (item #1(h)) how the cost was established since no appraisal has been done. Mr. Stirling said that it is the going rate for land in the area. Mr. Eckstrom asked if the land was contiguous to the Wateree River Correction Institute. Mr. Stirling said that it is not, but is located down the road from the institution.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Authority approved the following permanent improvement project establishment requests and budget revisions.

Establish Project for A&E Design

- (a) Summary 7-2017: JBRC Item 1. (H59) Greenville Technical College
 Project: 6131, Greenville – Bldg. 801 Roof Replacement & HVAC Upgrades
 Included in Annual CPIP: Yes – CPIP Priority 2 of 3 in FY17
 JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: 4/10/17

<u>Source of Funding</u> <u>Detail</u>	<u>Original Budget</u> <u>Amount</u>	<u>Cumulative</u> <u>Changes Since</u> <u>Original Budget</u>	<u>Current Budget</u>	<u>Current Budget</u> <u>Adjustment</u> <u>Requested</u>	<u>Total Budget</u> <u>After Current</u> <u>Adjustment</u>
Other, Local Govt. Contrib. to Plant Maint. Fund	0.00	0.00	0.00	21,367.50	21,367.50
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>21,367.50</u>	<u>21,367.50</u>

Funding Source: \$21,367.50 Other, Local Government Contributions to Plant

Maintenance Fund, which is an accumulation of appropriated funds from Greenville County that are used to perform maintenance and renovations to physical facilities of Greenville Technical College.

Request: Establish project and budget for \$21,367.50 (Other, Local-College’s Plant Maintenance Fund) to establish a project to replace the largest portion, Section C, on Bldg. 801, McKinney Automotive Center at Greenville Technical College as identified in a roof evaluation report prepared by ADC Engineering. In conjunction with the roof replacement, the roof mounted HVAC units are in need of replacement. Facilities maintenance personnel as well as contractors, have attempted to repair leaks in the roof but excessive deterioration, as identified in ADC Engineering’s report, pounding of water and major leaks occurring with each rain event, are exposing equipment and materials inside the building to potential damage. Water saturated roof insulation may also be developing a potential health risk hazard for occupants. Consultation with Peritus Mechanical Engineers regarding the existing roof mounted HVAC units that will be affected by the roof replacement, revealed the need for replacing these units. As part of Phase I, a study of the HVAC system for the affected interior space will be conducted to ensure the essential needs of heating, ventilation, and air conditioning are being met to current air quality standards. This project includes a total of 56,000 square feet (Section “C”), of the total 91,000 square foot building. The building, constructed in 1965, is 52 years old. The existing roof is estimated to be 16-20 years old and the HVAC units are approximately 19+ years old. The facility is used to house the curriculum programs in automotive training in maintenance of motors, transmissions and body repair and it utilized by 246 students and faculty. The agency estimates that the completed project will cost approximately \$1,424,500. (See attachment

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1 for this agenda item for additional annual operating cost savings.)

- (b) Summary 7-2017: JBRC Item 4. (N04) Department of Corrections
Project: 9740, Campbell – Renovate Housing Unit for Office Space
Included in Annual CPIP: No
JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: N/A

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Appropriated State, FY16 Carryforward Funds	0.00	0.00	0.00	25,100.00	25,100.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>25,100.00</u>	<u>25,100.00</u>

Funding Source: \$25,100 Appropriated State, FY16 Carryforward Funds, which are from the remaining FY16 Personnel Services funds.

Request: Establish project and budget for \$25,100 (Appropriated State, FY16 Carryforward Funds) to establish a project to renovate the inmate housing unit at Campbell Pre-Release Center for use as office space. The housing unit has not been used for housing inmates since the Pre-Release Center closed in 2015. The scope of work converts the institutional housing structure to general office use which will facilitate procurement and human resource services outside the security fence boundary but still within the SCDC Broad River Complex. Approximately 26 to 30 staff members will be assigned to offices and standing cubicles. The 11,150 square foot facility is approximately 25 years old. The agency estimates that the completed project will cost approximately \$1,700,000.

Establish Construction Budget

- (c) Summary 7-2017: JBRC Item 9. (H12) Clemson University
Project: 9929, Business and Behavioral Sciences Building / Sistine Hall Replacement
Included in Annual CPIP: Yes – CPIP Priority 1 of 6 in FY16
JBRC/SFAA Phase II Approval: January 2016

CHE Recommended Approval: 4/6/17

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<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Institution Bonds	0.00	0.00	0.00	82,500,000.00	82,500,000.00
Capital Reserve Fund, FY16	5,000,000.00	0.00	5,000,000.00	0.00	5,000,000.00
All Sources	<u>5,000,000.00</u>	<u>0.00</u>	<u>5,000,000.00</u>	<u>82,500,000.00</u>	<u>87,500,000.00</u>

Funding Source: \$82,500,000 Institution Bonds, which are long-term debt instruments issued by the State Treasurer’s Office in the name of the university and are pledged to be repaid with tuition fees. \$5,000,000 FY16 Capital Reserve Funds.

Request: Increase budget to \$87,500,000 (add \$82,500,000 Institution Bonds) to establish the Phase II construction budget to construct an approximately 162,000 square foot building to relocate the College of Business (previously called the College of Business and Behavioral Sciences), from Sirriner Hall, which was built in 1938. The facility will include a variety of classrooms and learning laboratories, faculty and administrative offices, study and gathering spaces, student services spaces and common areas that will encourage greater collaboration among students, faculty, staff and business partners. The new facility will provide enhanced interface between academics and industry, accommodate growth, and provide flexibility to adapt to advancements in technology and instructional methods. The antiquated Sirriner Hall facility no longer provides adequate space for planned growth of modern instructional delivery methods. The College of Business is currently co-located with other academic programs in Sirriner Hall. The new facility will become the dedicated, recognizable home for all business and related disciplines within the College of Business and will provide space for the college’s administrative offices, outreach and research institutes. The facility will be constructed to meet LEED Silver Certification standards and \$3,438,395 in anticipated operating cost savings over a 30 year life are expected. Construction of the new facility will also allow Sirriner Hall to be utilized as swing space to allow for major renovations. A floor-by-floor, phased renovation of Sirriner Hall was considered as an alternative to this project. However, a phased renovation would take many years to complete, would create disruptions to academic activity, and would increase construction costs. Clemson University has requested \$25 million for this project from the General Assembly for 2017-18. If the request is funded, the \$82.5 million in institution bonds in the project budget will be reduced by the amount of the appropriation. The agency estimates that the completed project will cost approximately \$87,500,000. The agency also reports the projects date for execution of the construction contract is July 2017 and for completion of construction is August 2019. (See attachment 2 for this agenda item for additional annual operating costs.)

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- (d) Summary 7-2017: JBRC Item 10. (H12) Clemson University
Project: 9931, IPTAY Center Expansion/Renovation
Included in Annual CPIP: Yes – CPIP Priority 6 of 6 in FY17
JBRC/SFAA Phase I Approval: September 2016

CHE Recommended Approval: 3/9/17

<u>Source of Funding</u> <u>Detail</u>	<u>Original Budget</u> <u>Amount</u>	<u>Cumulative</u> <u>Changes Since</u> <u>Original Budget</u>	<u>Current Budget</u>	<u>Current Budget</u> <u>Adjustment</u> <u>Requested</u>	<u>Total Budget</u> <u>After Current</u> <u>Adjustment</u>
Other, Athletic Private Gifts	250,000.00	0.00	250,000.00	9,750,000.00	10,000,000.00
All Sources	<u>250,000.00</u>	<u>0.00</u>	<u>250,000.00</u>	<u>9,750,000.00</u>	<u>10,000,000.00</u>

Funding Source: \$10,000,000 Other, Athletic Private Gifts, which are contributions received from individuals, corporations, and other entities that are to be expended for their restricted purposes.

Request: Increase budget to \$10,000,000 (add \$9,750,000 Other, Athletic Private Gift funds) to establish the Phase II construction budget to renovate and expand facilities for IPTAY at Memorial Stadium. The IPTAY Center at Memorial Stadium is approximately 14,000 square feet, built in the late 1980's, and is approximately 28 years old. The current IPTAY space is not sufficient to house the increased and growing development staff, and has not had any major renovations since constructed in the late 1980's. The space will be expanded to include office space for staff working with major gifts, annual fund, gifts and estate planning, stewardship and ticketing, and will also include support spaces. The existing facilities will be updated to improve interior finishes and functionality to enhance the overall fundraising capabilities of IPTAY. In addition, the work will include the creation of premium lounge areas adjacent to and accessible from Memorial Stadium for use on football game days that will allow for new revenue generation for the Athletic Department. Currently, all premium spaces in the stadium are sold out with wait lists. The total square footage of the building to be renovated and expanded is 21,500 square feet. Of that, approximately 14,000 square feet is used for the IPTAY Center. The expansion for IPTAY will be approximately 9,600 square feet. Renovations will be made to approximately 18,000 square feet of the existing facility. The facility will be constructed to meet Green Globes Certification standards and \$457,511 in anticipated operating cost savings over a 30 year life are expected. The renovated space will house 20 fulltime IPTAY staff along with dozens of part-time and student workers. Additionally, up to 300 high level IPTAY members will be able to use the space for football game day functions, as meeting space throughout the year, and for other related events. The agency estimates that the completed project will cost approximately \$10,000,000. The agency also reports the projects date for execution of the construction contract

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is July 2017 and for completion of construction is July 2018. (See attachment 3 for this agenda item for additional annual operating costs.)

Establish Construction Budget & Change Source of Funds

- (e) Summary 7-2017: JBRC Item 11. (H17) Coastal Carolina University
 Project: 9609, Soccer Complex
 Included in Annual CPIP: Yes – CPIP Priority 3 of 3 in FY18
 JBRC/SFAA Phase I Approval: November 2015

CHE Recommended Approval: 3/16/17

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Institution Capital Project Funds	75,000.00	0.00	75,000.00	(75,000.00)	0.00
Other, Gift – Student Housing Foundation	0.00	0.00	0.00	3,500,000.00	3,500,000.00
Other, Gift – Coastal Athletic Foundation	0.00	0.00	0.00	1,500,000.00	1,500,000.00
All Sources	<u>75,000.00</u>	<u>0.00</u>	<u>75,000.00</u>	<u>4,925,000.00</u>	<u>5,000,000.00</u>

Funding Source: \$3,500,000 Other, Gift – Student Housing Foundation. \$1,500,000 Other, Gift – Coastal Athletic Foundation. These gifts are monetary sources of funds received from outside the university. These are funds pledged and/or received from the foundations for the purpose of supporting the university and are not connected to fees.

Request: Increase budget to \$5,000,000 (add \$4,925,000 Other, Gifts) to establish the Phase II construction budget to begin construction of the new soccer complex to be located on the East Campus. There are two buildings planned for the site in addition to the land improvements for the soccer field. The first building will be 1,596 square feet and will be a single story building that will serve as a public restroom and storage. The second building will be 7,778 square feet and will have men’s and women’s locker rooms, coaches offices, team meeting rooms, press box areas, broadcast room, both a sound a video both and restrooms. There are 750 bleacher seats planned for this part of the project, as well as field lights for night games. In past years, the University has hosted NCAA soccer playoff events for their nationally ranked men’s soccer team, but could only accommodate a total of 500 spectators. The current complex is lacking support facilities, including on-site locker rooms due to property constraints. The new facility will provide a better game day experience by incorporating fan-related amenities. Currently the men’s soccer team has 26 players and 3 coaches. The women’s soccer team list 18 players and 3 coaches.

The agency estimates that the completed project will cost approximately \$5,000,000. The agency also reports the projects date for execution of the construction contract is December 2017 and for completion of construction is November 2018. (See attachment 4 for this agenda item for additional annual operating costs.)

Establish Construction Budget

- (f) Summary 7-2017: JBRC Item 14. (N04) Department of Corrections
 Project: 9737, Security Perimeter Netting System at Level 2 & 3 Correctional Institutions
 Included in Annual CPIP: No
 JBRC/SFAA Phase I Approval: January 2017

CHE Recommended Approval: N/A

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Appropriated State, FY16 Carryforward	113,400.00	0.00	113,400.00	7,446,600.00	7,560,000.00
All Sources	<u>113,400.00</u>	<u>0.00</u>	<u>113,400.00</u>	<u>7,446,600.00</u>	<u>7,560,000.00</u>

Funding Source: \$7,560,000 Appropriated State, FY16 Carryforward funds, which are from the remaining FY16 Personnel Services funds.

Request: Increase budget to \$7,560,000 (add \$7,446,600 FY16 Carryforward Funds) to furnish and install a Security Perimeter Netting System around the security fence perimeter of all the Level 3 and most of the Level 2 Correctional Institutions (total of 11 institutions), to reduce the extensive contraband that SCDC is receiving into the institutions from criminal elements by “throw-overs” of the perimeter fence disguised as footballs, packs, etc. This is another measure making the institutions a more secure environment for the security staff and the inmates. There are approximately 12,626 inmates and 2,346 staff at these institutions. The netting system will consist of fifty-feet (50’) high engineered poles with netting which is made of 1” polyester mesh with a breaking strength of 160lbs. and a 3/8” solid rope border with breaking strength of 5,500 lbs. The netting panels are custom built to meet each correctional institution’s requirements and come with a full 5 year warranty. The agency estimates that the completed project will cost approximately \$7,560,000. The agency also reports the projects date for execution of the construction contract is November 2017 and for completion of construction is December 2018.

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- (g) Summary 7-2017: JBRC Item 15. (N04) Department of Corrections
 Project: 9738, Security Upgrades to Housing Unit Inmate Cells at Level 3 Correctional
 Inst.

Included in Annual CPIP: Yes – CPIP Priority 1 of 7 in FY17
 JBRC/SFAA Phase I Approval: March 2017

CHE Recommended Approval: N/A

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Appropriated State, FY16 Carryforward Funds	15,000.00	0.00	15,000.00	985,000.00	1,000,000.00
All Sources	<u>15,000.00</u>	<u>0.00</u>	<u>15,000.00</u>	<u>985,000.00</u>	<u>1,000,000.00</u>

Funding Source: \$1,000,000 Appropriated State, FY16 Carryforward Funds, which are from general fund personnel and fringe lines of the last two budget years.

Request: Increase budget to \$1,000,000 (add \$985,000 FY16 Carryforward Funds) to furnish and install several Security Upgrades to Housing Unit Inmate Cells at Level 3 Correctional Institutions. These renovations and upgrades will consist of security window frames and glazing, opaque glazing, food flaps, cuff ports, etc. This scope of work will provide additional security to the inmate cells, housing units and correctional facility, but will also directly impact SCDC's efforts to deter contraband from entering the institutions. There are approximately 7,720 inmates, 540 non-uniformed and 1,060 uniformed positions located at these institutions. The agency estimates that the completed project will cost approximately \$1,000,000. The agency also reports that this work will be accomplished by in-house/inmate construction forces with the projected construction activities starting in October 2017 and for completion of construction is October 2019.

Preliminary Land Acquisition

- (h) Summary 7-2017: JBRC Item 18. (N04) Department of Corrections
 Project: 9741, Wateree River CI – Durai Property Acquisition
 Included in Annual CPIP: No
 JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: N/A

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<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Canteen	0.00	0.00	0.00	20,000.00	20,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>20,000.00</u>

Funding Source: \$20,000 Other, Canteen Funds, which is revenue derived wholly from the canteen operations within the Department of Corrections on behalf of the inmate population, which may be retained and expended by the department for the continuation of the operation of said canteens and the welfare of the inmate population or, at the discretion of the Director, used to supplement costs of operations.

Request: Establish project and budget for \$20,000 (Other, Canteen Funds) to procure investigative studies required to adequately evaluate property prior to purchase. The agency is considering the acquisition of 192.85+/- (parcel # 073-0006-002), which is located at 400 Boykin Mill Road in Rembert, SC. This property includes irrigation, grain storage, and agricultural shop/sheds which are approximately 10,000 square feet. The buildings located on the property are usable in their current condition and will not need to be renovated. If acquired, the property will be utilized as farmland. The age of the buildings located on the property is unknown at this time but will be determined during the Phase I process. The agency is in need of additional irrigated land and grain storage. The present grain storage at Wateree River CI is antiquated and does not provide ample storage for harvested grain. The additional irrigated land and grain storage will enable SCDC to increase farming operations and reduce cattle and poultry food costs. The use of farm grown grain is a money saving investment in feeding Wateree River Farm's cattle and poultry. In addition, having the flexibility to store grain for future use enables SCDC to condition the grain for maximum dollar value as well as anticipate and take advantage of market forecasts when selling commodities. The goal of SCDC is to obtain irrigation on all productive lands; irrigated land is more productive than dry land and therefore provides a higher per acre yield. The agency estimates that the land acquisition will cost approximately \$1,500,000 and additional annual operating costs have not yet been determined.

Information relating to this matter has been retained in these files and is identified as Exhibit 11.

Department of Administration, Facilities Management and Property Services: Medical University of South Carolina Lease – 165 Cannon Street in Charleston (Regular 2)

The Medical University of South Carolina (“MUSC”) requested approval to lease from 165 Cannon Street Associates, LLC a 438,000 square foot parking garage consisting of 1,400

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parking spaces and 10,672 square feet of office space to be built at 165 Cannon Street in Charleston.

At its meeting on January 26, 2016, the State Fiscal Accountability Authority approved a request from MUSC to sell the property at 165 Cannon Street, also known as the “M” Lot, to the MUSC Foundation (the “Foundation”) for the Foundation to construct a parking garage (the “Facility”) and lease parking spaces to the University’s Parking Management Services to support additional traffic at the Medical University Hospital Authority’s Shawn Jenkins Children’s Hospital, as well as future growth of MUSC’s clinical enterprise. The associated office space will accommodate MUSC Public Safety staff. The Foundation subsequently formed 165 Cannon Street Associates, LLC (Landlord), a single purpose entity whose sole member is the Foundation, to secure financing to construct the Facility. The lease terms obligate the Landlord to acquire all current and future construction and related design services associated with the facility in accordance with the SC Consolidated Procurement Code.

The term of the lease will be twenty (20) years beginning upon completion of the Facility and issuance of a certificate of occupancy. MUSC will pay monthly installments of \$220,786.67 for an annual amount of \$2,649,440.00 for the space, which is equivalent to the debt service and debt service reserve to be incurred by the Landlord. This equates to \$145/month per parking space and \$20/SF for the office space. Rent shall be fixed for the term of the lease; however, rent payments will cease if all debt on the property is paid in full. The estimated total rent to be paid over the term is \$52,988,800. In addition to rent, MUSC is responsible for all operating and maintenance costs. Operating costs are estimated to be \$200,000 annually.

The lease contains provisions for three (3) five (5) year extended terms, subject to any required governmental approvals at the time such terms are exercised.

The following charts represent comparable lease rates of similar space near the MUSC Campus:

Parking:

Location	Rate/Space
194 East Bay Street	\$225.00
159 Rutledge Avenue	\$165.00
55 Pitt Street	\$165.00
62 Gadsden Street	\$150.00

Office:

Tenant	Location	Rate
Clemson University	701 East Bay Street	\$34.59/SF
Vacant	550 King Street	\$34.00/SF
Vacant	205 King Street	\$39.00/SF

The lease contains an option for MUSC to purchase the property from Landlord at any time during the term of the lease for a price equal to the outstanding indebtedness owed on the property at the time MUSC exercises such option to purchase, subject to required governmental approvals.

Lease payments will be funded from parking management and public safety revenues. MUSC has indicated that no student fee increase will be associated with this lease, and there are adequate funds for the lease according to a Budget Approval Form submitted by MUSC.

The lease was approved by the MUSC Board of Trustees on February 10, 2017, by the Commission on Higher Education on April 6, 2017, and by JBRC on April 26, 2017.

Upon a motion y Senator Leatherman, seconded by Mr. Eckstrom, and as recommended by the Department of Administration, Facilities Management and Property Services, approved the proposed lease for the Medical University of South Carolina at 165 Cannon Street in Charleston from 165 Cannon Street Associates, LLC, of a 438,000 square foot parking garage consisting of 1,400 parking spaces and 10,672 square feet of office space to be built at 165 Cannon Street in Charleston.

Information relating to this matter has been retained in these files and is identified as Exhibit 12.

Department of Administration, Facilities Management and Property Services: Medical University of South Carolina Lease – 22 WestEdge in Charleston (Regular Session 3)

The Medical University of South Carolina (MUSC) requested approval to lease 25,000 square feet (SF) located at 22 WestEdge in Charleston from the HP1B Devco, LLC to provide space for MUSC Bioinformatics. MUSC Bioinformatics is currently located at 135 Cannon Street. Because 135 Cannon Street meets new Medicaid/Medicare insurance requirements that limit MUSC’s ability to expand clinical space, it will be used for clinical purposes.

To combat community deterioration in and around the WestEdge Project Area, the

MUSC campus and the Medical District, the Medical University of South Carolina Foundation, its affiliated nonprofit foundations and supported organizations, including MUSC, and the City of Charleston have partnered to create economic development opportunities and improve quality of life in its neighborhoods through the WestEdge Project.

While MUSC requested an exemption from the solicitation process, Real Property Services conducted a solicitation and the proposal from HP1B Devco, LLC was the only bid received. The lease will support the WestEdge partnership between the City of Charleston and MUSC for the development of the Hospital Medical District, as the Medical University Hospital Authority will sublease approximately half of this space from MUSC for its Hospital Analytics Office.

The Term of the lease shall be ten (10) years beginning following the completion of construction by the Landlord. The lease contains three (3) optional five (5) year Extended Terms; however, MUSC is not requesting approval for the Extended Terms at this time. Rent for the first year of the Term shall be \$36.00/SF, which includes all operating and maintenance costs. Thereafter, basic rent shall increase annually by two and one-half (2 ½) percent. As such, the maximum amount MUSC could pay over the Term is as follows:

<u>INITIAL TERM</u>	<u>ANNUAL RENT</u>	<u>MONTHLY RENT</u>	<u>RENT PER SF</u>
LEASE YEAR 1	\$ 900,000.00	\$75,000.00	\$36.00
LEASE YEAR 2	\$ 922,500.00	\$76,875.00	\$36.90
LEASE YEAR 3	\$ 945,562.50	\$78,796.88	\$37.82
LEASE YEAR 4	\$ 969,201.56	\$80,766.80	\$38.77
LEASE YEAR 5	\$ 993,431.60	\$82,785.97	\$39.74
LEASE YEAR 6	\$1,018,267.39	\$84,855.62	\$40.73
LEASE YEAR 7	\$1,043,724.08	\$86,977.01	\$41.75
LEASE YEAR 8	\$1,069,817.18	\$89,151.43	\$42.79
LEASE YEAR 9	\$1,096,562.61	\$91,380.22	\$43.86
LEASE YEAR 10	\$1,123,976.67	\$93,664.72	\$44.96
TOTAL	\$10,083,043.59		

The following chart represents comparable lease rates of similar space in the downtown Charleston area:

Tenant	Location	Rate
Clemson University	701 East Bay Street	\$34.59/SF
Vacant	550 King Street	\$34.00/SF
Vacant	205 King Street	\$39.00/SF

Above rates are subject to base rent and operating expense escalations over the term.

The Landlord is providing a tenant improvement allowance of \$1M. The lease also contains an option for MUSC to lease up to fifty (50) parking spaces at a rate of \$175/month. Should MUSC exercise this option, the additional cost would be \$1,050,000 over the Term.

The lease was approved by the MUSC Board of Trustees on February 10, 2017, the Commission on Higher Education on April 6, 2017, and JBRC on April 26, 2017.

Upon a motion by Senator Leatherman, seconded by Mr. White, and as recommended by the Department of Administration, Facilities Management and Property Services, approved the proposed lease for the Medical University of South Carolina to lease 25,000 square feet (SF) located at 22 WestEdge in Charleston from HP1B Devco, LLC, to provide space for MUSC Bioinformatics.

Information relating to this matter has been retained in these files and is identified as Exhibit 13.

Department of Administration, Facilities Management and Property Services: Clemson University Lease at 934 Old Clemson Highway in Seneca (Regular Session #4)

Clemson University requested approval to continue leasing 17,588 square feet of office space located at 934 Old Clemson Highway in Seneca from Eagle Landing Properties I, LLC. The agency has leased this space since 1999 and it will continue to be used to accommodate Clemson Computing and Information Technology (CCIT) Medicaid IT Services Staff, which provides applications programming support for university systems, support for the contract with the SC Department of Health and Human Services (DHHS) to process Medicaid claims, and for the DHHS Medicaid Information Technology Architecture (MITA) project. The value of these contracts to Clemson University is approximately \$25M annually.

A solicitation was conducted, and the selected location was the only response received. The term of the lease will be three (3) years beginning on May 2, 2017 due to the nature of the underlying contractual work supporting this request. The rate will be \$15.75/SF for a total of

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\$829,615.50 over the term as shown in the table below. This rate represents a \$0.50/SF increase over the previous term.

Period	Annual Rent	Rent PSF
5/2/2017-5/1/2018	\$276,538.50	\$15.75
5/2/2018-5/1/2019	\$276,538.50	\$15.75
5/2/2019-5/1/2020	\$276,538.50	\$15.75
Total		\$829,615.50

The rate includes all operating costs with the exception of janitorial services, which are estimated at \$18,588 annually.

The following chart represents comparable lease rates of similar space near the Clemson University Campus:

Tenant	Location	Rate/SF
Clemson University	511 Westinghouse Road, Pendleton	\$16.50
Clemson University	135 Old Greenville Highway, Clemson	\$21.60
Vacant	111 Earle Street, Clemson	\$25.00

Lease payments will be funded through the DHHS contract. Clemson University has indicated that no student fee increase will be associated with this lease, and there are adequate funds for the lease according to the Budget Approval Form submitted. The lease was approved by the Clemson University Board of Trustees on July 15, 2016, by the Commission on Higher Education on March 16, 2017, and by JBRC on April 26, 2017.

Mr. Eckstrom noted that the last time this matter was discussed by the Authority, DHHS was exploring a move to have the Medicaid payments processed by the State's accounting system. He inquired of Mr. Loftis if he knew the status of that given Mr. Loftis' office was exploring the cost of increasing the volume of payments. Mr. Loftis said they will be taking the banking functions back, but will not be doing the claims processing. Mr. Eckstrom asked if the claims processing was being done by Clemson's staff. Brett Dalton, VP for Finance and Operations for Clemson, stated that Clemson manages the IT functions, but not the banking or payments. He said that DHHS would have to answer that question.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority, as recommended by the Department of Administration, Facilities Management and Property Services, approved the proposed lease for Clemson University to continue leasing 17,588 square

feet of office space at 934 Old Clemson Highway in Seneca.

Information relating to this matter has been retained in these files and is identified as Exhibit 14.

Division of Procurement Services: Exemption from Articles 9 and 10 of the Consolidated Procurement Code for the Department of Health and Environmental Control (DHEC) to Acquire Engineering, Construction, and Related Services for the South Carolina Dams and Reservoirs Safety Program (Regular Session #5)

Section 11-35-710 authorizes the State Fiscal Accountability Authority (the “Authority”) to “exempt specific supplies, services, information technology, or construction from the purchasing procedures” of the South Carolina Consolidated Procurement Code.

The South Carolina Dams and Reservoirs Safety Act vests the South Carolina Dams and Reservoirs Safety Program (housed in the Department of Health and Environmental Control) with regulatory authority over certain dams in the State. This authority includes the power to conduct inspections and take enforcement actions among other things. When DHEC finds that the condition of a dam presents such a “danger to the safety of life or property as not to permit time for the issuance and enforcement of a repair order,” Section 49-11-190 of the act allows DHEC to issue emergency orders. When DHEC cannot locate an owner or an owner fails to comply with an emergency order, DHEC may enter onto the property and take immediate action to protect life and property. Such actions include a wide range of potential activities up to and including removal of the dam. These activities typically require engineering and construction services.

In response to both the October 2015 flood and the October 2016 hurricane, the engineering and construction needs were met in accordance with the Emergency procurement procedures set forth in §11-35-1570. However, as expectations of the South Carolina Dams and Reservoirs Safety Program have evolved in light of these two events, there is now an ongoing expectation for DHEC to intervene when critical situations are identified, posing a threat to public safety, and where the dam owner will not or cannot implement corrective actions to make their dam safe.

Rather than continue to procure engineering and construction services on an emergency basis, DHEC would prefer to procure and contract for these services in advance to be prepared to

respond to urgent situations as they arise. These contracts would provide for services on an as needed/as requested basis. However, Article 9 of the Consolidated Procurement Code, which governs the procurement of construction services, does not provide for contracts for services on an as needed/as requested basis. Article 9 also contains provisions intended to protect state property and mechanics performing work on state property. Even though this is a small percentage of total cost, DHEC does not believe the added cost to DHEC of these requirements is necessary for work ordered by the South Carolina Dams and Reservoirs Safety Program on dams that the State does not own. Especially since DHEC anticipates that in the majority, if not all cases, it will only make one payment to the contractor on any one project. Finally, Article 10 of the Consolidated Procurement Code, which does provide for contracts for construction services on an as needed/as requested basis, places strict limits on the total expenditures allowed under any one contract for such services as well as strict limits on the amount of expenditures on any one project. DHEC's recent experience has shown that a single dam could exceed the per project limit.

For the foregoing reasons, DHEC requested an exemption from the procedures of Articles 9 and 10 of the Consolidated Procurement Code to procure engineering, construction, and related services for the South Carolina Dams and Reservoirs Safety Program. DHEC will procure such engineering, construction, and related services pursuant to Article 5 of the Consolidated Procurement. Moreover, DHEC will acquire engineering services based on the qualifications of offerors using qualification based selection criteria similar to those set forth in Section 11-35-3220(5)(a).

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority pursuant to S.C. Code Section 11-35-710, approved an exemption from the procedures of Articles 9 and 10 of the Consolidated Procurement Code to procure engineering, construction, and related services for the South Carolina Dams and Reservoirs Safety Program.

DHEC shall submit annual reports of its acquisitions under this exemption to the Division of Procurement Services. This exemption shall sunset in five years unless reauthorized by the Authority.

Information relating to this matter has been retained in these files and is identified as Exhibit 15.

Clemson University: Not Exceeding \$84,000,000 General Obligation State Institution Bonds (Issued on Behalf of Clemson University), Series 2017, of the State of South Carolina (R6)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$84,000,000 General Obligation State Institution Bonds (Issued on Behalf of Clemson University), Series 2017, of the State of South Carolina.

The proceeds of the bonds will be used to: (i) defray the costs of constructing and equipping an academic facility to house the University's College of Business; (ii) reimburse the University for expenses incurred in anticipation of the issuance of such State Institution Bonds; and (iii) pay for expenses related to the issuance of such State Institution Bonds.

Mr. Eckstrom asked why there was such variation in the rating agency fees. Kevin Kibler, Senior Assistant State Treasurer, stated that the rating agencies vary in their fee structures.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority adopted a resolution making provision for the issuance and sale of not exceeding \$84,000,000 General Obligation State Institution Bonds (Issued on Behalf of Clemson University), Series 2017, of the State of South Carolina.

Information relating to this matter has been retained in these files and is identified as Exhibit 16.

Future Meeting

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority agreed to meet at 10:00 a.m. on Tuesday, June 13, 2017, in Room 252, Edgar A. Brown Building.

Adjournment

The meeting adjourned at 10:08 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Authority Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 9:10 a.m. on Friday, April 28, 2017.]