MINUTES OF MEETING OF TOBACCO SETTLEMENT
REVENUE MANAGEMENT AUTHORITY
January 31, 2023 -- 9:30 A.M.

The Tobacco Settlement Revenue Management Authority (the Authority) met at 9:30 a.m. on Tuesday, January 31, 2023, 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 Harvey S. Peeler, Jr.., Chairman, Senate Finance Committee; and
Representative G. Murrell Smith, Chairman, Ways and Means Committee.

Also participating in the meeting were State Fiscal Accountability Authority Executive Director Grant Gillespie; Authority General Counsel Keith McCook; State Auditor George Kennedy; Governor's Deputy Chief of Staff Mark Plowden; Treasurer's Chief of Staff Clarissa Adams; Comptroller General's Chief of Staff Eddie Gunn; Joint Bond Review Committee Director of Research Rick Harmon; Ways and Means Chief of Staff Daniel Boan; Authority Secretary Delbert H. Singleton, Jr.; and other State Fiscal Accountability Authority staff.

[Secretary's Note: The Authority members met as the State Fiscal Accountability Authority immediately after this meeting.]

Adoption of Agenda

Upon a motion by Mr. Loftis, seconded by Senator Peeler, the Authority adopted the agenda as proposed.

Office of the State Treasurer: Adoption of Budget (Regular Session Item #1)

In accord with South Carolina Code of Laws Section 11-49-60 (12), the Authority was asked to adopt the proposed fiscal year budget for the period July 1, 2023, through June 30, 2024, as submitted by the State Treasurer. The proposed budget is anticipated to cover, in part, expenses including, but is not limited to, professional services, payment of insurance premiums for members of the Authority Board, and other expenses related to the operation and administration of the Authority.

Upon a motion by Mr. Loftis, seconded by Senator Peeler, the Authority adopted the operating budget for the Authority's fiscal year budget for the period July 1, 2023, through June 30, 2024.

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

Tobacco Settlement Revenue Management Authority: Financial Statement for the Fiscal Year Ended June 30, 2021 (Regular Session Item #2)

South Carolina Code of Laws Section 11-49-100 requires that the Tobacco Settlement Revenue Management Authority "keep an accurate account of all of its activities and all of its receipts and expenditures and annually, in the month of January shall make a report of its activities to the [State Fiscal Accountability Authority], the report to be in a form prescribed by the [State Fiscal Accountability Authority]." The Authority was asked to approve the submittal of its Financial Statement to the State Fiscal Accountability Authority in accord with Section 11-49-100.

Upon a motion by Mr. Loftis, seconded by Senator Peeler, in accord with Code Section 11-49-100, the Authority received as information the Tobacco Settlement Revenue Management Authority's Financial Statement for the Fiscal Year Ended June 30, 2022, and approved the submittal of the Financial Statement to the State Fiscal Accountability Authority.

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

Adjournment

The meeting was adjourned at 9:40 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 near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 2:00 p.m. on Friday, January 27, 2023.]

MINUTES OF THE STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

January 31, 2023 – 9:30 A. M.

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Tuesday, January 31, 2023, in person and via videoconference. The meeting originated from Room 252 in the Edgar A. Brown Building, with the following members participating in attendance:

Governor Henry McMaster, Chair;
Mr. Curtis M. Loftis, Jr., State Treasurer;
Mr. Richard Eckstrom, Comptroller General;
Senator Harvey S. Peeler, Jr., Chairman Senate Finance Committee; and
Representative Bruce W. Bannister, Chairman, Ways and Means Committee.

Also participating in the meeting were State Fiscal Accountability Authority Executive Director Grant Gillespie; Authority General Counsel Keith McCook; State Auditor George Kennedy; Governor's Deputy Chief of Staff Mark Plowden; Treasurer's Chief of Staff Clarissa Adams; Comptroller General's Chief of Staff Eddie Gunn; Joint Bond Review Committee Director of Research Rick Harmon; Ways and Means Chief of Staff Daniel Boan; 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 Mr. Eckstrom, seconded by Mr. Loftis, the Authority adopted the agenda as proposed.

Minutes of Previous Meetings

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Authority approved the minutes of the December 13, 2022, State Fiscal Accountability Authority meeting.

State Treasurer's Office: Bond Counsel Selection (Regular Session Item #1)

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Authority received the State Treasurer's Office report on the assignment of bond counsel as information in accord with Authority policy.

CONDUIT/OTHER ISSUES:

Description of Issue	Agency/Institution (Borrower)	Bond Counsel	Issuer's Counsel	Date STO Approved
$15,000,000; South Carolina Jobs-Economic Development Authority ("SC JEDA"); Educational Facilities Revenue Bonds, Series 2023; East Link Academy	East Link Academy Conduit: SCJEDA	Haynsworth Sinkler Boyd, P.A. – Kimberly Witherspoon and Kathy McKinney	Burr Forman – Michael Seezen and Assatta Williams	12/12/2022

GENERAL OBLIGATION / REVENUE ISSUES:

Description of Issue	Agency/Institution (Borrower)	Bond Counsel	Issuer's Counsel	Date STO Approved
$106,000,000; State of South Carolina General Obligation State Institution Bonds (Issued on Behalf of Clemson University), Series 2023	State of South Carolina (on behalf of Clemson University)	Pope Flynn Group – Gary Pope	South Carolina Attorney General	12/9/2022

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

Office of the State Auditor: Overview of Fiscal Year 2022 Statewide Financial Audit (Regular Session Item #2)

Auditing standards require that at the conclusion of an audit of financial statement, the auditor communicate certain matters to those charged with governance. The attached communication addresses all matters required to be communicated related to the audit of statewide financial statements for the year ended June 30, 2022. The financial statements were issued with a report date of November 29, 2022, and are available on the Office of the State Audit website at osa.sc.gov/reports.

Senator Peeler noted that he would be looking further into this item.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, the Authority received the communication from the Office of the State Auditor related to the audit of the State with financial statements as information.

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

Dept. of Administration, Executive Budget Office: 2022 Comprehensive Permanent Improvement Plan (Regular Session Item #3)

Section 2-47-55 of the 1976 South Carolina Code of Laws provides that all state agencies responsible for providing and maintaining physical facilities are required to submit a Comprehensive Permanent Improvement Plan to the Joint Bond Review Committee and the State Fiscal Accountability Authority. The Comprehensive Permanent Improvement Plan is a planning tool that informs decisionmakers of the permanent improvement projects state agencies and institutions of higher education plan to undertake during the next five fiscal years. Each project included in the plan must subsequently be brought forward for consideration individually. The Executive Budget Office of the South Carolina Department of Administration has 1) compiled a statewide report entitled "State of South Carolina 2022 Comprehensive Permanent Improvement Plan, Fiscal Years 2022-23 through 2026-27" from agency submissions; 2) provided the information to the Joint Bond Review Committee and the State Fiscal Accountability Authority pursuant to the statute; and 3) made accessible complete and full details of agency submissions on the Department's website at: https://www.admin.sc.gov/budget/cpip.

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Authority approved the 2022 Comprehensive Permanent Improvement Plan.

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

Dept. of Administration, Executive Budget Office: Permanent Improvement Projects (Regular Session Item #4)

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

Review Committee (JBRC).

(a) Project: JBRC Separate Item: Clemson University
H12.9952: Advanced Materials Innovation Complex Construction

Request: Establish Phase II Full Construction Budget to construct an Advanced Materials Innovation Complex.

Included in CPIP: Yes – 2022 CPIP Priority 4 of 9 in FY23 (estimated at $130,000,000)
CHE Approval: 12/02/22
Phase I Approval: December 2021 (estimated at $130,000,000) (SFAA)

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Institution Bonds				105,000,000	105,000,000
Other, Maintenance & Stewardship	1,800,000		1,800,000	23,200,000	25,000,000
All Sources	1,800,000		1,800,000	128,200,000	130,000,000

Summary of Work: This project will construct a 143,000 square foot facility that will include a variety of classrooms, wet and dry laboratories, faculty and administrative offices, lecture halls, seminar rooms and shared spaces that, per the university, will encourage greater collaboration among students, faculty, staff and industry partners in the science and engineering disciplines. The new building will include a built-up modified bitumen roof membrane system that will come with a minimum 20-year material and 5-year workmanship warranty.

Rationale: Per the university, this facility is essential to support the significant research and enrollment growth in Chemistry, Materials Science and Engineering, and Chemical and Biomolecular Engineering programs and related programs, and to maintain Clemson's contributions to the state as a public, top-tier research university. Research expenditures in these fields are expected to reach approximately $17 million annually by 2026, which is critical to supporting the research goals in the university's strategic plan. The current lack of chemistry facilities and laboratory space on campus will limit the university's ability to serve more students in these programs, making this facility critical to serving the state's growing educational and workforce needs.

Facility Characteristics: The new building to be constructed will be approximately 143,000 square feet and will house the Chemistry, Materials Science and Engineering, and Chemical and Biomolecular Engineering Departments and related programs. The building will support approximately 120 faculty and staff located in the building and up to 180 graduate assistants assigned to the research labs. In addition, the undergraduate labs will accommodate more than 12,000 students a week.

Financial Impact: This phase of the project will be funded from State Institution Bonds ($105 million to be issued) and Maintenance and Stewardship Funds (uncommitted balance $57 million at October 17, 2022). Revenue to this fund is generated from tuition, matriculation and other debt retirement and plant transfers revenues that are not formally obligated to fund debt service in the current period and that are responsibly transferred to and managed by the State Treasurer until the time of their State Treasurer approved qualified use. The project is expected to result in an increase of $1,209,000 (year 1), $1,254,270 (year 2), and $1,282,628 (year 3), in annual operating expenses. No student fees or tuition will be increased as a consequence of the project. A portion of tuition is designated for capital improvements, currently $1,005 per student per semester, and has increased from $738 to $1,005 for the academic years 2014-2015 to 2022-2023. The project will be constructed to meet Green Globes Certification Standards with projected energy savings of $6,457,232 over a 30-year period.

Full Project Estimate: $130,000,000 (internal) funded by State Institution Bonds and Maintenance and Stewardship Funds.

Mr. Eckstrom asked when construction is anticipated to begin on the project. Rick Petillo, Clemson University's vice-president for Finance, stated that they anticipate beginning construction after the spring semester during the May/June timeframe. Mr. Eckstrom asked when a contract would be let for the construction manager. Mr. Petillo said they have an existing contract with the construction manager and that a contract for a guaranteed maximum price will be signed prior to construction beginning. Mr. Eckstrom asked Mr. Petillo what he expected construction costs would be given that the estimate was provided thirteen months prior and construction costs have increased. He asked how Clemson is going to handle any significant increase in construction cost. Mr. Petillo said they have built in their construction estimate the potential for cost escalation. He said they have also built into their cost estimate a contingency for refinement and design. He said if those two options were not sufficient, they would use cash to cover the costs. Mr. Eckstrom further asked if the bond issue would be reduced if there was cash available for cash financing instead of debt financing. Mr. Petillo responded that they have already put $25 million in cash toward the project and that they do not think there is a need to increase that amount unless they had to. Mr. Loftis expressed concerns regarding the cost of the State's use of Green Globe building standards, but acknowledged that they are currently incorporated in state law.

(b) Project: JBRC Item 1: College of Charleston
H15.9680: Buist Residence Hall 2024 Renovation

Request: Establish Phase I Pre-Design Budget to complete interior renovations and exterior envelope maintenance on the Buist Rivers Residence Hall.

Included in CPIP: Yes – 2022 CPIP Priority 6 of 9 in FY23 (estimated at $5,000,000)
CHE Approval: 12/01/22

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Other, Housing Revenue				372,725	372,725
All Sources				372,725	372,725

Summary of Work: The project will replace the plumbing and electrical infrastructure; replace the two-pipe HVAC and domestic hot water systems that are original to the building; replace lighting with LED fixtures; redesign the six community restrooms for increased privacy/security; and renovate the community lounge, laundry and kitchen spaces. All interior finishes, furniture and signage will also be replaced. On the exterior, envelope maintenance (flashing repairs and recaulking) will be completed.

Rationale: The copper pipes for HVAC are over 50 years old and are corroding, creating leaks through rooms below. Concealed HVAC pipe insulation is believed to contain asbestos. The last significant renovation was in 2008 and included roof replacement, new windows, and resealing exterior stucco. Select HVAC and restroom upgrades, and a new fire sprinkler and alarm system were also included.

Facility Characteristics: Buist Rivers Residence Hall is 30,364 gross square feet and was constructed in 1967 (55 years old). The four-level building is a 108-bed traditional style residence hall and was the College's first dedicated all-female residential facility. The ground floor consists of common spaces. Each of the upper three floors contain 18 double-capacity student rooms, one community lounge and two community restrooms. In a typical academic year, the facility houses 108 undergraduate students among three identical floors. The residence hall also contains three administrative offices, a centralized laundry facility, a student lounge/assembly room, and a staff apartment.

Financial Impact: This project will be funded from Housing Revenue Funds (uncommitted balance $15.97 million at September 22, 2022). Revenues to this fund are generated through the Student Housing Fee, paid per-semester by students who reside in on-campus housing. The fee varies based on amenities, condition, and age of the college's 13 residence halls and 24 historic student residences. The project is expected to result in a decrease of $6,000 (year 1), $6,180 (year 2), and $6,365 (year 3), in annual operating expenses. No student fees or tuition will be increased as a consequence of the project. A portion of tuition is designated for capital improvements, currently $906 per student per semester, and has increased from $781 to $906 for the academic years 2014-2015 to 2022-2023. $483 of the $966 is currently pledged for debt service. The balance of the fee, $483 per student, per semester, is used to fund ongoing capital projects and maintenance.

Full Project Estimate: $14,909,020 (internal) funded by Housing Revenue Funds.

Mr. Eckstrom asked why the year-old estimate of $5 million for the project has increased by three times that amount. Paul Patrick, Chief of Staff for the College of Charleston appeared before the Authority on this matter. Mr. Patrick stated that they have been carrying the project on the CPIP (Comprehensive Permanent Improvement Plan) as costing $5 million as an internal goal and estimate. He noted that the timing for submission for the 2022 CPIP and receiving the feasibility report were close together. He said the feasibility report, which is a planning document they use to determine project scope and estimated cost, was completed after the 2022 CPIP submission and estimated the project at nearly $14 million. He stated that the previous estimate was an internal optimistic estimate.

Mr. Eckstrom asked when the project would start. Mr. Patrick said the project would begin in the summer of 2024. Mr. Eckstrom further asked if Mr. Patrick expected there to be cost escalations. Mr. Patrick said the current estimate is carrying a 20% contingency for the project to account for cost escalations.

(c) Project: JBRC Item 2: Francis Marion University
H18.9582: Smith University Center Renovations & Improvements

Request: Increase Phase II Full Construction Budget and Change Source of Funds to complete renovations to the women's and men's locker rooms, showers, athletic training facilities and offices.

Included in CPIP: No – The required increase was not known at the time of the 2022 CPIP submission.

Phase I Approval: September 2021 (estimated at $4,000,000) (SFAA)

Change Source of Funds & Phase II Approval: Approval 2022 (estimated at $4,000,000) (SFAA)

CHE Approval: 12/01/22

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Revenue Bonds		4,000,000	4,000,000		4,000,000
Other, FMU Maintenance Reserve	60,000	(60,000)		1,000,000	1,000,000
All Sources	60,000	3,940,000	4,000,000	1,000,000	5,000,000

Summary of Work: The renovations will double the square footage and will provide increased rehabilitation facilities. The main lobby of the building looks worn and dated and needs new finishes and lighting to continue to host functions and events in the space as well as provide wayfinding to all other spaces in the building. The main weight room is located on the second floor of the building and will be relocated to the main level and consolidated with the exercise area. The basketball gymnasium has fixed seating at one side that needs to be replaced and will provide the code required aisle width and rails for patrons. The entry into the building from the parking lot side requires wider stairs and an accessible ramp so that patrons for basketball games and other public events such as graduations do not have to traverse around the corner to enter the building.

Rationale: After the first design review meeting occurred, it was determined that additional funds are needed in order to renovate the 8 priority areas (locker rooms, training room, office space, commons lobby, weight room, gymnasium, exterior entrances, and decommissioning the indoor pool). The current locker rooms and showers have undergone very little improvements since the building was constructed. As the number of teams and student-athletes within the FMU program have increased, the functionality of the facility has become extremely deficient. The renovations will help bring the facility into the 21st-century. The current athletic training room does not meet minimum National Athletic Trainers' Association (NATA) requirements. Additionally, some staff are using closet space for offices, and this renovation will afford improved and increased office space.

Facility Characteristics: The Smith University Center is 115,366 square feet and was constructed in 1974 (48 years old). The renovated space in the Smith University Center will serve approximately 200 individuals on a daily basis, including student athletes, students, visiting team members, faculty/staff members, and alumni. Over the course of a year, the space will serve over 250 FMU student athletes, be available to 4,000 members of the FMU community (students, faculty, and staff), serve more than 1,500 visiting athletes, be available for more than 1,500 members of the FMU Alumni Association, and provide a greater experience for those attending athletic events.

Financial Impact: This increase will be funded from Maintenance Reserve Funds (uncommitted balance $15.49 million at December 2, 2022). The project is expected to result in a decrease of $25,000 (year 1), and $50,000 (years 2 thru 3), in annual operating expenses. A portion of tuition is designated for capital improvements, currently $200 per student per semester, and has increased from $100 to $200 for the academic years 2014-2015 to 2022-2023.

Full Project Estimate: $5,000,000 (internal) funded by Athletic Revenue Bonds and Maintenance Reserve Funds. Construction completion is expected in June 2023.

(d) Project: JBRC Item 3: Winthrop University
H47.9606: New Cafeteria

Request: Establish Phase I Predesign Budget to construct a new cafeteria to replace the existing Thomson Cafeteria.

Included in CPIP: Yes – 2022 CPIP Priority 6 of 18 in FY23 (estimated at $10,000,000)
CHE Approval: 11/16/22

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
FY22 Capital Reserve				157,500	157,500
All Sources				157,500	157,500

Summary of Work: This project will construct a new standalone approximately 15,600 square feet cafeteria. The location for the new cafeteria was sited during the campus master plan in a gravel parking lot. However, during the study for the sizing of the cafeteria the Richardson residence hall site was proposed (Richardson is closed and slated for abatement & demolition). Through the programming/schematic design process both these options will be reviewed by the design firm, who will provide a recommendation on the siting. Additionally, the final extent of the construction will be determined during the Phase I process. All roofing material options will be evaluated during the Phase I process and the roof will come with a minimum 20-year material and workmanship warranty.

Rationale: The age, layout and condition, as well as inherent infrastructure issues in the current Thomson Cafeteria make renovation a more expensive option than constructing a new one, per the university. Additionally, the work would have to be completed over multiple summers to not impact food service to students. Constructing a new cafeteria facility will allow existing Thomson to stay on-line during construction. Once the existing cafeteria is vacated, studies will be completed for future re-purposing of the space.

Facility Characteristics: Thomson Cafeteria is 26,859 square feet and was constructed in 1964 (58 years old). It is one of the main sources of food service to the Winthrop campus. The cafeteria will be used by the 1,622 on campus residents plus faculty and staff.

Financial Impact: This phase of the project will be funded from FY22 Capital Reserve Funds (uncommitted balance $2.5 million at September 30, 2022). The project is not expected to result in any change in annual operating expenditures. No student fees or tuition will be increased as a consequence of the project. A portion of tuition is designated for capital improvements, currently $543 per student per semester, and has decreased from $593 to $543 for the academic years 2014-2015 to 2022-2023.

Full Project Estimate: $10,500,000 (internal) funded by FY22 Capital Reserve. Phase II will be funded by $8,000,000 in Revenue Bonds and $2,342,500 in FY22 Capital Reserve Funds.

(e) Project: JBRC Item 4: Winthrop University
H47.9587: Lee Wicker Hall: Auxiliary Building Infrastructure & Envelope Upgrade

Request: Establish Phase II Full Construction Budget to replace the roof and address exterior repairs.

Included in CPIP: Yes – 2022 CPIP Priority 5 of 18 in FY23 (estimated at $1,100,000)
Phase I Approval: May 2021 (estimated at $1,750,000) (SFAA)
CHE Approval: 12/01/22

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Other, Auxiliary Housing	26,250		26,250	2,773,750	2,800,000
All Sources	26,250		26,250	2,773,750	2,800,000

Summary of Work: The project scope will address roof replacement, envelope repairs, and architectural details (wood boxing) to Lee Wicker Residence Hall. The existing roof materials are transite shingles, which were originally a Johns Manville product and is an asbestos-cement product but became a generic term for other company's similar products. The university expects that the new steep-slope roof system will be either standing metal or asphalt shingles. The final material selection will depend on product availability and pricing. The university expects that the new low-slope roof system will be a two-ply SBS modified bitumen roof system. The new roof will come with a minimum 20-year material and workmanship warranty. The building envelope repairs, and architectural detail work involves the exterior brick masonry that normally stops just below the architectural detailing (boxing) thus exposing the envelope to the elements and often allows wildlife into the building. The project will replace the boxing around the perimeter of the building.

Rationale: The existing transite tile roof is 60 years old and has tiles that are falling off, leaving a void for water entry. The water is also damaging the underlying roof decking.

Facility Characteristics: Lee Wicker Residence Hall is 69,382 square feet and was constructed in 1943 (79 years old). The existing roof was installed in 1962 (60 years old). The roof and mechanical, electrical, and plumbing systems are original to the building. The residence has houses approximately 282 students.

Financial Impact: This phase of the project will be funded from Other, Auxiliary Housing Funds (uncommitted balance $12.31 million at October 31, 2022). The project is expected to result in a decrease of $10,000 (years 1 thru 3), in annual operating expenses. No student fees or tuition will be increased as a consequence of the project. A portion of tuition is designated for capital improvements, currently $543 per student per semester, and has decreased from $593 to $543 for the academic years 2014-2015 to 2022-2023.

Full Project Estimate: $2,800,000 (internal) funded by Auxiliary Housing Funds. The estimated cost to complete this project has increased from Phase I and the 2022 CPIP submission due to current increases of construction costs.

(f) Project: JBRC Item 6: Department of Administration
D50.6082: SLED Former Forensics Laboratory Renovation

Request: Establish Phase II Full Construction Budget to renovate the former SLED Forensics Laboratory.

Included in CPIP: Yes – SLED 2022 CPIP Priority 1 of 2 in FY23 (estimated at $9,124,500)
Phase I Approval: October 2021 (estimated at $9,124,758) (SFAA)
Phase I Increase Approval: December 2021 (estimated at $9,124,755) (SFAA)
CHE Approval: N/A

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Other, SLED (Record Search Fees)	156,871	45,624	202,495	17,238,142	17,440,637
All Sources	156,871	45,624	202,495	17,238,142	17,440,637

Summary of Work: This Construction Management at Risk project, which was issued to Hood Construction, will repurpose this facility into an office building by completing an entire interior renovation to include new interior walls, ceilings, doors, building systems, and full modernization of the two existing elevators. The existing thermoplastic polyolefin (TPO) roof membrane system will be replaced with a PVC/KEE thermoplastic room membrane and come with a minimum 20-year material and workmanship warranty. Additionally, the security fencing will be extended. During the Phase I process it was determined that no structural modifications would be required. The existing building structure will meet the requirements of a Class IV type occupancy.

Rationale: The construction of the new replacement Forensics Laboratory will vacate the former Forensics Laboratory building. Renovation of this facility into an office building will allow for functional consolidation of work units and allow the removal of personnel from buildings not suitable for utilization as office facilities. This step will allow the Regulatory department, currently spread into multiple locations, to be consolidated into a single location. The Midlands District and Narcotics units will then be allowed to return to the Broad River Road campus. The renovated building will be a modernized facility for safe use by the occupants and the owner, per the agency.

Facility Characteristics: The Forensics Laboratory building is 70,155 square feet and was constructed in 1989 (33 years old). Approximately 67,023 square feet of this building will be renovated in this project. Approximately 260 employees of SLED Investigations, Administrative, Fusion Center and Regulatory operations, will utilize the renovated space.

Financial Impact: The project will be funded from SLED Record Search Fees (uncommitted balance $38 million at October 24, 2022). Revenue to this fund is generated from SLED Record Search Fees. The project is expected to result in an increase of $211,950 (year 1), and $423,900 (years 2 and 3), in annual operating expenses.

Full Project Estimate: $17,440,637 (internal) funded by SLED Record Search Fee Funds. Contract execution is expected in March 2023 and completion of construction in September 2024. The estimated cost to complete the project has increased from Phase I and the 2022 CPIP submission due to a 7,023 square foot increase to be renovated, addition of information technology and furniture, fixtures and equipment, and increases in construction costs.

(g) Project: JBRC Item 7: Governor's School for the Arts and Humanities
H64.9525: Dining Hall Renovation

Request: Establish Phase I Pre-Design Budget to expand the dining space.

Included in CPIP: Yes – 2022 CPIP Priority 1 of 1 in FY23 (estimated at $512,950)
CHE Approval: N/A

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Appropriated State, FY23 Proviso 118.19 (9)				15,389	15,389
All Sources				15,389	15,389

Summary of Work: The project will expand the dining hall by approximately 2,444 square feet to accommodate up to 140 seats by relocating offices. The work will include the demolition of several non-load bearing walls, relocation of serving lines, new flooring, and all new furniture. No major renovations, or renovations to any exterior walls is required.

Rationale: The dining hall is only rated to accommodate 75 people and the current dining facilities are not readily usable by students with mobility challenges and does not meet current standards for accessibility. Having maintained the original furnishings that are over 20 years old, the dining area is outdated and institutional.

Facility Characteristics: The Dining Hall is approximately 2,037 square feet and was constructed in 1991 (31 years old). The facility is used to serve all meals for students, staff, and for special events such as parent weekends, orientation, and any other large student events. There are 238 students and 75 staff that dine their daily.

Financial Impact: This phase of the project will be funded from FY23 Appropriated State (nonrecurring) Funds (uncommitted balance $512,950 at October 27, 2022). The project is not expected to result in any change in annual operating expenditures.

Full Project Estimate: $1,235,900 (internal) funded by FY23 Appropriated State (nonrecurring) Fund. Phase II will be funded by $210,000 in funds contractually obligated for this project from Aramark, $497,561 in FY23 Appropriated State (nonrecurring) Funds, and the agency is requesting an additional $512,950 in their FY2023-2024 Budget Request to fund the remainder of the project.

(h) Project: JBRC Item 12: Department of Public Safety

K05.9617: Blythewood Complex Chiller Replacement

Request: Establish Phase II Full Construction Budget to replace a 530-ton chiller, cooling tower, and associated pumps at the DPS/DMV headquarters' buildings.

Included in CPIP: Yes – 2022 CPIP Priority 2 of 3 in FY23 (estimated at $2,000,000)
Phase I Approval: April 2022 (estimated at $1,292,000) (SFAA)
CHE Approval: N/A

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Appropriated State, FY22 Carryforward				708,000	708,000
Other, DPS Building	19,400		19,400	954,452	973,852
All Sources	19,400		19,400	1,662,452	1,681,852

Summary of Work: The project will replace a 530-ton chiller, cooling tower, and associated pumps at the DPS/DMV headquarters buildings with a 600-ton chiller system. Two 300-ton chillers are currently used to cool the almost 300,000 square foot complex. The 530-ton system is currently used as a temporary back-up to the smaller chillers.

Rationale: An assessment stated the total connected chilled water load for these two buildings is approximately 750 tons. Consequently, the two chillers are not sufficient to maintain essential temperatures and humidity levels, which has been a problem in both buildings. The system has been repaired numerous times, many of the parts are obsolete, and the refrigerant required for its operation is expensive and difficult to locate. Per the agency, this leaves two agency headquarters' facilities with inadequate cooling and no real mechanical redundancy. A new chiller, cooling tower, and associated pumps would solve that problem and provide for greater efficiency. The 300-ton chillers would then only be used when peak temperatures occur and could be cycled on and off as designed.

Facility Characteristics: The existing chiller and cooling tower are original to the buildings constructed in 1993 (29 years old). These systems serve the DPS Headquarters' Building and DMV Headquarters' Building which house 795 employees and receive approximately 1,150 visitors a month.

Financial Impact: This phase of the project will be funded from Appropriated State, FY22 Carryforward (uncommitted balance $708K at November14, 2022) and DPS Buildings Funds ($4.78 million commitment at November 14, 2022). Revenue received to the DPS Building Fund is from the late penalty fee on vehicle registrations. This money is collected by the Department of Motor Vehicles and transferred to DPS. The project is expected to result in a decrease of $50,000 (year 1), and $75,000 (years 2 thru 3), in annual operating expenses.

Full Project Estimate: $1,681,852 (internal) funded by Appropriated State, FY22 Carryforward and DPS Building Funds. Contract execution is expected in May 2023 with construction completion in November 2023.

(i) Project: JBRC Item 13: Department of Juvenile Justice
N12.9619: Laurel Unit Safety Modifications

Request: Increase Phase II Full Construction Budget to cover the cost of installing 12-gauge galvanized sheet metal in the ceilings in the Laurel Unit on the Broad River Road Campus in Columbia.

Included in CPIP: No – The need for the increase was not known until after submission of the 2022 CPIP.
Phase II Approval: January 2022 (estimated at $1,759,868) (SFAA)
CHE Approval: N/A

Source of Funds	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Adjustment Requested	Total Budget After Current Adjustment
Appropriated State, FY21 Carryforward	1,759,868		1,759,868		1,759,868
Appropriated State, FY22 Carryforward				200,000	200,000
All Sources	1,759,868		1,759,868	200,000	1,958,868

Summary of Work: The project is already in progress as an emergency project for which notification was provided to JBRC on November 19, 2021. The project includes two youth pods with 12 beds each (24 total). The scope includes new doors with electric locking mechanisms which will prevent the doors from opening automatically in a power outage. The scope also includes the installation of a raised drywall and metal ceiling in the youth pods and replacement of the acoustical ceiling tile in the housing control areas, anti-ligature lighting, replacement of the tile in the showers with flowrock, secure shower doors, and associated electrical and mechanical work including fire sprinkler head adjustments, plumbing and HVAC. Installing 12-gauge galvanized sheet metal in the ceilings consists of: 1) Installing 3X3, 3/16 angle at the perimeter of all sheet metal, 2) Installing sheet metal and angle with toggle bolts that will be tack welded after install, 3) Stitch weld seams of sheet metal 4) Stitch weld edges of sheet metal to existing registers, 5) Remove 2X2 LED lights, 6) Replace with Shat-r-shield ironclad pro fixture, and 7) Epoxy coat ceilings.

Rationale: The existing ceiling and lights in a specific area of Laurel (different from original scope), was compromised by the youth and significantly damaged during an event. Because of this, damaged pieces of the ceiling and lights cause a safety concern and escape issue. Several juveniles got out of the pods within the unit the week of November 15, 2021 and the State Law Enforcement Division was called in to assist. The door locking systems in the facility were compromised and had to be replaced immediately to ensure the safety of juveniles and staff. Additionally, the existing ceiling and lights were significantly damaged by the juveniles, and, because of the damage, pieces of the ceiling and lights could potentially be used as weapons, as could damaged and chipping tile in the showers.

Facility Characteristics: The Laurel Unit is 28,765 square feet and was constructed in 1976 (46 years old). Approximately 10,000 square feet of this building will be renovated as part of this project. The Laurel Unit is a secure confinement space utilized by youth who require additional supports for behavior management. Youth are supervised by staff within the Division of Institutional Services, the division responsible for the care, custody and control of youth in facilities. Approximately 22 youth and 27 staff utilize the associated space in the building monthly.

Financial Impact: This phase of the project will be funded from Appropriated State, FY22 Carryforward Funds (uncommitted balance $13.23 million at November 30, 2022). The project is not expected to result in any change in annual operating expenditures.

Full Project Estimate: $1,959,868 (internal) funded by FY21 & FY22 Carryforward Funds. Construction completion is anticipated in January 2023.

Upon a motion made by Senator Peeler, seconded by Mr. Loftis, the Authority approved the permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Executive Budget Office. All items have been reviewed favorably by the Joint Bond Review Committee.

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

Department of Administration, Facilities Management and Property Services: SC Department of Public Safety Lease of 2070 Northbrook Boulevard, North Charleston, SC 29406 (Regular Session #5)

The South Carolina Department of Public Safety (DPS) requested approval to lease 10,083 rentable square feet of office space at 2070 Northbrook Boulevard in North Charleston, SC from Northbrook LTD, a Florida Limited Partnership. The space will be used by DPS for its Highway Patrol Troop 6 Headquarters & Post A Headquarters; Multi-disciplinary Accident Investigation team; Legal and Community Relations staff; and Telecommunications Center and IT staff. Their current lease at 597 Old Mt Holly Road, where they were paying $18.00 per rentable square foot, will expire on May 31, 2023.

After contacting state agencies to verify no adequate state space was available, the Department of Administration conducted a solicitation for 3, 5, and 7-year terms. Four proposals were received; however, one is no longer available for lease. Of the three offers remaining, the selected location is the lowest offer.

The requested lease term will be five (5) years and the lease is expected to commence June 1, 2023, and includes an option to extend for one term of two years with the same terms and conditions. The rental rate for the first year of the term will be $25.47 per rentable square foot ($22.63 in base rent and $2.84 in operating expenses) for an annual aggregate amount of $256,814.01. After the first year, DPS would be responsible for covering any increases in operating costs up to a maximum capped rate of 3% over the immediately preceding year. As such, the minimum DPS would pay over the Initial and Extended Terms is $1,797,698.07 and the maximum is $1,803,254.89.

INITIAL TERM	ANNUAL RENT	RENT PER SF	MAX OPERATING EXPENSE INCREASES	TOTAL ANNUAL MAX
June 1, 2023-May 31, 2024	$256,814.01	$25.47	$0.00	$256,814.01
June 1, 2024-May 31, 2025	$256,814.01	$25.47	$859.07	$257,673.08
June 1, 2025-May 31, 2026	$256,814.01	$25.47	$884.84	$257,698.85

June 1, 2026-May 31, 2027	$256,814.01	$25.47	$911.39	$257,725.40
June 1, 2027-May 31, 2028	$256,814.01	$25.47	$938.73	$257,752.74
June 1, 2028-May 31, 2029	$256,814.01	$25.47	$966.89	$257,780.90
June 1, 2029-May 31, 2030	$256,814.01	$25.47	$995.90	$257,809.91

The space will meet the state standard of 210 RSF/person with a density of 137 RSF/person. The following chart represents comparable lease rates of similar space in the Charleston area and were also received in response to this solicitation:

Tenant	Location	*Rate /SF
Existing DPS space	597 Old Mt Holly Road, North Charleston	$28.00
Vacant	201 Sigma Dr, Summerville	$33.00
Vacant **	8740 North Park, North Charleston	$17.00

*Above rates may be subject to operating expenses and base rent escalations.
** Sold during the solicitation process. Rate was subject to operating expenses as well.

DPS has adequate funds for the lease according to a Budget Approval Form submitted December 29, 2022. Lease payments will be funded through Revenue (4150100016). No option to purchase the property is included in the lease. The lease was approved by JBRC on January 25, 2023.

Upon a motion by Mr. Loftis, seconded by Senator Peeler, as recommended by the Department of Administration, Facilities Management and Property Services, the Authority approved the proposed five-year lease and optional two-year extension for 10,083 rentable square feet of office space at 2070 Northbrook in North Charleston, for the SC Department of Public Safety.

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

Division of Procurement Services: Audit and Certification – Florence Darlington Technical College (Regular Session #6)

The S.C. Consolidated Procurement Code and ensuing regulations (Procurement Code) authorize agencies to make direct procurements up to $50,000 and to enter sole source and emergency procurement contracts with no dollar limitation. S.C. Codes §§11-35-1210(1), 1560, and 1570, and Regulation 19-445.2000C (1). The Procurement Code authorizes the Authority to delegate additional procurement authority by assigning dollar limits below which an agency may make direct procurements. On May 2, 2017, the Authority delegated procurement authority to Florence Darlington Technical College (FDTC) as follows:

	Certification Limits
Supplies and Services	$ 150,000 per commitment
Consultant Services	$ 100,000 per commitment
Information Technology	$ 100,000 per commitment
Construction Contract Change Order	$ 25,000 per change order
Architect/Engineer Contract Amendment	$ 5,000 per amendment

Per SC Code Ann. § 11-35-1210(1)(b) and Regulation 19-445.2020B, the Director of Procurement Services (DPS) may authorize a governmental body to make direct procurements not under term contracts in an amount up to one hundred fifty thousand dollars. At the request of FDTC and with the concurrence of the Office of the State Engineer, the Director of DPS authorized an increase in the FDTC's procurement authority for Construction Services on December 17, 2019, for award of small Construction Contracts up to $100,000.[1]

In accordance with S.C. Code Ann. § 11-35-1230, DPS audited the procurement operating policies and procedures of FDTC to determine whether the Agency's system of internal controls over procurement was adequate to ensure compliance, in all material respects, with the Procurement Code. We found the FDTC's system of internal controls over procurement procedures was not adequate to ensure compliance with the Procurement Code as described in the audit report and made recommendations for improvement. With the implementation of the recommended corrective action, the FDTC's system of internal controls over procurement will be adequate to ensure compliance with the Procurement Code as described in the audit report.

Per S.C. Code Ann. §11-35-1210, the College requested that the Authority reauthorize it to make direct procurements at its current level of certification. However, the findings in DPS's audit do not support recertification.

[1] $100,000 is the small procurement limit for construction. Up to this amount, the agency need only make a written request for written quotes and obtain three or more quotes.

John White, Materials Management Officer, appeared before the Authority in this matter.

Dr. Jermaine Ford, FDTC's president, also participated in the meeting via video conferencing. Mr. Eckstrom asked Mr. White what letter grade from A to F he would give FDTC in assessing their procurement program to which Mr. White said he would grade the program an F. Mr. Eckstrom asked if there was a determination in the audit of any illegal purchases. Mr. White said that purchases in violation of the State Procurement Code are illegal purchases and that there were some purchases in violation of the Code. Mr. White noted that, generally, FDTC was improperly using exemptions to make purchases that were not covered by the exemptions. He said FDTC was using an exemption for the purchase of commercial items for resale to purchase gift cards for sale in their bookstore, but they were not using them solely for that reason. Mr. White said FDTC was giving the cards away to students and employees and they were not able to account for the cards that were given to the students and employees.

Mr. Eckstrom further asked if there were any purchases made on behalf of a high ranking official. Mr. White said there were purchases made on behalf of a former high ranking official. Mr. Eckstrom asked what the nature of the purchases were. Mr. White said he did not have that information and it would have to be provided.

Senator Peeler inquired if anyone went to jail behind the purchases. Mr. White stated there has been no determination that anything criminal occurred regarding the purchases. He said as part of the recommendation before the Authority DPS is requesting that the State Auditor select an independent auditor to conduct further investigation to determine if anything improper has taken place and to have FDTC pay for the audit.

Dr. Ford stated he is looking forward to the independent audit from the third-party auditor. He said as a new president coming into the College that he has observed a number of things. He said that upon reading the audit he has had the gift cards suspended and is working to assure that better practices are in place to support and serve their students.

Mr. Eckstrom asked if gift cards are permitted by State law for public employees. He said in his agency he does not have the legal ability to dole out gift cards. He said he is not certain that that is a permitted practice. Terry Miller, FDTC's bookstore director, said that they do not give gift cards away. She said during the pandemic one of their departments charged gift cards to the department and gave them away as incentives for getting the vaccine. She said they have sales records for the purchases and can provide them if they have not already been provided. She said every gift card that leaves the bookstore is run through the register and she can provide that information. Mr. Eckstrom commented that Ms. Miller was focusing on the bookstore, but the Authority is focusing on FDTC and its practices.

Mr. Eckstrom asked Dr. Ford what the nature of the independent audit would be. Sierra Flynn, FDTC's Procurement Director, stated that the third-party audit would be to audit the gift card program through the bookstore. Mr. Eckstrom commented that if only the bookstore was going to be audited that would not include auditing the departments who received the gift cards which should be part of the audit. Ms. Flynn said her understanding is that the audit of the gift cards will include the time from when the bookstore purchases the gift cards until the time they are repurchased.

Mr. Loftis noted that there was over $800,000 in gift cards, but only $100,000 to $150,000 in sales is recorded of how they were disposed. Ms. Miller said she provided sales records from October 1, 2018, to September 30, 2021, showing where they sold $982,000. Ms. Miller further stated that with their markup of the $808,000 of gift cards their sales were $982,504. Mr. White stated that he was not sure what Ms. Miller was referencing but that the audit report was based on the information received from FDTC at the time of the audit.

Mr. Loftis noted that his staff contacted FDTC about the audit and that FDTC did not seem clued into what was happening with the audit. He said the Authority should act now to freeze FDTC's behavior. He asked who would pick the auditor and if the audit would be a forensic audit. He said another policy audit will only end up with more ambiguity. Mr. White stated that as the agenda item indicated the State Auditor will select the auditor.

Mr. Eckstrom asked if consideration has been given to having the Inspector General review the matter. Mr. White stated that the matter has been submitted to the Inspector General and that they have expressed interest in the matter. He said, however, that the Inspector General was currently involved in other investigations.

Mr. Loftis further commented that handling fraud, waste, and abuse must come from the General Assembly. He said there is not much appetite to handle this type of behavior in the executive branch and there must be some means of handling this kind of behavior because it erodes the public trust. He asked how long Dr. Ford had been at FDTC. Dr. Ford stated that he has been at the College since October 4, 2021. He said upon hearing of this matter he suspended the gift card process immediately.

Mr. Eckstrom inquired how long had DPS been working with FDTC on the audit. Mr. White stated that DPS has been working with FDTC for months. Mr. Eckstrom said that there were people at FDTC who would have or should have had awareness of the audit.

Upon a motion by Mr. Loftis, seconded by Representative Bannister, the Authority approved the following:

1. Required Florence Darlington Technical College (FDTC) to provide to the Division of Procurement Services for approval, written corrective action plans and procedures for each of the deficiencies noted in the audit report by March 15, 2023.

2. Required FDTC to stop the gift card program at once.

3. Revoked FDTC's authority to use the Articles for Commercial Sale Exemption for gift cards.

4. Required FDTC to pay for an independent audit by an auditor selected by the State Auditor's Office to determine whether the College used gift cards for any improper purpose.

5. Required FDTC to process exempt purchases with a PO approved by the College's Procurement Department, and the College to specify in the PO which exemption it is applying.

6. Required FDTC to Immediately suspend no less than 50% of its P-Cards until January 31, 2024, and notify DPS of which cards the College has suspended by March 15, 2023.

7. Required FDTC to report all procurements identified in the report as unauthorized or illegal in accordance with Regulation 19-445.2015 no later than March 15, 2023.

8. Required FDTC, starting immediately, to report each emergency procurement made during the ensuing year ending January 31, 2024, to the State Board for Technical and Comprehensive Education and DPS within five business days of initiating the procurement and further provide that each report includes a written justification for making an emergency procurement.

Information relating to this matter has been retained in these files and is identified as Exhibit 6.

Division of Procurement Services: Audit and Certification –The Citadel (Regular Session #7)

The S.C. Consolidated Procurement Code and ensuing regulations (Procurement Code) authorize agencies to make direct procurements up to $50,000 and to enter sole source and emergency procurement contracts with no dollar limitation. S.C. Codes §§11-35-1210(1), 1560, and 1570, and Regulation 19-445.2000C (1). The Code authorizes the Authority to delegate additional procurement authority by assigning dollar limits below which an agency may make direct procurements. On May 2, 2017, the Authority delegated procurement authority to the Citadel as follows:

	Certification Limits
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

In accordance with S.C. Code Ann. § 11-35-1230, the Division of Procurement Services (DPS) audited the procurement operating policies and procedures of The Citadel to determine whether the internal controls of the College's procurement system were adequate to ensure compliance, in all material respects, with the Procurement Code. The College has started implementation of the recommended corrective action and upon completion of the corrective action, the internal controls of the Citadel's procurement system will be adequate to ensure compliance with the Procurement Code as described in the audit report.

Per S.C. Code Ann. §11-35-1210, The Citadel requests that the Authority reauthorize it to make direct procurements at the current certification for Supplies & Services, Information Technology, Construction Services, Construction Contract Change Orders, and Architect/Engineer Contract Amendments.

Upon a motion by Mr. Loftis, seconded by Senator Peeler, the Authority authorized The Citadel to make direct procurements at the following limits for three years from date of approval:

	Certification Limits
Supplies and Services[1]	$ 500,000 per commitment
Information Technology[2]	$ 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 year or multi-term contracts are used.

The Authority also required The Citadel to submit a correction action plan regarding organization and filing of procurement workpaper the Division of Procurement Services no later than February 28, 2023, for submittal to the five-member authority.

1 Supplies and Services includes non-IT consulting services.
2 Information Technology includes consultant assistance for any aspect of information technology, systems, and networks.

Information relating to this matter has been retained in these files and is identified as Exhibit 7.

Division of Procurement Services: Procurement Exemption for the South Carolina Revenue and Fiscal Affairs Office's (RFA) acquisition of professional economist services. (Regular Session #8)

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. RFA requested that the Authority grant it an exemption for the acquisition of the services of professional economists per this provision.

In 2014, the General Assembly established RFA and charged it with responsibility for providing diverse sets of fiscal and statistical analyses, reports, and other services to the Governor, General Assembly, state and local government entities, the private sector, and the citizens of the state. RFA is considering augmenting its economic analysis and forecasting capabilities by contracting with firms or individuals for professional economic analytical services. The ability to respond promptly with professional analysis is a paramount concern when advising policy makers on the potential impact of a matter affecting the state's revenue and fiscal situation. Having access to other professional economists with expertise in a particular subject area or skill set will enhance RFA's ability to provide statutorily required economic analysis and revenue forecasting. When a need arises, RFA must have the ability to acquire the services of the best economic consultant with the necessary expertise from a limited pool of professionals and to do so quickly. RFA believes an exemption for professional economists similar to other exemptions for professional services will serve its need to make nimble, timely decisions in obtaining these specialized services.

Mr. Eckstrom noted that the exemption is needed because RFA faces the same difficulties in attracting qualified economists just as his office does with attracting qualified CPAs. He stated that the exemption is necessary given the structure of the State's compensation package for economists.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, under the authority of SC Consolidated Procurement Code Section 11-35-710, the Authority approved to exempt the South Carolina Revenue and Fiscal Affairs Office's acquisition of the services of professional economists from purchasing procedures of the Consolidated Procurement Code.

Information relating to this matter has been retained in these files and is identified as Exhibit 8.

Division of Procurement Services: Psychiatric Residential Treatment Facility for juveniles - Approval of Project Delivery Method and Contract Duration (Regular Session #9)

The Department of Mental Health (DMH) is in the planning stages for a Psychiatric Residential Treatment Facility for juveniles. The facility will be located adjacent to the G. Werber Bryan Psychiatric Hospital, between Beckman Road and Faison Drive. DMH estimates that the total potential value of this project is $90 million ($20 million for design and construction and $70 million for operation and maintenance services over seven years).

DMH intends to solicit contractual offers that include design, build (construction), and long-term operations and maintenance. Due to the nature of the proposed project, DMH sought approval to use the design-build-operate-maintain (DBOM) project delivery method. Under the procurement code, this project delivery methods require SFAA approval before DMH may solicit proposals. DMH's justification for their request appeared in the Written Determination attached to the agenda item.

Approval of the project delivery method must be accompanied by identification of the source selection method to be used. The competitive process will be conducted using the Competitive Sealed Proposal source selection method.

DMH's intended approach involves a contract for design, construction, and operation and maintenance which will exceed seven years in duration. Any contract governed by the procurement code having a maximum potential duration exceeding seven years must be approved by SFAA before DMH may solicit proposals. Accordingly, DMH is also requesting approval for a contract duration of seven years after substantial completion of construction to allow for a meaningful period of operation and maintenance services.

The project delivery methods are defined in Section 11-35-2910. Approval of the project delivery method is governed by Section 11-35-3010 and Regulation 19-445.2145B. The source selection method must be specified pursuant to Section 11-35-3015(6). Approval of the contract duration request is governed by 11-35-2030(5) and Regulation 19-445.2135. Copies of these laws are attached.

The Authority's actions herein are limited to the approvals required by the Consolidated Procurement Code and Regulations as set forth above.

Mr. Eckstrom stated the request is unusual in that it is for the approval of a construction project and an operating lease for the hospital that is to be built if the project is approved. He said it is also unusual because of the number of agencies involved in the project. He noted that there is an MOU (memorandum of understanding) among the agencies to provide funding to DMH to support the construction and operation of the facility. He questioned if that was permissible. He said that is an act of appropriation which only the General Assembly does.

He said the Department of Juvenile Justice (DJJ) received money for the project in August 2022 but is transferring the money to DMH to complete the project. He said that is a reappropriation of funds to another agency. He said the decision to transfer large appropriations from one agency to another should be done only by the General Assembly. Mr. Eckstrom stated he is concerned the project is a major construction project and a major lease agreement rolled into one agreement. He stated that given the services for construction and hospital operations are so disparate, competition is bound to be limited. He said that there are not that many companies that build hospitals and then operate them. Mr. Eckstrom said his concern is competition may be limited and having an operating agreement with a third party. He stated that those kinds of arrangements have not worked well for the State.

Edin Hendrick DJJ's Director appeared before the Authority in this matter. She stated that she could address the question concerning the $20 million. She said she asked for the $20 million in their budget because DJJ has a very specific need for services and DMH was not responding to their requests. She noted that the State run facility was closed in 2015 and that since then they have had seriously mentally ill juveniles in their facilities that should not be there. She said she requested the money with the idea that it would go to DMH and that the General Assembly knew that was the plan when they appropriated the funds. She commented that the General Assembly involved DHHS to ensure that DMH created the facility specifically for juvenile justice involved youth. DJJ cannot serve these youth because the State would not receive any Medicaid funding for them and would have to pay for the services.

Mr. Eckstrom asked who is responsible for the contract since the $20 million is going to DMH. Ms. Hendrick said that DMH is responsible for everything pursuant to the MOU. She said all the agencies will have input into the project. She stated the facility must be very specifically built to house these youth because they are difficult to deal with and for the contractor to be able to work with providers to deliver services.

Governor McMaster inquired if the same company would do the construction and operation of the facility. Ms. Hendrick said that the idea is to have the same company do both. Amanda Whittle, Director for the Department of Children's Advocacy, also appeared before the Authority on this matter. She stated that her agency has been involved because it is their job to ensure that children receive adequate services from state agencies. She said initially they started with a design model by way of an RFP and then realized they may be designing a building that no one would want to operate. She noted that her agency signed the MOU to be involved in the process to select the appropriate model and stay on a timeline.

After further discussion Mr. Eckstrom commented that he does not think the project concept has had the kind of vetting it needs with the Authority. He said for a project that is intended to start in two years, he thinks this should receive more vetting.

Mr. Loftis commented that this is the wave of the future where there is a real problem with finding skilled and unskilled labor. He said this project involves doctors and nurses and others who take care of people, and he does not know how else this project might be done. He said he would like to see the project move forward because the beds are needed. Mr. Eckstrom asked how do they know that the $20 million dollar facility would be built, and the State not be able to hire anyone. Mr. Loftis noted that the contractor would be responsible for hiring staff.

Mr. Eckstrom asked from where would the $10 million in operating costs come. Ms. Kittle said that part of the collaboration among the agencies involved is that a lot of the children are receiving Medicaid. She said having DMH to operate the facility and not DJJ allows DHHS to draw down Medicaid funds to help with operating expenses. Mr. Eckstrom said that is for reimbursement and he wanted to know what the operational costs would be. Robert Kerr, Director for the Department of Health and Human Services (DHHS) also appeared before the Authority on this matter. He said the four agencies involved in the project have discussed it extensively. He said they estimated the operating cost for the facility. He said that when children are in a DMH environment they can apply federal funds.

Acting State Director for DMH Dr. Robert Bank appeared before the Authority to address the matter. He noted that this population of youth being served is a specialized population that is difficult to manage. He said the facility needs to be able to withstand and assist in the treatment of these youth. He said that is why they believe that the DBOM concept is superior to the idea of having someone build the facility and then have someone different operate it who might think that it is not built the way think it should have been built for them to operate it. Mr. Eckstrom asked Dr. Bank how comfortable was he that the facility could be operated for $10 million a year and what happens if they do not get the $10 million. Dr. Bank said they would be able to access Medicaid funds to assist. Governor McMaster, Mr. Loftis, Senator Peeler, and Representative Banister voted for the item. Mr. Eckstrom abstained form voting on the item.

Upon a motion by Mr. Loftis, seconded by Representative Bannister, the Authority approved the Department of Mental Health 's use of design-build-operate-maintain as the project delivery method for the proposed Juvenile Psychiatric Residential Treatment Facility project. For the same project, the Authority approved the Department of Mental Health to solicit proposals for a contract with a duration of seven years after substantial completion of construction.

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

South Carolina Department of Mental Health: Legal - Approval of settlement of Chicora Life Center LLC vs. Charleston Dorchester Mental Health Center, an outpatient facility of the South Carolina Department of Mental Health, and John and Jane Does 1-100, 2019CP1000798, Charleston County, South Carolina, Court of Common Pleas (Regular Session #10)

This is a lease dispute. In 2015, the Defendant, a SCDMH outpatient facility (DMH), entered a five-year lease for about 9800 square feet at the old Charleston navy hospital with Plaintiff Chicora Life Center (CLC), a company formed to own and manage the old hospital. As part of the contract CLC was to make certain improvements prior to DMH taking possession. DMH contends the improvements were never properly made, and DMH never took possession of the property, sending a letter of termination of the lease in 2016. CLC contended this was improper, and in 2019 filed suit for breach of contract and breach of the duty of good faith, claiming damages of ~$1.7M. DMH answered, and discovery was conducted. Despite CLC naming John and Jane Does in the caption, no other parties were ever added to the case.

The case was mediated in November 2022 and a settlement amount of $215,000 was agreed to, payable from DMH to CLC. DMH's legal expense to go to trial was estimated in the $20,000 - $25,000 range. The rationale for the settlement is to avoid those trial costs, avoid the cost of a possible if not likely appeal from the loser at trial, and mitigate the risk of an adverse judgment. While DMH thinks it improbable that Plaintiff would obtain a verdict close to the $1.7M in damages it seeks, such an award, which as a breach of contract case is not covered by tort liability insurance, would seriously impact DMH's ability to fulfill its mission to the citizens of the state. Thus, DMH seeks to mitigate the risk and avoid the ongoing litigation expenses.

Upon a motion by Mr. Loftis, seconded by Senator Peeler, Pursuant to Section 11-1-45, the Authority approved the proposed settlement of $215,000 payable from the Department of Mental Health to Chicora Life Center, LLC.

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

Clemson University: Not Exceeding $106,000,000 of General Obligation State Institution Bonds (Issued on Behalf of Clemson University) of the State of South Carolina (Regular Session Item #11)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding $106,000,000 of General Obligation State Institution Bonds (Issued on Behalf of Clemson University) of the State of South Carolina.

The proceeds of the bonds will defray the cost to construct, improve, and furnish the Advanced Materials Innovation Complex project, consisting of new interdisciplinary research laboratory, classroom, faculty, and administrative facilities and related improvements and infrastructure, on the campus of the University, which are expected to support, without limitation, the chemistry, materials science and engineering, and chemical and biomolecular engineering programs and related programs on the campus of the University.

Mr. Eckstrom asked when is the anticipated issue date. Robert Macdonald, Director of the Debt Management Division for the State Treasurer's Office, responded that they are working with the University on scheduling the issuance date. He said they anticipate the bonds will be issued late fall of 2023 or early spring of 2024.

Upon a motion by Senator Peeler, seconded by Representative Bannister, the Authority approved to adopt a resolution making provision for the issuance and sale of not exceeding $106,000,000 of General Obligation State Institution Bonds (Issued on Behalf of Clemson University) of the State of South Carolina.

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

Executive Director: Qualified Public Educational Facilities (2022 Volume Cap Carryforward) (Regular Session Item #12)

Internal Revenue Code Section 26 U.S.C. Section 142(k) for qualified public educational facilities and Section 142(a)(13) were added by Section 422(a) and (b) of P.L. 107-16 in 2001. Section 142(k) provides a separate and independent volume cap for qualified public educational facilities to be used for the issuance of bonds for public educational facilities. These bonds are not subject to the general volume limitation under Code Section 146 but are subject to a separate volume limitation set forth in Code Section 142(k). No regulations for this provision have been promulgated.

The volume cap for qualified public educational facilities is governed by Section 142(k)5. That Section provides, in part, the following:

> (B) **Allocation rules.**
>
> ....
>
> **(ii) Rules for carryforward of unused limitation.** A State may elect to carry forward an unused limitation for any calendar year for 3 calendar years following the calendar year in which the unused limitation arose under rules similar to the rules of Section 146(f), except that the only purpose for which the carryforward may be elected is the issuance of exempt facility bonds described in subsection (a)(13).

The volume cap for calendar year 2022 is $51,907,050 and has been unused. The Authority is asked to elect to carryforward the entire volume cap for 2022 to be used for the issuance of bonds for qualified public educational facilities as described in Section 142(a)(13) and authorize the filing of a carryforward election with the Internal Revenue Service in connection with such allocation. Pursuant to Section 142(k)(5)(B)(ii) the carryforward will be valid for the next three calendar years.

Mr. Eckstrom asked if the election for carryforward had to be made prior to the end of the calendar year. Mr. Singleton stated that the ceiling allocation statute does not require that the election be made prior to the end of the calendar year. He said that the election must be filed by February 5 of the succeeding calendar year.

Upon a motion by Mr. Loftis, seconded by Representative Bannister, the Authority approved the carryforward of the unused volume cap allocation for qualified public educational facilities for calendar year 2022 to be used for the issuance of such bonds and authorize the filing of a carryforward election with the Internal Revenue Service in connection with such allocation to be valid for the next three calendar years.

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

State Fiscal Accountability Authority, Executive Director: South Carolina State Ceiling Allocation Plan – 2023 Administrative Updates (Regular Session Item #13)

The Authority adopted the 2023 South Carolina State Ceiling Allocation Plan on August 30, 2022. Section C requires that the Authority Secretary administratively update the annual State Ceiling Allocation Plan by the second Monday in January. On January 9, 2023, the Authority Secretary published an "Administratively Updated 2023 South Carolina State Ceiling Allocation Plan". This revision updates (1) Section D to reflect the total state ceiling as certified by the Authority Secretary pursuant to Section 1-11-500; (2) Section D to recalculate the limits on authorized requests using the total state ceiling for the Plan Year; (3) Section E to reflect the now current amounts identified in that section; (4) Section E to add the amount of any carryforward designated in the prior calendar year pursuant to Section 1-11-250(G), and (5) Section G to recalculate the dollar amounts based on the actual certified amount of state ceiling for the Plan year.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, the Authority received the administratively updated 2023 State Ceiling Allocation Plan as information.

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

State Fiscal Accountability Authority: Future Meeting (Regular Session Item #14)

Upon a motion by Representative Smith, seconded by Senator Peeler, the Authority agreed to meet at 9:30 a.m. on Tuesday, March 28, 2023, in Room 252, Edgar A. Brown Building.

Adjournment

The meeting was adjourned at 10:45 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 2:00 p.m. on Friday, January 27, 2023.]