

## **MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING**

**January 30, 2018 – 9:30 A. M.**

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Tuesday, January 30, 2018, 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 Executive 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 Chief of Staff Beverly Smith; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

[Secretary's Note: The Authority met immediately following a meeting of the Tobacco Settlement Revenue Management Authority, the members of which are the State Fiscal Accountability Authority members, ex officio.]

### ***Adoption of Agenda for State Fiscal Accountability Authority***

Upon a motion by Mr. White, seconded by Mr. Eckstrom, the Authority adopted the agenda as amended by deleting and carrying over regular session item #1 concerning a request by the Town of Port Royal to receive five percent (5%) of net proceeds from the sale of the Port of Port Royal.

### ***Minutes of Previous Meeting***

Mr. Eckstrom noted the last line of the second to last paragraph of page 37 of the draft minutes of the December 12, 2017, meeting contained the word "sic". He said the word "sic" is used to denote that someone misspoke or that information is incorrectly recorded. He said that his question to Clemson University was what impact the bond issue being done in a package would have on the approximate 3¼% cost of issuance. He said the intent of the question was to

ask would the cost of issuance go down. He noted that he did not use the term “3.25” and that although there is a difference “3.25” and “3.26” that does not need to be memorialized in the minutes. He stated that the fact that the minutes recognize that there is a misspeaking misses the point. He said his point was would the approximate 3¼% cost of issuance be affected by the plan to multiple issue the debt. He asked that the minutes correctly paraphrase what he said.

Upon a motion by Mr. Loftis, seconded by Senator Leatherman, the Authority approved the minutes of the December 12, 2017, Authority meeting with the correction noted by Mr. Eckstrom.

### ***Blue Agenda***

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority approved the blue agenda as noted herein.

### ***Department of Administration, Capital Budget Office: State of South Carolina Comprehensive Permanent Improvement Plan (Blue Agenda Item #1)***

Section 2-47-55 of the 1976 South Carolina Code of Laws provides among other things 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 Capital Budget Office of the South Carolina Department of Administration has 1) compiled a statewide report entitled “State of South Carolina 2017 Comprehensive Permanent Improvement Plan, Fiscal Years 2017-18 through 2021-22” 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 state agency submissions on the Department’s website at <http://www.admin.sc.gov/budget/capital-budget-office/cpip>.

Mr. Eckstrom commended the Department of Administration, Capital Budget Office for preparing the Comprehensive Permanent Improvement Plan (CPIP). He noted that Rick Harmon spent much time preparing the plan and noted that it will be a very useful tool for the State to use. Mr. Loftis concurred with Mr. Eckstrom.

As recommended by the Department of Administration, Capital Budget Office, the Authority received the Comprehensive Permanent Improvement Plan as information.

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 following easements as recommended by the Department of Administration, Facilities Management and Property Services:

- (a) County Location: Horry  
From: Department of Administration  
To: The Rice Living Trust  
Consideration: \$700  
Description/Purpose: To grant a 0.015 acre easement across uplands and marshlands of the 44<sup>th</sup> Avenue North canal in the Cherry Grove section of North Myrtle Beach where the bulkhead and fill material extend 6-10 feet beyond the property line for land owned by Mr. and Mrs. Rice for the purpose of obtaining a permit to build a dock. The easement is being required by SCDHEC before the agency issues a dock permit as the Rice's property is not by definition waterfront. 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: Richland  
From: Department of Administration  
To: South Carolina Electric & Gas Company  
Consideration: \$1  
Description/Purpose: To grant an easement consisting of three (3) crossings measuring 0.00241 acre, 0.00264 acre and 0.00114 acre to implant, install and maintain anchors and to construct, extend and maintain guy wires on property of the Department of Disabilities and Special Needs' Midlands Center Campus. The easement is needed as part of the upgrades to increase capacity and improve service reliability. The easement will contain the State's standard reverter language that if SCE&G discontinues usage of the electric lines and facilities, the easement will terminate. The easement will be of mutual benefit to DDSN and SCE&G. The Division of Facilities Management and Property Services has determined that DDSN 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.

- (c) County Location: Beaufort  
From: Department of Administration  
To: Fripp Island Public Service District  
Consideration: \$1,154  
Description/Purpose: To grant a 3.27 acre easement for the installation, operation and maintenance of a water main beneath the Harbor River to accommodate SCDOT's US 21 Bridge Replacement Project. The existing conduit is attached to the bridge and must be relocated before SCDOT can demolish the existing bridge. 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.
- (d) County Location: Charleston  
From: Department of Administration  
To: South Carolina Electric & Gas Company  
Consideration: \$700  
Description/Purpose: To grant a 0.013 acre easement for the relocation, installation, operation and maintenance of a gas line beneath James Island Creek to accommodate SCDOT's construction of a roundabout at the intersection of Camp Road and Riverland Drive on James Island. 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.

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

***Port Royal: Request for Net Proceeds from Sale of the Port of Port Royal (Regular #1)***

As noted above, the Authority voted to delete and carryover the Town of Port Royal's request to receive five percent (5%) of the net proceeds from the sale of the Port of Port.

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

***Dept. of Administration, Facilities Management and Property Services: Patriots Point Development Authority (PPDA) First Amendment Lease Out to the Medal of Honor Museum Foundation (Regular Session Item #2)***

In May of 2013, the SC Budget and Control Board approved a lease from PPDA to the Medal of Honor Museum Foundation (under a lease agreement for the Museum Parcel and a Lease and Option Agreement for the Commercial Parcel) approximately 14 acres of waterfront

property at Patriots Point, of which approximately 7 acres (“Museum Parcel”) will be used for the Medal of Honor Museum and approximately 7 acres (“Commercial Parcel”) will be subleased for commercial mixed use development to provide funds to support the Medal of Honor Museum and the Medal of Honor Museum Foundation.

The original lease indicated that a portion of Patriots Point Road would be relocated to allow the existing road bed to be added to Patriots Point land to create the approximately 14 acres with the exact size and configuration of the two parcels (the “Old Roadbed” and the “New Roadbed”) and the road undetermined. However, after the road relocation is complete and part of the Old Roadbed is added to the Museum Parcel, the premises under the Museum Parcel Lease will not have access to the new section of Patriots Point Road, making it impossible for the Medal of Honor Museum Foundation to construct an entrance to the Museum. As such, PPDA is now requesting approval of a First Amendment to the Lease and Option Agreement for the Commercial Parcel to subdivide the premises under the Commercial Lease and Option Agreement into two parcels (the “Entrance Parcel” and the “Remainder Parcel”) to allow the Medal of Honor Museum Foundation to exercise its option to lease the Entrance Parcel (approximately 1.057 acres) without exercising its option to lease the Remainder Parcel. This will allow the Medal of Honor Museum Foundation the access required to construct an entrance to the Museum without taking on the rent associated with exercising the full Commercial Option prior to construction of the Museum itself.

The First Amendment was approved by the PPDA Board on October 20, 2017.

Upon a motion by Senator Leatherman, seconded by Mr. Ecstrom, the Authority approved the proposed Amendment to the Lease and Option Agreement for the Commercial Parcel between PPDA and the Medal of Honor Museum Foundation as requested by the Patriots Point Development Authority.

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

***Dept. of Administration, Capital Budget Office: Permanent Improvement Projects (R#3)***

The Authority was asked to approve permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Capital Budget

Office. All items were reviewed favorably by the Joint Bond Review Committee.

Concerning item #3(a), Mr. Eckstrom noted that the CPIP indicates the project is estimated to cost \$1.3 million, but the agenda item indicates that the project is estimated to cost \$2.5 million. He asked what the difference is between what the CPIP states as the estimated cost versus what is before the Authority for approval. Jackie DiMaggio, Vice-President for Finance at Greenville Technical College, appeared before the Authority. She said this project was listed for 2020 on their plan. She stated that they were able to move the project up and increase the budget because they received a generous donation of \$3 million. She said the family that gave the money required the school to make improvements on the Benson Campus. Mr. Eckstrom asked if the \$1.3 million was an original donation amount that has since been increased. Ms. DiMaggio stated that they received \$3 million. Mr. Eckstrom noted that the project shows an estimated cost of \$1.326 million in the year 2020. Ms. DiMaggio said the scope of the project has increased significantly and there is the opportunity to build a more impressive park.

In further discussion, Mr. Eckstrom asked how long has it been since the CPIP was prepared and the agenda item for the project was submitted. He asked if the amounts included in the CPIP needed to be updated. Ms. DiMaggio said their plan was prepared about six months ago. She said since then they have had an architect to do a feasibility study and the donor gave them the money to use in this manner and the scope has been increased.

Mr. Eckstrom noted with regard to regular session item #3(b) that the Adjutant General's estimate in the agenda item is that the project will cost \$1.6 million while the CPIP indicates that the project will cost \$912,000. He asked what the difference is between the two. No one was present from the Adjutant General's office to answer Mr. Eckstrom's question.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority carried over regular session item #3b. [Secretary's Note: Governor McMaster later stated that he had been informed that Adjutant General Robert Livingston's father was taken to the hospital on the prior evening and that is where he is.]

Mr. Eckstrom noted that regular session items #3(c), (d), and (f) are South Carolina State University (SCSU) 1890 Extension projects. He stated that he does not oppose the projects, but until SCSU gets its financial house in order he does not intend to support the projects. He also noted that the operating cost estimates did not include all operating costs. Mr. Eckstrom voted

against items #3(c), (d), and (f).

Upon a motion by Senator Leatherman, seconded by Rep. White, the Authority approved permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Capital Budget Office as noted herein. All items had been reviewed favorably by the Joint Bond Review Committee.

**Establish Project for A&E Design**

- (a) Summary 4-2018: JBRC Item 1. (H59) Greenville Technical College  
Project: 6136, Greenville – Benson Campus Amphitheater and Student Plaza  
Included in Annual CPIP: Yes – CPIP Priority 3 of 3 in FY20  
JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: 12/7/17

<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, Private Citizen Donation	0.00	0.00	0.00	37,500.00	37,500.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>37,500.00</u>	<u>37,500.00</u>

Funding Source: \$37,500 Other, Private Citizen Donation Funds, which have been received specifically for the development and construction of this project.

Request: Establish project and budget for \$37,500 (Other, Private Citizen Donation Funds) to establish Phase I to prepare the schematic design and preliminary cost estimate to construct an amphitheater and student plaza on approximately 4 acres, in an outside lawn area between buildings 301 and 302, alongside Building 301 and the main entrance drive on Benson Campus. The facility will include tiered natural and bench seating, a stage, audio/visual, wireless internet, stage lighting, electrical panel service, band-shell pavilion, restroom facilities, native plant landscaping, and canopy trees. Nature trails, landscaping, and a small parking area along the main driveway into campus will also be a part of the project. The college states that an aesthetically pleasing outdoor learning environment without walls or a ceiling in the fresh air, sunshine and relaxed setting will foster an environment to enhance creative thought processes by students. The college further states that the outdoor learning experience will be valuable to artists, theatrics, language arts,

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humanities, and various science programs, and community activities. The area will be utilized by an estimated 900 students, 50 faculty, 30 staff and 1,000 outside visitors. The agency estimates that the completed project will cost approximately \$2,500,000. (See attachment 1 for this agenda item for additional annual operating costs.)

(b) Summary 4-2018: JBRC Item 2. (E24) Office of the Adjutant General (CARRIED OVER)

Project: 9810, Statewide Armory Standalone Kitchens

Included in Annual CPIP: Yes – CPIP Priority 9 of 21 in FY18

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	0.00	0.00	0.00	43,780.00	43,780.00
Federal, National Guard Bureau	0.00	0.00	0.00	131,340.00	131,340.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>175,120.00</u>	<u>175,120.00</u>

Funding Source: \$43,780 Appropriated State. \$131,340 Federal, National Guard Bureau, which is funding identified as part of the Construction and Facilities Management Office's Master Cooperative Agreement through the Office of the Adjutant General and from the National Guard Bureau.

Request: Establish project and budget for \$175,120 (Appropriated State and Federal, National Guard Bureau Funds) to construct a new 1,200 square foot kitchen addition at various readiness centers across the state. These readiness centers include facilities in Hemingway, Myrtle Beach, Batesburg, Edgefield, Saluda, Dillon, Conway and Walterboro. The existing kitchens at these readiness centers do not meet current building code requirements, are not in compliance with occupation, safety and health organizations and are not adequate to meet the needs of the assigned units. Adding the kitchen additions to the readiness centers will rectify these issues. The Phase I pre-design budget is requested at 10.9% of the estimated project cost and the additional amount will cover additional costs to be incurred while adapting utilities and grading requirements for each individual location. Each of these facilities are utilized by over 150 Army National Guard soldiers. The agency estimates that the



completed project will cost approximately \$1,600,000. (See attachment 2 for this agenda item for additional annual operating costs.)

**Phase II Increase**

- (c) Summary 4-2018: JBRC Item 4. (H24) SC State University  
Project: 9648, 1890 Extension Annex Construction  
Included in Annual CPIP: No  
JBRC/SFAA Phase II Approval: October 2013

CHE Recommended Approval: This is a PSA project and does not require CHE approval.

<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>
Federal, USDA Facilities Grant	26,250.00	2,173,750.00	2,200,000.00	1,100,000.00	3,300,000.00
All Sources	<u>26,250.00</u>	<u>2,173,750.00</u>	<u>2,200,000.00</u>	<u>1,100,000.00</u>	<u>3,300,000.00</u>

Funding Source: \$3,300,000 Federal, USDA/NIFA 1890 Facility Grant.

Request: Increase budget to \$3,300,000 (add \$1,100,000 Federal, USDA Facilities Grant Funds) to construct a new 1890 Extension Annex facility. In October 2012, SC State received approval from the B&CB to secure A&E services for the renovation of the existing 76 year old 6,036 square foot, 1890 Extension Annex on campus. The original goal was to renovate the existing facility as an administrative facility with no programmatic spaces with an internal cost estimate of \$1,750,000. During the programmatic and design phase with the A&E firm, the short and long term facility needs for the 1890 Research and Extension Program were reviewed and it was determined that an approved planned renovation to the J.W. Matthews Extension Facility could be eliminated if programmatic space could be added to a new 1890 Extension Annex facility. Additionally, the A&E firm was able to keep the cost estimate, exclusive of contingencies, at the originally USDA approved amount of \$1,750,000. It was determined that it would be the most cost effective to build a new structure which would address the programs current administrative and programmatic needs than to renovate two buildings roughly 25 feet apart. As a result, SC State received B&CB approval in October 2013 to change the project name, revise the scope and establish the construction budget at \$2,200,000 to build a new 14,000 square foot 1890 Extension Annex facility. Subsequent to receiving Phase II approval for this project, SC State experienced financial difficulties and changes in administration which resulted

in a delay in this project. The architectural firm contracted also experienced personnel changes which resulted in having four project managers assigned over a four year period. The delays at the university and architectural firm combined with changes in building codes, added to the delay in receiving approval from the State Engineer (OSE) on the design/plan. A Phase II budget increase is being requested due to construction cost increases that have occurred since 2013 at 5.45% per year, as well as, additional market factors, and the negative pressures on the labor market that continue to persist. The Project Master Budget was adjusted to capture the current estimated construction cost of \$2,751,955, which includes an increase of \$914,455. Additionally, there are other cost increases beyond construction costs and A&E fees, such as Green Globe, 3<sup>rd</sup> party inspections and commissioning in the amount of \$158,748. This new 14,000 square foot facility will be constructed to meet Green Globes certification standards with an anticipated cost savings of \$60,187.90 over a 30 year period. The facility will house approximately 12 program staff who will deliver programs in the areas of Small Farm, Agricultural and Natural Resources, Adult and Community Leadership, Family Life & Nutrition, 4-H and Youth Development and Community Education. The facility expects to receive approximately 4,000 visitors each year. The agency estimates that the completed project will cost approximately \$3,300,000. (See attachment 3 for this agenda item for additional annual operating costs.) The agency also reports the projects date for execution of the construction contract is June 2018 and for completion of construction is July 2019.

- (d) Summary 4-2018: JBRC Item 5. (H24) SC State University  
Project: 9651, Charleston 1890 Extension Center Construction  
Included in Annual CPIP: No  
JBRC/SFAA Phase II Approval: October 2015

CHE Recommended Approval: This is a PSA project and does not require CHE approval.

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative</u> <u>Changes</u>	<u>Current Budget</u>	<u>Current</u> <u>Budget</u>	<u>Total Budget After Current Adjustment</u>
		<u>Since Original Budget</u>		<u>Adjustment Requested</u>	
Federal, USDA Facilities Grant	37,590.00	3,562,684.00	3,600,274.00	600,000.00	4,200,274.00
All Sources	<u>37,590.00</u>	<u>3,562,684.00</u>	<u>3,600,274.00</u>	<u>600,000.00</u>	<u>4,200,274.00</u>

Funding Source: \$4,200,274 Federal, USDA/NIFA 1890 Facility Grant.

Request: Increase budget to \$4,200,274 (add \$600,000 Federal, USDA Facilities Grant Funds) to construct a 12,500 square foot Public Service Activity Center in the city of Charleston. In October 2013, SC State received approval from the B&CB to begin design work to construct a facility on donated property, for SC State's 1890 Research and Extension Program that would include classrooms, technology labs, food and nutrition labs, offices, and multi-purpose rooms. In October 2015, SC State received approval from SFAA to establish the construction budget at \$3,600,274 to construct an approximately 12,500 square foot facility. Subsequent to receiving Phase II approval for this project, SC State experienced financial difficulties and changes in administration which resulted in a delay in this project. Additionally, the project experienced a delay as a result of the approved transfer of the title to the land, from the City of Charleston to the university. The Charleston 1890 Extension Center Land Donation was approved by the B&CB at their December 10, 2013 meeting. The transfer was done by the approval of the Quit Claim Deed by the City of Charleston on March 29, 2017, and recorded with the County of Charleston on May 4, 2017. A Phase II budget increase is being requested due to construction cost increases that have occurred since 2015. This center will provide a facility for existing and future staff and volunteers to fulfill the university's Land Grant Mission of providing research, teaching and extension programs to the state's citizens. The facility will provide instructional space and offer staff and volunteers the opportunity to engage the community in enhancing economic development and lifelong learning opportunities for participants. This new facility will be constructed to meet Green Globes certification standards with an anticipated cost savings of \$83,279.44 over a 30 year period. The facility will house approximately 8 program staff who will deliver programs in the areas of Small Farm, Agricultural and Natural Resources, Adult and Community Leadership, Family Life & Nutrition, 4-H and Youth Development and Community Education. The facility expects to receive approximately 5,000 visitors each year. The agency estimates that the completed project will cost approximately \$4,200,274. (See attachment 4 for this agenda item for additional annual operating costs.) The agency also reports the projects date for execution of the construction contract is September 2018 and for completion of construction is July 2019.

- (e) Summary 4-2018: JBRC Item 6. (E24) Office of the Adjutant General  
Project: 9770, Greenville Readiness Center Construction  
Included in Annual CPIP: Yes – CPIP Priority 1 of 3 in FY15  
JBRC/SFAA Phase II Approval: October 2013

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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>
Federal, National Guard Bureau	300,366.00	14,959,784.00	15,260,150.00	136,117.54	15,396,267.54
Other, Greenville Technical College	0.00	6,000,000.00	6,000,000.00	0.00	6,000,000.00
All Sources	<u>300,366.00</u>	<u>20,959,784.00</u>	<u>21,260,150.00</u>	<u>136,117.54</u>	<u>21,396,267.54</u>

Funding Source: \$15,396,267.54 Federal, National Guard Bureau, which is funding identified as part of the Construction and Facilities Management Office's Master Cooperative Agreement through the Office of the Adjutant General and from the National Guard Bureau. \$6,000,000 Other, Greenville Technical College Construction Fund.

Request: Increase budget to \$21,396,267.54 (add \$136,117.54 Federal, National Guard Bureau Funds) to construct a new 94,000 square foot Readiness Center on South Carolina Technology and Aviation Center land leased from the City of Greenville and the County of Greenville located on Perimeter Road across from the Army Aviation Support Facility. The new Readiness Center will be a joint use building between the South Carolina Army National Guard and Greenville Technical College. Phase I was established in December 2012 and Phase II was established in October 2013 with a total projected cost of \$21,260,150. This facility will house the South Carolina Army National Guard and the Aviation School of Greenville Technical College. The Readiness Center is required to house the two units that will be using the new Army Aviation Support Facility (AASF) under construction at South Carolina Technology and Aviation Center (SCTAC). These units consist of the helicopters pilots and all the support personnel for the new Army Aviation Support Facility. The units to be housed in the Readiness Center are currently located at McEntire Joint National Guard Base. Greenville Tech's Aviation School will co-locate in the Readiness Center. The school teaches mechanics to repair various types of aircrafts. The National Guard's mechanics are now required to be trained by outside schools so with the school being co-located the mechanics can be trained on site. Additionally, it will be possible to offer other states the same training, therefore making the facility a Center of

Excellence for the National Guard. The center will be utilized by 151 National Guard soldiers, 18 Greenville Tech faculty and 130 Greenville Tech students. The permanent structure will have a masonry and concrete block exterior with sheet rock and concrete block interior walls. The roof material will be a build-up system. The building will have an assembly hall, classrooms, library, learning center, simulation center, toilets/showers, administration office space, arms vault, supply room, equipment locker room space, an aircraft hangar for Greenville Tech and other required areas. This facility is being constructed to meet LEED Silver certification standards with anticipated cost savings of \$1,420,276.05 over a 30 year life cycle. A Phase II budget increase is being requested because the current budget amount is insufficient since there is a required matching amount of Greenville Tech's funds for each budget item. Also, due to budget increases provided by the National Guard Bureau. The agency estimates that the completed project will cost approximately \$21,396,327.54. (See attachment 5 for this agenda item for additional annual operating costs.) The agency also reports the projects estimated completion of construction is March 2018.

**Phase II Increase & Revise Scope**

- (f) Summary 4-2018: JBRC Item 7. (H24) SC State University  
Project: 9649, Camp Harry E. Daniels 1890 Extension Facility Construction  
Included in Annual CPIP: No  
JBRC/SFAA Phase II Approval: October 2013

CHE Recommended Approval: This is a PSA project and does not require CHE approval.

<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>
Federal, USDA Facilities Grant	20,250.00	3,079,750.00	3,100,000.00	500,000.00	3,600,000.00
All Sources	<u>20,250.00</u>	<u>3,079,750.00</u>	<u>3,100,000.00</u>	<u>500,000.00</u>	<u>3,600,000.00</u>

Funding Source: \$3,600,000 Federal, USDA/NIFA 1890 Facility Grant.

Request: Revise the scope and increase budget to \$3,600,000 (add \$500,000 Federal, USDA Facilities Grant Funds) to construct a new 1890 Extension facility at Camp Harry Daniels in Elloree for SC State. In October 2012, SC State received approval from the B&CB to begin design work to construct a facility that would include classrooms, labs, offices, a wellness room, and multi-

purpose rooms. In October 2013, SC State received approval from the B&CB to establish the construction budget at \$3,100,000 to construct an approximately 18,400 square foot facility. Subsequent to receiving Phase II approval for this project, SC State experienced financial difficulties and changes in administration which resulted in a delay in this project. The architectural firm contracted also experienced personnel changes which resulted in having four project managers assigned over a four year period. The delays at the university and architectural firm combined with changes in building codes, added to the delay in receiving approval from the State Engineer (OSE) on the design/plan. A scope revision and Phase II budget increase is being requested due to construction cost increases that have occurred since 2013. In summer of 2017, the lowest bid for construction was estimated to be \$3.8 million. In an attempt to lower the cost, the floor plan size was reduced from 18,400 square feet to 14,494 square feet with modifications to some of the building materials, to obtain the new estimate of approximately \$3.3 million. The new facility will provide a safe and functional space for staff and volunteers to fulfill the Land Grant Mission of providing research, training, and service to the state's citizens. It will also provide instructional space and offer staff and volunteers the opportunity to engage the community in enhancing economic development and lifelong learning opportunities for participants. The existing facilities at Camp Daniels are unsafe and dilapidated and there are no facilities conducive to providing extension programs. This new facility will be constructed to meet Green Globes certification standards with an anticipated cost savings of \$57,660.40 over a 30 year period. The facility will house approximately 16 program staff who will deliver programs in the areas of Small Farm, Agricultural and Natural Resources, Adult and Community Leadership, Family Life & Nutrition, 4-H and Youth Development and Community Education. The facility expects to receive approximately 6,000 visitors each year. The agency estimates that the completed project will cost approximately \$3,600,000. (See attachment 6 for this agenda item for additional annual operating costs.) The agency also reports the projects date for execution of the construction contract is June 2018 and for completion of construction is July 2019.

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

***Division of Procurement Services: Waiver to Extend the Maximum Time on a Multi-term Contract for the University of South Carolina (Regular Session Item 4)***

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The University of South Carolina asked the Division of Procurement Services to assist in seeking

Authority approval to authorize the University to solicit a contract for up to ten (10) years for Food Services at the USC Aiken Campus. University officials believe a contract term of ten years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including updating and improving existing dining facilities and equipment, and constructing a new multipurpose dining facility.

Mr. Eckstrom pointed out that USC is asking for a continuation of an arrangement that the Authority has approved before. He stated that Helen Zeigler's letter explains why a 10-year lease term is necessary. He noted that typically the Authority has approved those contracts because there are upfront capital costs that a lessor is incurring. He said he wondered why that was on a continuing basis in this case and Ms. Zeigler has answered that question in her letter as to the need for the additional capital investment.

Mr. Loftis said that the upfront capital cost is a good reason for a 10-year contract, but that other businesses have upfront capital costs and they manage that as part of their fees. He asked if other states' schools have a similar practice or does South Carolina stand out. John White, Materials Management Officer for the Division of Procurement Services, appeared before the Authority. He stated that he did not have an answer to Mr. Loftis' question and would have to research it. Mr. Eckstrom noted that USC is issuing an RFP and there will be competition.

Mr. Loftis further noted that this type of contract has been done repeatedly with other institutions and at USC. He indicated that he does not have much of a problem with the matter. He said he is always interested in knowing what other states are doing because some of their financial agreements, state law, and how the agreements are managed make a difference in how vendors bid. He commented that he does not know if any savings go to the student. Mr. Loftis stated he would like to see what other states do. He indicated that he is indifferent to the item going forward. Mr. White said that he would gather the information on what other states are doing for Mr. Loftis.

Rep. White commented it looks as if this is done for each university and it looks like a pattern. He said the RFPs for this kind of service has language that says an extension of 10 years would be sought and if that is not obtained the contract would go back to seven years. He said it appears that the universities are getting these 10 and 15-year contracts because of all of the upfront capital they are asking for. He noted that there are primarily two vendors involved in

these kinds of contracts. He said his concern is that vendors remodel the cafeteria areas and the cost is passed on to the students in their meal plans. He said it is not known what the end cost is going to be or how much the food is going to increase. Rep. White stated that once this matter leaves JBRC and this motion is acted upon it is not known if USC is putting in granite counter tops or gold fixtures or what they are requiring in the RFP for the upfit. He said the danger in these contracts is that it is not known what is being done during the extension.

Mr. Eckstrom asked if this is an extension of an existing contract. Rep. White said he thought it was an RFP. Mr. White said that this is a new RFP for a new contract and that the existing contract is coming to an end. Mr. Eckstrom asked if the additional capital investment is imposed by USC or does the vendor come forward offering the capital investment to provide the services to the students. Rick Kelly with USC appeared before the Authority on behalf of USC on this matter. He stated that the preponderance of the things asked for in the RFP, e.g. a coffee shop or fast food pizza restaurant, come to them from the students concerning what they want to see on campus. He said in some instances it requires refurbishing and keeping the facilities nice and adding things. He noted that the second request before the Authority is from USC for USC Upstate. He noted that there is a business school located downtown from the campus that was part of a gift to USC. He said there is no food service there and there are 600 students there that need some kind of food. He noted that the students are currently having food brown bagged to them. He said they are asking vendors for proposals to develop that service and allow them time to amortize the debt they have to invest. Mr. Kelly said he does not know if all the states provide food service exactly the same way, but that most use multi-year contracts. He stated that he did not think there is much difference in the way South Carolina does business compared to other states.

Mr. Eckstrom asked Mr. Kelly what he meant by the term multi-term contract. Mr. Kelly responded that the General Assembly has given agencies the ability to enter into seven year contracts. He said the General Assembly has recognized that there may be times when it is necessary to have contract terms longer than seven years. Mr. Eckstrom asked if 10-year contracts for food services is the norm across the country. Mr. Kelly noted that when USC approached the Authority about the Columbia campus the volume decided the magnitude of the investment that the vendors would have to make and they, therefore, requested permission for a



15-year contract. He said that is in line with the institutions. Mr. Kelly stated the two institutions before the Authority are small and so they requested 10 year contracts. Mr. Kelly noted that the selection process involves more than USC developing and finalizing what is chosen, but includes the Commission on Higher Education and the Division of Procurement Services in the process.

Senator Leatherman said his concern is the original vendor including its capital costs. He stated that to extend the contract for 5 years or 10 years gives the incumbent vendor an unfair advantage because they have already spent money in capital improvement. He said he does not think that other vendors can compete with that. Mr. Kelly said that because of that they require the vendor to work with the institution to develop an annual plan for the budgets in the coming year regardless of the length of the contract. He said they monitor the contract to try and ensure that the costs have been amortized by the end of the contract, but sometimes that does not happen. He said in this case there is approximately \$150,000 of debt that has not been fully amortized and that is identified in the RFP. He stated that the vendors know that if they get the contract they will have to assume that debt. He said they use a very methodical process that tries to ascertain what money will be spent and put it toward the front of the contract so that the vendor will have enough time to amortize the cost over the life of the contract and not carry it over into the next contract. Mr. Kelly acknowledged that the unamortized costs are occasionally carried over into the next contract.

In further discussion, Rep. White stated that this solicitation prevents competition in that the capital is being required upfront. He said that prevents some vendors from competing for the contract. He stated that currently there are two vendors that get this kind of contract. He commented that this is not spurring competition and it is not known if the best price is being received. He stated that the students are paying for this through their meal plans. Mr. Kelly commented that the two vendors Rep. White is talking about are Aramark and Sodexo. He said that Sodexo has provided services for the USC Columbia campus for 25 or 30-years but that changed this year. He said it was changed based on the proposal that was provided by Aramark. He noted that the vendors fight for the business every time. He said there is competition among the two or three vendors that provide the service.

Mr. Loftis asked at the end of the 10 or 15-year contract period who owns the equipment.

Mr. Kelly stated that at the end of the amortization of the equipment the University owns the equipment.

Mr. Eckstrom asked Senator Leatherman and Rep. White if their concerns would be allayed if the leases were seven years instead of 10 years. They indicated seven years would be fine. Mr. Eckstrom asked why that would address the concern that an incumbent has the advantage. Senator Leatherman said the advantage would be for a shorter period of time. Rep. White noted that the law allows seven years but the RFP indicates that 10 years would be sought. He said he does not know that the students are getting a good deal. Mr. Eckstrom asked Mr. Kelly if the University has studied the difference between the cost for students of a seven, ten, and fifteen year lease. Mr. Kelly said that based on their history they have found that the longer term yields a better upfront investment. Mr. Eckstrom asked if it was something that could be measured. Mr. Kelly said that he did not know if they measured that. Mr. Eckstrom asked how the University knows if it is getting a better deal. Mr. Kelly said that they know that prices of the on-campus restaurants are compatible with others near campus. He noted that they get student involvement in what food services they want on campus.

Mr. Loftis stated that he is interested in seeing what it costs to eat at other universities. Mr. White stated that he would reach out the higher education agencies to see what information is available.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, the Authority, pursuant to SC Consolidated Procurement Code Section 11-35-2030(4), was asked to approve the University of South Carolina's request for a multi-term contract for Food Services USC Aiken Campus and authorize the solicitation of proposals and award of a contract for up to ten (10) years. The motion failed. Mr. Eckstrom voted for the motion. Senator Leatherman and Rep. White voted against the motion. Governor McMaster and Mr. Loftis abstained from voting on the motion.

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

***Division of Procurement Services: Waiver to Extend the Maximum Time on a Multi-term Contract for the University of South Carolina (Regular Session Item 5)***

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The

University of South Carolina has asked the Division of Procurement Services to assist in seeking Authority approval to authorize the University to solicit a contract for up to ten (10) years for Food Services at the USC Upstate Campus. University officials believe a contract term of ten years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including improving the existing dining facilities.

Senator Leatherman indicated that his position for this item is the same as for the previous item.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, the Authority, pursuant to SC Consolidated Procurement Code Section 11-35-2030(4), was asked to approve the University of South Carolina's request for a multi-term contract for Food Services USC Upstate Campus and authorize the solicitation of proposals and award of a contract for up to ten (10) years. The motion failed. Mr. Eckstrom voted for the motion. Senator Leatherman and Rep. White voted against the motion. Governor McMaster and Mr. Loftis abstained from voting on the motion.

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

***Division of Procurement Services: Update Current Exemptions in Advertising (Regular #6)***

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.

On April 22, 1986, the Budget and Control Board approved the following exemptions for advertising:

- 1) Advertisements in professional journals or publications from the purchasing procedures of the Procurement Code.
- 2) Advertising time or space in newspapers, on radio or television (Note: Consultants obtained to handle advertising campaigns for agencies such as PRT and State Development Board are not exempted.) from the purchasing procedures of the Procurement Code.

The Department of Corrections asked the Division of Procurement Services for assistance to update the advertising exemptions to include advertising in magazines and online. The Division of Procurement Services recommended this request be expanded to exempt paid

advertising regardless of medium provided that before advertising in mediums other than newspapers of general circulation, on radio or television, or professional journals, the agency head determines in writing that the advertising venue is appropriate for the placement of State advertisements. This exemption would not have extended to the acquisition of services regarding the placement of paid advertising or other related services (e.g., direct mail, consultants, publicist, media specialist, communications management, public relations, media services).

Governor McMaster moved for approval of the item. Mr. Loftis seconded the motion. Senator Leatherman noted that under Robert's Rules of Order the chair cannot make or second a motion. Mr. Gillespie commented that the Authority tends to loosely follow those rules. Governor McMaster stated that he has noticed that the Authority tends to loosely follow those rules. Mr. Loftis commented that the Authority does not have rules.

Upon a motion by Governor McMaster, seconded by Mr. Loftis, the Authority, pursuant to S.C. Code Section 11-35-710, was asked to update the exemptions for advertising. The motion failed. Governor McMaster and Mr. Loftis voted for the motion. Senator Leatherman and Mr. White voted against the motion. Mr. Eckstrom did not vote on the motion.

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

***State Fiscal Accountability Authority: Future Meeting (Regular Session Item #7)***

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority agreed to meet at 9:30 a.m. on Thursday, March 8, 2018, in Room 252, Edgar A. Brown Building.

***Adjournment***

The meeting adjourned at 10:30 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 9:00 a.m. on Monday, January 29, 2018.]