MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

June 22, 2016, – 3:00 P. M.

The State Fiscal Accountability Authority (Authority) met at 3:00 p.m. on Wednesday, June 22 2016, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

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

Also attending were State Fiscal Accountability Authority Director Grant Gillespie; General Counsel Keith McCook; Governor's Deputy Chief of Staff Austin Smith; 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 Committee 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 State Education Assistance Authority, the members of which are State Fiscal Accountability Authority members, ex officio.]

[Secretary's Note: After Governor Haley called the meeting to order with "It's another great day in South Carolina", Mr. Eckstrom noted that "A Great Day in South Carolina" is the name of a political organization that has gotten involved in various legislative campaigns in the State. He said opening a meeting of the Authority with "it's a great day in South Carolina" could create the impression of some inappropriate melding of politics and the public business with which the Authority is charged to conduct. He said he worries that that impression will send the wrong message to boards, commissions, and other authorities and undermine the working relationship of members of the Authority. Governor Haley said she appreciated Mr. Eckstrom's comments, but for her every day is a great day in South Carolina. She said they work hard to do so every day and because an organization happens to have that name does not take away from the fact that she is going to make sure that every day is a great day in South Carolina.]

Adoption of Agenda for State Fiscal Accountability Authority

Upon a motion by Mr. White, seconded by Mr. Eckstrom, the Authority adopted the State

Fiscal Accountability Authority agenda as proposed.

Minutes of Previous Meeting

Upon motion by White, seconded by Eckstrom, the Authority approved the minutes of the March 8, 2016, and the April 19, 2016, State Fiscal Accountability Authority meetings.

Blue Agenda

Upon a motion by Mr. White, seconded Mr. Loftis, the Authority approved the blue agenda items #1, #2, #3, #5, and #6 as noted herein. By way of a separate motion by Mr. White, seconded by Mr. Loftis, the Authority approved blue agenda item #4.

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

The Authority approved the following notification of the assignment of bond counsel for conduit issues and other revenue issues as requested by the State Treasurer's Office:

CONDUIT ISSUES: (For ratification of Issuer's Counsel only)

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
$14,750,000 SC JEDA	Westminster Presbyterian Church	Haynsworth Sinkler Boyd	Nexsen Pruet
$ 30,000,000 SC JEDA	Wofford College	Haynsworth Sinkler Boyd	Nexsen Pruet
$100,000,000 SC JEDA	Medical Society of South Carolina	Haynsworth Sinkler Boyd	Parker Poe
$7,000,000 SC JEDA	Anderson Area YMCA, Inc.	Haynsworth Sinkler Boyd	McNair Law Firm
$135,000,000 SC JEDA	Georgetown Hospital System	Haynsworth Sinkler Boyd	Pope Flynn
$15,000,000 SC JEDA	Abundant Power/SC Saves	McGuire Woods	Haynsworth Sinkler Boyd
$11,000,000 SC JEDA	Oceanside Collegiate Academy	Parker Poe	Pope Flynn
$27,800,000 SC JEDA	Bishop Gadsden Episcopal Retirement Community	Haynsworth Sinkler Boyd	Parker Poe Adams & Bernstein
$11,900,000 SC JEDA	NCCD Spartanburg Properties	Haynsworth Sinkler Boyd	McNair Law Firm
$7,500,000 SC JEDA	Greer Middle College Charter High School	Haynsworth Sinkler Boyd	Howell Linkous & Nettles
$29,000,000 SC State Housing Finance and Development Authority	Waters at St. James LP	Parker Poe Adams & Bernstein LLP	Tracey Easton, Esq.

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel
$110,000,000 SC State Housing Finance and Development Authority	SC State Housing Finance and Development Authority	McNair Law Firm
$81,000,000 Refunding of Higher Education Revenue Bonds 2016A	University of South Carolina	Nexsen Pruet
$ 26,000,000 Athletic Facilities Revenue Bonds 2016A	University of South Carolina	McNair Law Firm

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

Department of Administration, Real Property Services: Easement (Blue Agenda Item #2)

The Authority approved the following easement in accordance with the SC Code of Laws as requested by the Department of Administration, Real Property Services:

(a) County Location: Charleston
From: State of South Carolina, through the Department of Administration
To: Charleston Water System
Consideration: $1,318
Description/Purpose: To grant a 4.09 acre easement for the construction, installation, operation and maintenance of a 36" water main beneath the Ashley River to satisfy the hydraulic demands of the water system in the West Ashley, James Island, Johns Island, Hollywood, Ravenel, Folly Beach, Sullivan's Island and Isle of Palms service areas. Additionally, the water main will provide a redundant water source to the Bees Ferry ground storage and booster pumping facilities. 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.

Department of Administration, Real Property Services: Petition to Request Annexation of Department of Natural Resources' Pacolet River Heritage Preserve into the Town of Pacolet (Blue Agenda Item #3)

The Town of Pacolet was requesting annexation of the Pacolet River Heritage Preserve into its corporate limits. The preserve consists of approximately 278 acres in Spartanburg County. The annexation will allow the Town to increase its green space, as well as expand its trail system. This annexation will also increase the area of the Town and make the Town contiguous to more properties the Town could annex in the future. The South Carolina Department of Natural Resources (DNR) supports the Town's plans to annex the property. Benefits to be gained by DNR from the annexation include property monitoring and police assistance. A public hearing was conducted by the Town Council on March 3, 2016, and there was no public opposition to the annexation. Additionally, the district's legislative representatives were contacted and have no opposition to the annexation.

Mr. Eckstrom stated that he wanted to make sure that if the Authority approves the action requested that it would not be overturned on a technicality because the Town of Pacolet is requesting annexation instead of the State. Van Whitehead, Assistant Chief Counsel for DNR, appeared before the Authority. Mr. Whitehead said the Town has initiated the annexation request, but that he believes there are options that the municipality may take to initiate the annexation request as well the individual land owner. Mr. Eckstrom noted that the statute that was cited does not present those options. Mr. Whitehead said that his position is that to the extent both parties to the transaction are in agreement and the Town complies with their responsibility for a corresponding ordinance, DNR has no objection to the proposed annexation.

Mr. Eckstrom further asked if the State's use of the property would be limited going forward. Mr. Whitehead said that DNR's position is that since the property has been designated as Heritage Preserve property the parameters and guidelines associated with that program control and this is just merely a jurisdictional expansion. Mr. Eckstrom also asked Mr. Whitehead to confirm if law enforcement oversight was going to be provided as a result of the annexation. Mr. Whitehead said that ideally staffing support would be provided through management agreements.

The Authority approved the petition to request annexation of the Department of Natural Resource's Pacolet River Heritage Preserve into the Town of Pacolet, as requested by the Department of Administration, Real Property Services.

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

Department of Administration, Real Property Services: Real Property Conveyances (B4)

The Authority approved the following real property conveyances as recommended by the Department of Administration, Real Property Services.

(a)	**Controlling Agency:**	**Department of Administration**
	Acreage:	1.503 ± acres and a 149,474 square foot office building
	Location:	1429 Senate Street, Columbia
	County:	Richland
	Purpose:	To dispose of surplus real property.
	Price/Transferred To:	Not less than appraised value/To be determined
	Disposition of Proceeds:	To be retained by the Department of Administration pursuant to Proviso 93.25.

(b)	**Controlling Agency:**	**Department of Administration**
	Acreage:	0.5.17± acre and a 10,336 square foot office building
	Location:	1401 Senate Street, Columbia
	County:	Richland
	Purpose:	To dispose of surplus real property
	Price/Transferred To:	Not less than appraised value/To be determined
	Disposition of Proceeds:	To be retained by the Department of Administration pursuant to Proviso 93.25.

(c)	**Controlling Agency:**	**Department of Administration**
	Acreage:	2.83± acres and a 96,753 square foot office building
	Location:	2221 Devine Street, Columbia
	County:	Richland
	Purpose:	To dispose of surplus real property
	Price/Transferred To:	Not less than appraised value/To be determined
	Disposition of Proceeds:	To be retained by the Department of Administration pursuant to Proviso 93.25.

Mr. Eckstrom said the problem he has with the item goes back to the office space utilization project that is underway. He said that matters of acquisitions and dispositions of major pieces of state property should not be conducted until the space utilization study is completed. Marcia Adams, Department of Administration Director, appeared before the Authority on this item. Ms. Adams indicated that the study is complete. She said that 150 state buildings were looked at for maintenance cost, deferred maintenance, and the condition of the buildings. She said they have looked at all of the buildings. She stated the study took a year in which CBRE identified buildings that had the highest differed maintenance or does not fit the use of the agency in the building. She noted that one of the agencies was the Department of Education.

Mr. Eckstrom commented that he did not think the consultants had been to his agency. Ms. Adams stated that they had and noted that a space standard study was being conducted of the buildings on the Capitol Complex grounds. She said part of what they are looking at is how to shrink the square footage and more efficiently use space. She stated that some agencies in some buildings may be able to move into state space. Ms. Adams said understanding what the market can do for the State cannot be done until the Authority grants permission to surplus the buildings. She noted that by law if the buildings are more than one million dollars she has to come to the Authority for permission to sell the buildings.

Governor Haley pointed out that it took four years to get an inventory of what property the State owned. She said that the State owns over 10,000 pieces of property. She said that the taxpayers do not need to be in the property business. She stated that what came to light was that agencies go to the General Assembly each year asking for money for deferred maintenance and that this is a money pit. She said there are agencies like the Department of Education, DHEC, and Probation, Pardon and Parole that want to move out of their buildings. Governor Haley further stated that employees deserve better than to be located in brown buildings.

Mr. Eckstrom asked who contracted with CBRE. Ms. Adams said that the Budget and Control Board contracted with CBRE. Mr. Eckstrom asked why the members of the Budget and Control Board had not seen the study. He said he has not seen the study nor did he know that the study existed. Ms. Adams said that she would get Mr. Eckstrom the study and that the study is on the Department of Administration's website for anyone in the public to look at the study. Governor Haley noted that CBRE did a presentation to the Board. Ms. Adams concurred that CBRE made a presentation to the Board. Mr. Eckstrom stated that the presentation was made as CBRE was working, but the study was not complete at that time.

Senator Leatherman asked Ms. Adams if it has been determined where the employees would be housed. Ms. Adams said they are working on putting out an RFP to market the buildings and allow responders the option to buy the buildings and provide space elsewhere or provide space or buy the building. She said they are running an analysis to see what would be the best case for the State. She said buildings cannot be sold until the occupants have somewhere to go and that they cannot proceed until they are allowed to put the buildings on the market. Senator Leatherman further asked when would employees have to vacate the buildings. Ms. Adams said anyone who wanted to just buy a building would have to work with the State to allow for time to find a place for an agency's employees.

Senator Leatherman moved to carry the item over. Mr. Eckstrom seconded the motion. Mr. Loftis commented that he thought the plan was a good plan. He said the firms he talked with liked the structure of the RFP and that they liked the flexibility it provided in making proposals. He noted that the process is a long process and by not starting now will not allow for moving people in a timely manner. Governor Haley said that the item can be carried over, but doing so implies that they are staying with the old way of doing things. She said the State needs to move toward the new way of doing things and that it is unfair to the taxpayers to own 10,000 pieces of property. She also said that it is unfair for the State's public servants to have to stay in buildings that smell like medicine like the DHEC building. She said that carrying the item over is saying no to moving the State in the right direction.

Mr. Eckstrom said his concern is that they are setting in to motion a major disposition. Governor Haley said that Ms. Adams and her staff have put a lot of effort into the study and it is disrespectful to carry the item over when a team of people have worked on it. Mr. Eckstrom said it may be seen as disrespectful to expect the members of the Authority to act without seeing the study. Governor Haley said the Authority members had full opportunity to ask CBRE questions and that CBRE explained in full detail how the process was going to work. She asked why were questions being asked now and suddenly spring it on everyone. She said Ms. Adams has been available to everyone to answer questions. She said carrying the item over now is wrong on every level, but she respects everyone's position.

Mr. White stated that he talked with Ms. Adams about the study. He said that he had some concerns, but those concerns were taken care of. He said he is okay with giving Ms. Adams the opportunity for disposition of the buildings and bringing that back to the Authority.

The motion to carry over blue agenda item #4 failed by a vote of 2 to 3. Senator Leatherman and Mr. Eckstrom voted for the motion. Governor Haley, Mr. Loftis, and Mr. White voted against the motion.

Upon a motion by Mr. White, seconded by Mr. Loftis, the Authority approved blue agenda item #4. Governor Haley, Mr. Loftis, and Mr. White voted for the motion. Senator Leatherman and Mr. Eckstrom voted against the motion.

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

Division of Procurement Services: Procurement Audits and Certifications (Blue 5)

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

a. Medical University of South Carolina (for a period of three years): supplies and services, $1,000,000* per commitment; information technology, $1,000,000* per commitment; consultant services, $500,000* per commitment; construction contract award, $1,000,000 per commitment; construction contract change order, $500,000 per change order; architect/engineer contract amendment, $100,000 per amendment.

The Medical University complies with the South Carolina Consolidated Procurement Code, State regulations, and the Department's procurement policies and procedures in all material respects and the internal procurement optional procedures are adequate to properly handle procurement transactions. The Division recommends the State Fiscal Accountability Authority grant the Medical University of South Carolina the certification limited noted above.

b. Spartanburg Community College (for a period of three years): supplies and services, $100,000* per commitment; information technology, $100,000* per commitment; consultant services, $100,000* per commitment; construction services, $100,000 per commitment; construction contract change order, $10,000 per change order; architect/engineer contract amendment, $5,000 per amendment.

The College complies with the South Carolina Consolidated Procurement Code, State regulations, and the College's procurement policies and procedures in all material respects and the internal procurement optional procedures are adequate to properly handle procurement transactions. The Division recommends the State Fiscal Accountability Authority grant Spartanburg Community College the certification limited noted above.

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

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

The Authority approved the following proposals to issue revenue bonds.

a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding $7,000,000 Economic Development Revenue and Revenue Refunding Bonds ($4,160,000 refunding)
Allocation Needed: -0-
Name of Project: Anderson Area YMCA, Inc.
Employment Impact: Maintain employment for 204 people and creation of 5
Project Description: (i) a current refunding of the $4,160,000 outstanding principal amount of the South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds (Anderson Area YUMA, Inc. Project) series 1999, which Series 1999 Bonds were issued on November 19, 1999, for purposes of assisting in financing the acquisition, construction, equipping and installation of a family wellness center located at 201 East Reed Road in Anderson, (the "Family Wellness Center") including a lap pool, locker rooms, gymnasium, indoor track, family wellness center, community meeting room and nursery care and other health and wellness facilities, on land owned by AnMed Health and operated by the Anderson Area YMCA, Inc.; and (ii) renovations of, and the construction and installation of an approximately 11,800 square foot expansion to, the Family Wellness Center, which expansion will accommodate the need for functional fitness training as well as more space for cardiovascular equipment, Crossfit and Yoga, and potentially the enhancement of the front desk area.
Note: *private sale*
Bond Counsel: E. Tyler Smith, Parker Poe Adams & Bernstein
(Exhibit 6)

b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: $27,800,000 Economic Development Refunding Revenue Bonds ($27,800,000 refunding)
Allocation Needed: -0-
Name of Project: Bishop Gadsden Episcopal Retirement Community
Employment Impact: 380 (maintain – permanent)
Project Description: The current refunding of the South Carolina Jobs-Economic Development Authority Health Facilities Revenue and Refunding Bonds (the Episcopal Church Home) Series 2002F1 issued on April 6, 2006, in the principal amount of $20,755,000 and the South Carolina Jobs-Economic Development Authority First Mortgage Health Facilities Refunding Revenue Bonds (The Episcopal Church Home) Series 2007 issued on April 12, 2007, in

		the principal amount of $28,150,000, both of which originally issued for the benefit of The Episcopal Home (now, Bishop Gadsden Episcopal Retirement Community) to finance or refinance the cost of the acquisition, construction, furnishing, and equipping of a portion of the continuing care retirement community owned and operated by the Institution in Charleston County, South Carolina.
	Note:	*negotiated private sale*
	Bond Counsel: (Exhibit 7)	F. Mitchell Johnson, Jr., Haynsworth Sinkler Boyd, P. A.
c.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	Not Exceeding $135,000,000 Hospital Revenue and Refunding Bonds ($68,000,000 refunding)
	Allocation Needed:	-0-
	Name of Project:	Georgetown Hospital System d/b/a/ Tidelands Health
	Employment Impact:	maintain 1,800 jobs, provide additional employment for 15 people within 12 months when project is in full operation
	Project Description:	(1) constructing and equipping an approximately 42,415 square foot surgical pavilion at the Tidelands Georgetown Memorial Hospital campus located at 606 Black River Road, (2) acquiring and installing equipment at and renovating GMH and the Tidelands Waccamaw community Hospital campus located at 4070 Highway 17 Bypass in Murrells Inlet, (3) refunding the (a) $30,000,000 South Carolina Jobs-Economic Development Authority Hospital Revenue Bonds (Georgetown Hospital System Project) Series 2010, currently outstanding in the principal amount of $25,390,000 and (b) $34,690,000 South Carolina Jobs-Economic Development Authority Hospital Revenue Refunding Bonds (Georgetown Hospital System), Series 2012B, currently outstanding in the principal amount of $34,555,000.
	Note:	*private or public sale*
	Bond Counsel: (Exhibit 8)	Kathleen Crum McKinney, Haynsworth Sinkler Boyd, PA
d.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	Not Exceeding $7,500,000 Economic Development Revenue Bonds
	Allocation Needed:	-0-
	Name of Project:	Greer Middle College Charter High School
	Employment Impact:	maintain 35 jobs, provide additional employment for 125 people through construction
	Project Description:	constructing and equipping a two story, approximately 46,000 square foot academic building to house 26 classrooms, administration and guidance to be owned and operated by the

		borrower to be located within Greenville County
	Note:	*private sale*
	Bond Counsel: (Exhibit 9)	Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.

e.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	$11,900,000 Economic Development Revenue Bonds
	Allocation Needed:	-0-
	Name of Project:	NCCD – Spartanburg Properties
	Employment Impact:	175 (temporary) – 11 (indirect permanent) 207 (indirect maintain)
	Project Description:	acquisition, construction, furnishing, and equipping of an approximately 121-bed student housing facility on the campus of Converse College in Spartanburg
	Note:	*negotiated private sale*
	Bond Counsel: (Exhibit 10)	Mitchell Johnson, Haynsworth Sinkler Boyd, PA

f.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	$100,000,000 Lease Revenue Bonds
	Allocation Needed:	-0-
	Name of Project:	SPE Fayssoux Properties, LLC (Medical Society of South Carolina)
	Employment Impact:	5,600
	Project Description:	(i) refinancing the costs of acquiring, constructing and equipping a medical office building on the campus of Roper St. Francis Mount Pleasant Hospital and a data center and administrative office building located on Palmetto Commerce Parkway all in Charleston County; (ii) financing the costs of acquiring, constructing and equipping a medical office building on the campus of Roper St. Francis Hospital – Berkeley, Inc. in Berkeley County, and (iii) paying certain fees and expenses incurred in connection with the issuance of the bonds.
	Note:	*negotiated private sale*
	Bond Counsel: (Exhibit 11)	Jeremy L. Cook, Haynsworth Sinkler Boyd, PA

g.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	Not Exceeding $14,750,000 Residential Care First Mortgage Revenue Refunding Bonds ($14,750,000 refunding)
	Allocation Needed:	-0-
	Name of Project:	Westminster Presbyterian Center, LLC
	Employment Impact:	maintain 289 jobs
	Project Description:	refinance (i) the $4,930,000 Commercial Promissory note from Westminster Presbyterian Center, Inc. to Provident Community Bank, and (ii) refinance the $14,460,000 South Carolina Jobs-

		Economic Development Authority Economic Development Revenue Refunding and Improvement Bonds (Westminster Presbyterian Center, Inc., Project) Series 2005, and pay costs of issuance.
	Note:	*private sale*
	Bond Counsel:	Kathleen Crum McKinney, Haynsworth Sinkler Boyd, PA
	(Exhibit 12)	
h.	Issuing Authority:	Jobs-Economic Development Authority
	Amount of Issue:	Not Exceeding $30,000,000 Economic Development Revenue Refunding Bonds ($30,000,000 refunding)
	Allocation Needed:	-0-
	Name of Project:	Wofford College
	Employment Impact:	maintain 454 jobs
	Project Description:	refunding of (i) the $12,810,000 Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning Education Facilities Revenue Bonds (Wofford College), Series 2007A which were used to defray the cost of financing and refinancing the construction of student residences; and (ii) the $19,000,000 Educational Facilities Authority for Private Nonprofit Institutions of Higher Learning Educational Facilities Revenue Bonds (Wofford College), Series 2008 which were used to defray the cost of construction of student residences on the campus.
	Note:	*private sale*
	Bond Counsel:	Kathleen Crum McKinney, Haynsworth Sinkler Boyd, PA
	(Exhibit 13)	
i.	Issuing Authority:	State Housing Finance and Development Authority
	Amount of Issue:	Not Exceeding $110,000,000 Mortgage Revenue Bonds ($30,000,000 refunding)
	Allocation Needed:	-0-
	Name of Project:	Mortgage Revenue Bonds, 2016B
	Employment Impact:	n/a
	Project Description:	Mortgage Revenue Bons, 2016B
	Bond Counsel:	Rion D. Foley, McNair Law Firm, P.A.
	(Exhibit 14)	
j.	Issuing Authority:	State Housing Finance and Development Authority
	Amount of Issue:	$14,600,000 Multifamily Housing Revenue Notes
	Allocation Needed:	-0-
	Name of Project:	The Colony
	Employment Impact:	n/a
	Project Description:	provide financing for the acquisition and renovation of a 300-unit apartment development located in Columbia
	Bond Counsel:	Samuel W. Howell, IV, Howell Linkous & Nettles, LLC
	(Exhibit 15)	

k. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding $29,000,000 Multifamily Housing Governmental Note
Allocation Needed: -0- ($29,000,000 in ceiling allocation carryforward will be used)
Name of Project: Waters at St. James
Employment Impact: n/a
Project Description: acquisition, construction and equipping of a 336 unit multifamily affordable housing apartment complex in Berkeley County
Bond Counsel: Ray E. Jones, Parker Poe Adams & Bernstein
(Exhibit 16)

Public Employee Benefit Authority (PEBA): 2016 Actuarial Experience Study for the South Carolina Retirement Systems (Regular Session Item #6)

Mr. Loftis moved to discuss regular session item #6 ahead of regular session item #1. Mr. Eckstrom seconded the motion. The Authority unanimously agreed to move discussion of regular session item #6 ahead of regular session item #1.

At least once every five years, PEBA's actuary is required to perform an experience study of the South Carolina Retirement Systems. The results of this study are then used to set actuarial assumptions and methodologies for future valuations of the systems performed by the actuary.

On February 12, 2016, PEBA's actuaries at Gabriel Roeder Smith ("GRS") delivered the 2016 Actuarial Experience Study for the period ended June 30, 2015, for the South Carolina Retirement Systems. In the experience study, GRS recommends the adoption of a set of economic assumptions, demographic assumptions, and actuarial methods and policies for use in future valuations of the South Carolina Retirement Systems. With the exception of the assumed rate of return on the systems' investments, these recommended actuarial assumptions and methodologies may be adopted by the PEBA Board, subject to approval by the State Fiscal Accountability Authority (SFAA). Under current law, the assumed rate of return on the systems' investments is set by the General Assembly pursuant to Section 9-16-335 of the Code of Laws. Because the actuaries develop the actuarial assumptions and methods recommended in the experience study as a consistent, comprehensive set of assumptions to be adopted as a cohesive whole, PEBA first forwarded the experience study to the General Assembly so that it could review and, if appropriate, take action on the actuaries' recommended adjustment to the assumed rate of return prior to any action by PEBA on the other assumptions.

As part of that review by the General Assembly, there is pending legislation that would change how the assumed rate of investment return is established, although no legislation has been enacted to date. While the assumed rate of return legislation has been pending at the General Assembly, PEBA has been asked by SFAA to take action on the other actuarial assumptions and methods recommended by the experience study and submit those actions to SFAA for review.

At its meeting on May 19, 2016, the PEBA Board adopted the actuarial assumptions and methodologies recommended by GRS in the 2016 Actuarial Experience Study of the South Carolina Retirement Systems, with the exception of the recommended assumed rate of return for the systems' investments, to be effective for the actuarial valuations of the systems as of July 1, 2016. In addition to the adoption of these recommended assumptions and methods, the PEBA Board also noted that it may be required to take additional action in the future regarding the assumed rate of return on the systems' investments or other methods of valuing the systems' assets, depending upon how the General Assembly's review of the assumed rate of return is resolved.

Peggy Boykin, Director of the Public Employee Benefit Program (PEBA), appeared before the Authority on this matter.

Mr. Loftis noted that records showed an assumed rate of return of 7.25% [sic] was used as a basis for "the numbers" and the 30-year amortization. He said the thought was the General Assembly would change the assumed rate of return but that did not happen and the rate is still 7.5%. He asked if a change in the assumption was made from 7.25% to 7.5%. Ms. Boykin said that did not happen and that those projections would be used for 2016 and afterwards. She said the fact that the General Assembly did not change the assumed rate of return and if the Authority adopts PEBA's recommendation the actuaries will use all the other new assumptions for 2016 for the valuations, but the assumed rate of return assumption will remain at 7.5%.

Mr. Loftis asked if the change of rate calculations were made based on 7.5% as the rate of return. Ms. Boykin stated that the valuations are for 2015 and they are based on assumptions that were in effect in 2015 and that was based on a 7.5% rate of return even though projections were made going forward assuming that the rate would change. Ms. Boykin said those are forward looking projections and do not change the valuations for 2015 on which the half percent increase for both sides was predicated. Mr. Loftis asked if the calculation was totally back looking and if a 30-year amortization had to be done. Ms. Boykin responded that the 30-year amortization applies to the 2015 valuations and that the 2016 valuations are not yet available. She said that at the end of fiscal year 2016, files will be provided to the actuaries in August and the actuaries will spend the next few months completing the valuations for the period ended June 30, 2016. She said that the valuation process will use all of the new assumptions. She noted that the 7.5% assumption rate did not change and that the valuations will use 7.5%. Ms. Boykin stated that the results of the 2016 valuations may be slightly different than what the projections were because the assumption did not change. She commented that the assumption recommendation change would be a forward change just as all of the other assumptions are. She said those assumptions will be applied in the 2016 valuations and are not applied to valuations that are already completed.

In further discussion concerning the experience study, Ms. Boykin explained that the experience study is simply a recommendation on the assumptions and is not a valuation. She said a valuation is a valuation of the fiscal health of the plan at a particular point in time and is done each year. She further commented that an experience study is done every five years looking back at the actual experience for those five years. She stated that the actuary will make recommendations to the PEBA Board for assumption changes and that those assumption changes are used for each valuation going forward. Ms. Boykin said that for the experience study the actuary has recommended a 7.25% rate of return, but that only the General Assembly can set the rate of return and it was not changed. She said that does not change the fact that there are other assumptions in the experience study that are under the purview of PEBA and the Authority. She stated the PEBA Board met on May 19, 2016, and approved all of the remaining recommendations and that what is before the Authority to vote on are the remaining recommendations for assumption changes.

Mr. Loftis followed up by asking if the 30-year amortization is set based on the valuations from 2015 and that the 30 years out is at 7.5%. Ms. Boykin said that the valuations for 2015 were based on 7.5%. She stated that since the General Assembly has not changed the rate of return the actuary will use 7.5% and that will vary slightly from the projections that were done assuming a 7.25% rate of return. Mr. Loftis asked if the calculation is extended out for 30 years using a 7.5% rate of return whether the system would be actuarially sound. Ms. Boykin said that she did not fully understand Mr. Loftis' question, but that the 2015 valuations were used based on the official assumptions at the time which is what the actuary is required to do. She stated that in the 2015 valuations the actuary has certified that a certain contribution increase is required. She said the minimum contribution that was required for the State system was a three basis point increase. She said that the General Assembly through the appropriations process has provided for a half percent increase and that the PEBA Board has adopted that half percent increase. She stated that the Authority is being asked to consider the experience study which is the assumptions the actuary uses to prepare the valuations. She said PEBA is asking the Authority to approve all of the assumptions that are in their control. She noted that the rate of return assumption is not within PEBA's control.

Mr. Eckstrom asked if the actuary misspoke at the prior Authority meeting concerning the minimum contribution rate for the employer. With regard to the Mr. Eckstrom's comment, Ms. Boykin stated that what the actuary said in the previous meeting would eventually occur based on their projections and adopting all of the assumptions and using them in 2016. Mr. Eckstrom said there appears to be a need for 0.63% increase in employer contributions but only 0.5% is being asked for. Ms. Boykin said eventually the contribution increases will be required, but they are not required as a result of the 2015 valuations. She further stated that what PEBA has recommended complies with what is in the general appropriation bill.

In further discussion, Mr. Eckstrom asked why PEBA delayed taking action on adopting recommended changes and why did the actuary appear sympathetic to PEBA in that regard. Ms. Boykin said that she can only speak to why the PEBA Board chose to delay action on the assumptions. She said that both bodies of the General Assembly had legislation that would transfer the authority changing the rate of return to PEBA and/or the Authority. Mr. Eckstrom asked how that would have affected the 2015 valuation. Ms. Boykin said that it would not have affected the 2015 valuation. She commented that if PEBA had been given the authority to change the rate of return that would not have affected the 2015 valuations and that the assumptions would be used in the 2016 valuations.

Mr. Loftis asked if it did not matter for this year why is the matter before the Authority now. He said there will always be a bill before the General Assembly to change the Retirement System. Ms. Boykin responded that the General Assembly has adjourned and that PEBA is sending the Authority the rest of the assumptions because the actuary needs the authority to use the new assumptions PEBA controls when they prepare the 2016 valuations. Mr. Loftis asked what has changed since November or February. Ms. Boykin said from the actuary's standpoint the 2016 valuation has not started and nothing has changed until they begin the valuation process in a few weeks. Ms. Boykin said when the actuary begins the process in a few weeks they need to know which assumptions they are authorized to use. She said the actuary has to use the 7.5% because the General Assembly did not change that. She said for the other assumptions if the Authority fails to act the actuary will have to use the old assumptions when they prepare the 2016 valuations.

Mr. Loftis noted that but for PEBA's decision to wait to see what the General Assembly would do, a meeting on this matter could have been held in March. Ms. Boykin pointed out that the first five items before the Authority were the valuations for 2015 with recommended contribution increases and that the valuations show what the minimum contributions are. She noted that the statute requires that once the valuations are completed the actuary must do an experience study every five years. She said 2015 marked the end of the five year period and that the experience study is conducted after the valuation and is used prospectively in the new valuations. She said that even though PEBA decided to wait to see what action the General Assembly would take, that does not change the fact that the experience study is purely for assumption changes.

Mr. Loftis reiterated that this meeting could have taken place three or four months ago. He said it is unforgivable that PEBA did not say they had a crisis and that they were going to set the contribution rate. He said after that it is Senator Leatherman's and Mr. White's problem. He said if PEBA was supposed to set the rate that could have been done in March or April but that did not happen.

Mr. Eckstrom commented, in further discussion, that the State has a hemorrhaging retirement system and that the process in place for dealing with it is hopelessly flawed. Mr. Eckstrom said he sympathizes with the PEBA Board because it does not have access to all the responsibility they need to assume in order to manage the system. Mr. Loftis said he understood what Mr. Eckstrom was saying and that someone has to stand up and say no. Governor Haley said over the next items on the agenda that the issue is not being ignored and that everyone acknowledges the Retirement System is not in the best situation. Mr. Eckstrom said that the next items are not going to show that the issue is being dealt with because contrived numbers are being used.

Governor Haley said the next few items will show what is being done and how it is moving the State backwards. She noted one problem is that there continues to be increased benefits as the State's investments are underperforming. She said if the investment returns continue to trail the assumptions the State will have serious problems. She added that if something is not done this issue will go to the taxpayers and that is not a good thing to have happen.

Senator Leatherman and Mr. White voted for the motion to adopt the item. Governor Haley, Mr. Eckstrom, and Mr. Loftis voted against adoption of the item. After the vote, Mr. White asked if something must be adopted by July 1 for the actuary to perform the valuation. Ms. Boykin said that if the Authority does not approve the recommended assumptions the actuary will not only have to use the 7.5% rate of return for the 2016, valuations they will also have to use old assumptions for payroll and salary growth. Mr. White noted that that will skew the numbers even worse.

Having voted on the prevailing side, Governor Haley moved to reconsider the vote. Mr. White seconded the motion. The motion to reconsider passed with Governor Haley, Senator Leatherman, and Mr. White voting for the motion to reconsider. Mr. Loftis and Mr. Eckstrom voted against the motion to reconsider.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority, pursuant to Section 9-4-45, approved the adoption of the actuarial assumptions and methodologies recommended by GRS in the attached 2016 Actuarial Experience Study of the South Carolina Retirement Systems, with the exception of the recommended assumed rate of return for the systems' investments, to be effective for the actuarial valuations of the systems as of July 1, 2016, for regular session item #6. Governor Haley, Senator Leatherman, and Mr. White voted for the motion. Mr. Loftis and Mr. Eckstrom voted against the motion.

Information relating to this matter has been retained in these files and is identified as Exhibit 22.

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination for the South Carolina Retirement System (SCRS) (Regular Session Item #1)

In the 2016-2017 State budget, the General Assembly is expected to provide for an increase in SCRS contribution rates in the amount of 0.5% for both employee and employer contribution rates, effective July 1, 2016.

For the fiscal year ended June 30, 2015, the investment return on the assets of the retirement systems significantly underperformed the assumed rate of investment return of 7.5%, producing a return of approximately 1.6%. Based upon recent reporting and statements from the South Carolina Retirement System Investment Commission, the systems' investment return for the current fiscal year will again significantly underperform the assumed rate of return, and the Commission expects that returns will continue to fall below the assumed rate of return in the near term. Because the investment underperformance for the year ended June 30, 2015, is unlikely to be offset by near-term investment gains, the underperformance will likely have to be made up for with increases in employee and employer contribution rates to maintain the funding of the systems on an actuarially sound basis. PEBA's actuaries have calculated that, based upon the July 1, 2015 actuarial valuation of SCRS, an increase in both employee and employer contribution rates of 0.5% for SCRS, effective July 1, 2016, would offset the investment underperformance for the systems during the fiscal year ended June 30, 2015.

In order to offset the investment underperformance for the fiscal year ended June 30, 2015, the Governor's 2016-2017 executive budget and the versions of the general appropriations bill, H. 5001, passed by the House of Representatives on March 23, 2016, and passed by the Senate on May 4, 2016, provide for an increase in SCRS employee and employer contribution rates in the amount of 0.5% effective July 1, 2016.

At its meeting on May 19, 2016, the PEBA Board of Directors adopted an increase in SCRS employee and employer contribution rates in the amount of 0.5% effective July 1, 2016, as provided for by the 2016-2017 general appropriations bill.

Pursuant to Section 9-4-45(A) of the Code of Laws, policy determinations made by the PEBA Board are subject to approval by the State Fiscal Accountability Authority, as evidenced by a majority vote of the Authority. Adjustments in employer and employee contribution rates are policy determinations subject to approval by the Authority. See Section 9-4-45(B) of the Code of Law

Ms. Boykin appeared before the Authority on this matter.

Mr. Eckstrom noted that investment performance accounted for 30.5% of the annual increase in the unfunded liability. He stated that there is almost 70% of other things that account for the increase in the unfunded liability that are not being looked at. Governor Haley commented that there must be an infusion into the system or this will be put on the backs of future public servants. Mr. Eckstrom commented that they have to start dealing with the other things that contribute to the increase in the unfunded liability.

Governor Haley asked Mr. White that given the underperformance of investments and the continuation of giving benefits what does he see in terms of budget and possible changes the General Assembly may make to make everything move forward. Mr. White noted that there are multiple things involved and investments are a small part of it. He said part of the problem is understanding the history of how things got to this point. He stated that one of the driving factors of why the system is in the condition it is in is because of the cost-of-living increases that were granted to retirees and they were not funded by the General Assembly. He said the thought was to spread the cost of the cost-of-living increase out over time and that time has now come. Mr. White said the guaranteed cost-of-living increase must be looked at because it costs about $3 billion dollars for the 1% increase regardless of whether the fund performs or not. He also noted that the State has done a good job shrinking government and that there are less State employees to pay into the system. He noted that as a result the State employees that are left have to pay more. Senator Leatherman also commented that a big driver for this issue was the TERI program that is being phased out. Mr. White also commented that 28-year retirement is also an issue. Governor Haley said that goals must be set each year that will help lead to solvency of the system. She also commented that the State cannot continue to give benefits when the investments are underperforming and that it is not fair to those participating in the system, future participants, or future General Assemblies. Mr. Loftis noted that as part of this issue the

Investment Commission is getting a pass. He stated that the Investment Commission's under performance is $7.1 billion compared to the average large plan for which no one is held responsible. He further commented that 75 percent of all plans that make their actuarially required contribution are underfunded. Actuaries are not fiduciaries, but technical advisors who use subjective parameters as they deem fit to achieve a desired result. He noted that a reduction in the assumed rate of return of 25 basis points on the Investment Commission's portfolio over 30 years is $17.3 billion. He indicated we need to establish a system where people are held responsible and accountable. He further commented that it is unacceptable that the next five years will be governed by a decision made by the Authority today with eight days left in the fiscal year.

After further discussion, Mr. White stated that he and Senator Leatherman would like the support to make the necessary changes during the next session. Mr. Eckstrom stated that he will work with Mr. White on this issue. Governor Haley said she wants to work with Mr. White in terms of how the executive budget and the House budget can agree to move forward with the system. She further commented that this is the old guard versus the new guard and that the new guard recognizes that it has to help take care of the future. Mr. Loftis commented that you will not find a more passionate believer in the System, but he does not believe the system can be fixed; it has to be altered. He said what is needed is to follow the lead of other states and change the system to a hybrid or some other plan because attempting to fix the plan now is an outrageously expensive proposition. Governor Haley commented that the system can be made to be better and the only terrible thing that can come out this is that no change is made.

Mr. Eckstrom stated further that the Authority will not be able to come up with a solution on its own because they are not actuaries. He said the Authority will have to hire a consulting actuary. He stated that PEBA's actuary has one mission and that is to make the plan float and be affordable for the next year. He said that does not help the Authority deal with the issue of a plan that they are told is sustainable, but continues to deteriorate. He said a consulting actuary is needed to deal with that issue. Mr. Eckstrom stated that it would concern him if the Authority developed a plan without the use of an actuary.

At the conclusion of discussion on this item, Governor Haley and Mr. White voted for the item. Mr. Eckstrom and Mr. Loftis voted against the item. Senator Leatherman was not present for the vote having left the meeting earlier. Governor Haley noted that Senator Leatherman was absent and stated that she canceled the last meeting because Senator Leatherman was not going to be present. She said that PEBA issues cannot be taken up without Senator Leatherman being present because he represents the Senate body and that these types of issues are not fair with four votes because there will be a "2 to 2 vote" on the item. Mr. Loftis said he appreciated Governor Haley's support on these issues and that in order to move forward he would abstain from voting. Mr. White asked if the motion does not pass and the plan has already been funded what happens. Mr. Loftis reiterated that he is going to abstain from voting.

Upon a motion by Mr. White, the Authority agreed to reconsider regular session item #1. Governor Haley, Mr. Loftis, and Mr. White voted for the motion to reconsider. Mr. Eckstrom did not vote to reconsider the item. Governor Haley noted that Senator Leatherman was not present for the vote.

Upon the vote on regular session item #1, Governor Haley and Mr. White voted for the item. Mr. Eckstrom voted against the item. Mr. Loftis abstained from voting. Governor Haley noted that Senator Leatherman was absent for the vote.

Accordingly, pursuant to Section 9-4-45, the State Fiscal Accountability Authority approved the following adjustments in employer and employee contributions adopted by the PEBA Board for the South Carolina Retirement System ("SCRS") for the fiscal year beginning July 1, 2016, as provided for by the 2016-2017 general appropriations bill:

1. Increased SCRS employee contribution rate from 8.16% to 8.66% and the SCRS employer contribution rate from 11.06% to 11.56%;

Information relating to this matter has been retained in these files and is identified as Exhibit 17.

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination for the South Carolina Police Officers' Retirement System (\PORS) (Regular Session Item 2)

In the 2016-2017 State budget, the General Assembly is expected to provide for an increase in PORS contribution rates in the amount of 0.5% for both employee and employer contribution rates, effective July 1, 2016.

For the fiscal year ended June 30, 2015, the investment return on the assets of the retirement systems significantly underperformed the assumed rate of investment return of 7.5%, producing a return of approximately 1.6%. Based upon recent reporting and statements from the South Carolina Retirement System Investment Commission, the systems' investment return for the current fiscal year will again significantly underperform the assumed rate of return, and the Commission expects that returns will continue to fall below the assumed rate of return in the near term. Because the investment underperformance for the year ended June 30, 2015, is unlikely to be offset by near-term investment gains, the underperformance will likely have to be made up for with increases in employee and employer contribution rates to maintain the funding of the systems on an actuarially sound basis. PEBA's actuaries have calculated that, based upon the July 1, 2015 actuarial valuation of PORS, an increase in both employee and employer contribution rates of 0.5% for PORS, effective July 1, 2016, would offset the investment underperformance for the systems during the fiscal year ended June 30, 2015.

In order to offset the investment underperformance for the fiscal year ended June 30, 2015, the Governor's 2016-2017 executive budget and the versions of the general appropriations bill, H. 5001, passed by the House of Representatives on March 23, 2016, and passed by the Senate on May 4, 2016, provide for an increase in PORS employee and employer contribution rates in the amount of 0.5% effective July 1, 2016.

At its meeting on May 19, 2016, the PEBA Board of Directors adopted an increase in PORS employee and employer contribution rates in the amount of 0.5% effective July 1, 2016, as provided for by the 2016-2017 general appropriations bill.

Pursuant to Section 9-4-45(A) of the Code of Laws, policy determinations made by the PEBA Board are subject to approval by the State Fiscal Accountability Authority, as evidenced by a majority vote of the Authority. Adjustments in employer and employee contribution rates are policy determinations subject to approval by the Authority. <u>See</u> Section 9-4-45(B) of the Code of Laws.

Upon a motion by Mr. White, seconded by Mr. Loftis, the Authority approved the following adjustments in employer and employee contributions adopted by the PEBA Board for the South Carolina Police Officers' Retirement System ("PORS") for the fiscal year beginning July 1, 2016, as provided for by the 2016-2017 general appropriations bill:

1. Increased PORS employee contribution rate from 8.74% to 9.24% and the PORS employer contribution rate from 13.74% to 14.24%.

Governor Haley and Mr. White voted for the item. Mr. Eckstrom voted against the item. Mr. Loftis abstained from voting. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 18.

Public Employee Benefit Authority (PEBA): Actuarial Valuation of the Retirement Sysetm for Judges and Solicitors (JSRS) (Regular Session Item 3)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Judges and Solicitors ("JSRS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-8-140 of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 16, 2015, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for JSRS as of July 1, 2015. Because the valuation found that the currently scheduled employer contribution rate of 47.97% was sufficient to satisfy the plan's funding policy, including maintaining an amortization period not exceeding thirty years for the plan, the PEBA Board was not required to make an adjustment in the employer contribution rate for JSRS for July 1, 2017.

Pursuant to Section 9-4-45(A) of the Code of Laws, policy determinations made by the PEBA Board are subject to approval by the State Fiscal Accountability Authority, as evidenced by a majority vote of the Authority. Adjustments in employer and employee contribution rates are policy determinations subject to approval by the Authority. See Section 9-4-45(B) of the Code of Laws.

Because there was no adjustment in the employer contribution rate for JSRS for July 1, 2017, from the previously approved rate, there is no action required by the State Fiscal Accountability Authority regarding that rate, and the actuarial valuation for JSRS as of July 1, 2015, is attached solely for the Authority's information.

Upon a motion by Mr. White, seconded by Mr. Loftis, the Authority voted to receive regular session item #3 as information. Governor Haley and Mr. White voted for the item. Mr. Eckstrom and Mr. Loftis abstained from voting. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 19.

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination for Members of the General Assembly (GARS) (Regular Session Item #4)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the Retirement System for Members of the General Assembly ("GARS"), the employee contribution rate is fixed by statute, and the PEBA Board is required to annually certify the amount of contributions required from the State as an employer contribution to the plan based upon the actuarial valuation of the plan. See Section 9-9-130 of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 16, 2015, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel Roeder Smith ("GRS"), for GARS as of July 1, 2015, and adopted the employer contribution of $4.777 million for the fiscal year beginning July 1, 2017, as recommended therein. This employer contribution is shown as a lump-sum payment because, as a single-employer system with a highly predicable salary base, the contribution is made as a lump-sum rather than as a percentage of covered payroll, like SCRS or PORS. If this GARS employer contribution were reflected as a percentage of covered GARS payroll, the employer contribution would be approximately 204.32% of covered payroll.

Pursuant to Section 9-4-45(A) of the Code of Laws, policy determinations made by the PEBA Board are subject to approval by the State Fiscal Accountability Authority, as evidenced by a majority vote of the Authority. Adjustments in employer and employee contribution rates are policy determinations subject to approval by the Authority. See Section 9-4-45(B) of the Code of Laws.

Upon a motion by Mr. White, seconded by Mr. Loftis, the Authority, pursuant to Section 9-4-45, approved the following adjustment in employer contributions adopted by the PEBA Board for the Retirement System for Members of the General Assembly ("GARS") for the fiscal year beginning July 1, 2017, based upon the actuarial valuation of the system as of July 1, 2015:

1. Increased GARS employer contribution from $4.539 million to $4.777 million.

Governor Haley and Mr. White voted for the item. Mr. Eckstrom voted against the item. Mr. Loftis abstained from voting. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 20.

Public Employee Benefit Authority (PEBA): Approval of PEBA Policy Determination for the National Guard Retirement System (SCNG Plan) (Regular Session Item #5)

Pursuant to the Retirement Code, as amended by Act 278 of 2012, the PEBA Board of Directors is authorized to adopt the necessary employer, and, in certain cases, employee, contribution rates for the five defined benefit plans administered by PEBA based upon the annual valuations of those plans performed by the plans' actuary.

For the National Guard Retirement System ("SCNG Plan"), which does not require employee contributions, the PEBA Board is required to certify the amount of the appropriation required from the State to maintain the plan on a sound actuarial basis as determined by the annual actuarial valuation of the plan. See Section 9-10-60(D) of the Code of Laws.

At the regular meeting of the PEBA Board of Directors on December 16, 2015, the PEBA Board accepted as information the valuation prepared by the Board's actuary, Gabriel

Roeder Smith ("GRS"), for the SCNG Plan as of July 1, 2015, and adopted the employer contribution of $4.509 million for the fiscal year beginning July 1, 2016, as recommended therein. This employer contribution is shown as a lump-sum payment, rather than as a percentage of covered payroll, because the benefits payable under the SCNG Plan are not connected to payroll, but instead consist of a set stipend based upon years of service alone. PEBA does not collect payroll information on National Guard members, and would not be able to reflect the State employer contribution to the SCNG plan as a percentage of covered payroll.

Pursuant to Section 9-4-45(A) of the Code of Laws, policy determinations made by the PEBA Board are subject to approval by the State Fiscal Accountability Authority, as evidenced by a majority vote of the Authority. Adjustments in employer and employee contribution rates are policy determinations subject to approval by the Authority. See Section 9-4-45(B) of the Code of Laws.

Upon a motion by Mr. White, seconded by Mr. Loftis,, pursuant to Section 9-4-45, the Authority is asked to approved the following adjustment in employer contributions adopted by the PEBA Board for the National Guard Retirement System ("SCNG Plan") for the fiscal year beginning July 1, 2016, based upon the actuarial valuation of the system as of July 1, 2015:

1. Adjust the SCNG Plan employer contribution from $4.570 million to $4.509 million.

Mr. Loftis and Mr. White voted for the item. Mr. Eckstrom voted against the item. Governor Haley abstained from voting. Governor Haley noted that Senator Leatherman was absent for the vote.

Mr. Eckstrom stated that he is against the items because the Authority is being asked to make decision based upon faulty data and not because he does not believe they need to be funded.

Information relating to this matter has been retained in these files and is identified as Exhibit 21.

Department of Administration, Executive Budget Office: Permanent Improvement Projects (Regular Session Item #7)

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

(JBRC).

Concerning item 7(b) for Greenville Technical College, Mr. Eckstrom asked what the cost would be for replacing the building and what programs are being affected by the demolition and how are their needs being met. Mr. White said this is the Belk building in the old Greenville Mall that is not occupied. He said the roof has deteriorated and the building needs to be demolished because of hazard problems. He said the site is not currently being used and there are no plans to erect anything on it.

With regard to item 7(f) concerning the Department of Mental Health, Mr. Eckstrom asked if the established budget included the cost of land. Ken Roey with the Department of Mental Health stated that the land has already been purchased.

Upon a motion by Mr. White, seconded by Mr. Loftis, the Authority approved the following permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Executive Budget Office. Governor Haley noted that Senator Leatherman was absent for the vote. As noted above, all items were reviewed favorably by JBRC.

Establish Project for A&E Design

(a) Summary 6-2016: JBRC Item 1. Medical University of South Carolina
Project: 9834, Psych Institute Chiller #1 Replacement

CHE Approval: 4/21/16
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Other, Institutional Deferred Maintenance	0.00	0.00	0.00	23,250.00	23,250.00
All Sources	0.00	0.00	0.00	23,250.00	23,250.00

Funding Source: $23,250 Other, Institutional Deferred Maintenance funds, which are operational funds earmarked by the University on an annual basis to address deferred maintenance needs.

Request: Establish project and budget for $23,250 (Other, Institutional Deferred Maintenance funds) to begin design work to replace chiller #1 at the Psychiatric Institute Building at the Medical University of South Carolina. The existing 250-ton chiller is original to the 62,300-square-foot building and is approximately 39-years-old. It is beyond its useful life and is also undersized. It will be replaced with a new 350-ton unit. In addition, the existing pumps and cooling tower will also be upgraded to match the new chiller's capacity. The agency estimates that the completed project will cost approximately $1,550,000.

(b) Summary 6-2016: JBRC Item 2. Greenville Technical College
Project: 6124, Greenville - Building 602 Demolition

CHE Approval: 05/05/16
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Other, Local College Plan Fund	0.00	0.00	0.00	39,900.00	39,900.00
All Sources	0.00	0.00	0.00	39,900.00	39,900.00

Funding Source: $39,900 Other, Local College Plant Fund, which are funds received by the College primarily from County appropriations that are accumulated over time and used to fund capital projects.

Request: Establish project and budget for $39,900 (Other, Local College Plan Funds) to begin design work to begin demolition of Building 602 at Greenville Technical College. Phase 1 will also include cost estimates for asbestos abatement, structural demolition, mall façade restoration concept, and design to re-route HVAC chilled water lines supplying tenant spaces on the Building 602 side of McAlister Square. The 130,000-square-foot building was constructed in 1973 and acquired by the College in 1999. It no longer meets building requirements of the City of Greenville, State of SC, or energy efficiency standards. Structural deterioration of the roof is leading to water penetration resulting in mold growth inside the building. The agency reports renovation and restoration costs are excessive based on time to achieve return on investment. Permission to demolish the building has been obtained from the State Engineer's Office. The agency estimates that the completed project will cost approximately $1,330,000.

Establish Construction Budget

(c) Summary 6-2016: JBRC Item 5. College of Charleston
Project: 9662, Avery Envelope Renovation and Mechanical System Replacement

CHE Approval: 05/05/16
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Other, Capital Project Institutional Funds	18,889.00	0.00	18,889.00	1,533,088.00	1,551,977.00
All Sources	18,889.00	0.00	18,889.00	1,533,088.00	1,551,977.00

Funding Source: $1,551,977 Other, Capital Project Institutional Funds, which are those revenues generated by the Capital Improvement Fee that are in excess of the current annual debt service related bonds issued under Section 59-130-410 through 59-130-510 of the S.C. Code of Laws. The fee is that portion of the student bill earmarked for debt service and renewal of the physical infrastructure. The College has had this fee in place since it became a public institution in 1970. The AY2014-15 per semester fee is $781.

Request: Increase budget to $1,551,977 (add $1,533,088 Other, Capital Project Institutional Funds) to begin work to provide for envelope repair and mechanical system replacement for the Avery Research Center for African American History and Culture at the College of Charleston. This project was established in March 2016 for pre-design work, which is now complete. The Avery Research Center is 17,054-gross-square-feet and is approximately 148-years-old. The roof is approximately 17-years-old and is no longer under warranty. The mechanical system being replaced is approximately 16-years-old and no longer controls the temperature and humidity required to properly preserve the important archival and exhibition materials housed within the facility. The repair includes the replacement of the roof; masonry walls repair; removal, repair, resetting, or replacement of windows; and replacement of all exterior sealants. The computer room-style HVAC units, DDC controllers, sensors, central air handlers, and fan coil units will be replaced throughout the building. The agency reports the total projected cost of this project is $1,551,977 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is January 2017 and for completion of construction is August 2017.

(d) Summary 6-2016: JBRC Item 6. Medical University of South Carolina
Project: 9831, Parking Garage #1 Structural, Waterproofing and Masonry Repairs

CHE Approval: 03/17/16
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment

Other, Parking Revenue	26,250.00	0.00	26,250.00	1,723,750.00	1,750,000.00
All Sources	26,250.00	0.00	26,250.00	1,723,750.00	1,750,000.00

Funding Source: $1,750,000 Other, Parking Revenue, which are those funds generated from operation of the University's parking system.

Request: Increase budget to $1,750,000 (add $1,723,750 Other, Parking Revenue funds) to begin design and construction to address structural and deferred maintenance issues on floors one through five of the Jonathan Lucas Street Parking Garage at the Medical University of South Carolina to prevent further deterioration of the support structure. This project was established in February 2016 for pre-design work, which is now complete. The 191,670-gross-square-feet garage is approximately 43-years-old and includes 365 parking spaces which are mostly used by hospital patients. The work will repair or replace waterproofing systems, reinforce and repair masonry wall systems, upgrade vehicular impact systems to meet current code, and repair and paint the structure support steel. The agency reports the total projected cost of this project is $1,750,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is October 2016 and for completion of construction is September 2017.

(e) Summary 6-2016: JBRC Item 7. Department of Mental Health
Project: 9736, Harris Hospital HVAC and Fire Sprinkler Renovations

CHE Approval: N/A
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Other, Capital Improvements, Repair and Maintenance Fund	120,000.00	0.00	120,000.00	10,180,000.00	10,300,000.00
All Sources	120,000.00	0.00	120,000.00	10,180,000.00	10,300,000.00

Funding Source: $10,300,000 Other, Capital Improvements, Repair, and Maintenance Fund, which are funds authorized pursuant to Proviso 35.10 of FY 2015-16 which may include legal settlements, Medicaid fee for service revenue, and other one-time funding sources.

Request: Increase budget to $10,300,000 (add $10,180,000 Other, Capital Improvements, Repair and Maintenance Funds) to begin design and construction for HVAC and fire sprinkler renovations at the Patrick B. Harris Psychiatric Hospital in Anderson, SC. This project was established in

December 2014 for pre-design work, which is now complete. The work will replace the 31-year-old HVAC distribution system, which is original to the building, including ductwork, underground chilled water piping, controls, and the energy plant's cooling towers. The existing fire sprinkler system is also original to the building and has experienced failures at piping joints, valves, and fittings. The facility is a 175,300-gross-square-foot acute inpatient hospital with 200 licensed beds. The agency reports the total projected cost of this project is $10,300,000 with annual operating savings of $20,000 in year one and $44,820 in years two and three. The agency also reports the projected date for execution of the construction contract is January 2017 and for completion of construction is December 2018. (See attachment 1 for additional annual operating cost savings.)

(f) Summary 6-2016: JBRC Item 8. Department of Mental Health
Project: 9746, Santee Wateree Mental Health Center Construction

CHE Approval: N/A
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Other, Capital Improvements, Repair, and Maintenance Fund	150,000.00	0.00	150,000.00	9,934,000.00	10,084,000.00
Other, Logan Foundation	0.00	0.00	0.00	700,000.00	700,000.00
All Sources	150,000.00	0.00	150,000.00	10,634,000.00	10,784,000.00

Funding Source: $10,084,000 Other, Capital Improvements, Repair, and Maintenance Fund, which are funds authorized pursuant to Proviso 35.10 of FY 2015-16 which may include legal settlements, Medicaid fee for service revenue, and other one-time funding sources; $700,000 Other, Logan Foundation, which is a monetary gift from the Myrtis Logan Foundation.

Request: Increase budget to $10,784,000 (add $9,934,000 Other, Capital Improvements, Repair and Maintenance, and $700,000 Other, Logan Foundation Funds) to begin design work and construction of a new mental health center in Sumter County. This project was established in September 2015 for pre-design work, which is now complete. Currently, the existing programs are located in a 13,318-square-foot owned facility and two leased spaces. The owned facility is no longer sufficient to meet the agency's needs and requires a variety of deferred maintenance repairs. Placing the various programs in one consolidated facility will aid in the efficiency of service delivery. The new 35,000-square-foot facility will include space for Adult Outpatient Services;

Assertive Community Treatment; Elder Services; Crisis Services; Child, Adolescent, and Family Services; Administration, Training, and Facility Support; and 155 parking spaces. In addition, it will include a stand-alone multi-use center which is being funded by the Myrtis Logan Foundation. The new facility will meet LEED Silver Certification. The agency reports the total projected cost of this project is $10,784,000 with additional annual operating savings of $55,075 in year one and $110,150 in years two and three due largely to the termination of the existing leases and the reduction in maintenance costs attributed to the older facility. The facility was planned at 40,000-square-foot when brought for pre-design. The agency also reports the projected date for execution of the construction contract is November 2016 and for completion of construction is December 2017. (See attachment 2 for additional annual operating cost savings.)

Increase Budget

(g) Summary 6-2016: JBRC Item 16. Central Carolina Technical College
Project: 6098, CCTC Industrial Building Renovation

CHE Approval: 04/26/16
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Appropriated State	750,000.00	0.00	750,000.00	0.00	750,000.00
Other, Local Sales Tax	0.00	0.00	0.00	1,000,000.00	1,000,000.00
All Sources	750,000.00	0.00	750,000.00	1,000,000.00	1,750,000.00

Funding Source: $750,000 Appropriated State; $1,000,000 Other, Local Sales Tax, which are revenues generated from the 2014 local sales tax referendum.

Request: Increase budget to $1,750,000 (add $1,000,000 Other, Local Sales Tax funds) to provide additional funding to renovate the Industrial and Engineering Technology building on the campus of Central Carolina Technical College in Sumter County. The project construction budget was established in November 2014 by Department of Administration staff as the project was legislatively-authorized through non-recurring revenue funds. The project includes the installation of a sprinkler/fire protection system for the entire facility, an upgrade of lighting to improve energy efficiency and quality of program space, an addition of natural gas and exhaust in some lab areas, and additional restroom facilities. The renovation will allow the College to increase enrollment in the automotive, HVAC, and welding programs, as well as workforce development short term program. The College has received

$1,000,000 from the Sumter County 2014 sales tax referendum to continue the renovation project. The agency reports the total projected cost of this project is $1,750,000 and additional annual operating savings of $3,000 in utilities costs will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is November 2016 and for completion of construction is June 2017. (See attachment 3 for additional annual operating cost savings.)

(h) Summary 6-2016: JBRC Item 17. Northeastern Technical College
Project: 6114, Industrial Training Center Renovations and Expansion (Bennettsville & Pageland)

CHE Approval: 03/03/16
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Capital Reserve Fund, FY2015-16	1,500,000.00	0.00	1,500,000.00	0.00	1,500,000.00
Other, Local	0.00	0.00	0.00	400,000.00	400,000.00
All Sources	1,500,000.00	0.00	1,500,000.00	400,000.00	1,900,000.00

Funding Source: $1,500,000 Capital Reserve Fund of FY 2015-16; $400,000 Other, Local, which is a $150,000 donation from the City of Bennettsville and a $250,000 donation from the Town of Pageland.

Request: Increase budget to $1,900,000 (add $400,000 Other, Local funds) to provide additional funding to renovate and construct industrial training facilities at the Northeastern Technical College campus in Bennettsville and Pageland. The project construction budget was established in December 2015 by Department of Administration staff as the project was legislatively-authorized through capital reserve funds. The project includes the renovation of the existing 9,228-square-foot facility in Bennettsville and the construction of a new 10,000-square-foot facility in Pageland to meet the industrial training needs of local industries and to supply the workforce needed to maintain existing jobs as well as future workforce expansion needs due to recent announcements in the area. The College has received $150,000 from the City of Bennettsville and $250,000 from the Town of Pageland to continue the project. The agency reports the total projected cost of the project is $1,900,000 and additional annual operating costs of $33,500. The agency also reports the date for execution of the construction contract was March 2016 and for completion of construction is December 2016.

(i) Summary 6-2016: JBRC Item 18. Adjutant General

Project: 9789, Armory Maintenance Repair Projects for 2015-16
CHE Approval: N/A
JBRC Approval: 06/01/16

Source of Funding Detail	Original Budget Amount	Cumulative Changes Since Original Budget	Current Budget	Current Budget Adjustment Requested	Total Budget After Current Adjustment
Appropriated State (FY15-16 Proviso 118.14)	1,500,000.00	0.00	1,500,000.00	0.00	1,500,000.00
Federal	0.00	0.00	0.00	1,500,000.00	1,500,000.00
All Sources	1,500,000.00	0.00	1,500,000.00	1,500,000.00	3,000,000.00

Funding Source: $1,500,000 Appropriated State; $1,500,000 Federal.
Request: Increase budget to $3,000,000 (add $1,500,000 Federal) to provide additional funding to complete deferred maintenance repairs of multiple statewide armories. The project construction budget was established in March 2016 by Department of Administration staff as the project was legislatively-authorized through non-recurring revenue funds. The project includes the completion of deferred maintenance in a combined total of 307,541-square-feet servicing over 1,800 soldiers. The systems and buildings range from 35-83 years of age and were included in the list of projects submitted to the General Assembly during the agency's budget hearings. The agency is receiving $1,500,000 in federal matching funds to complete the maintenance activities. The agency reports the total projected cost of this project is $3,000,000 and no additional operating costs will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is August 2016 and for completion of construction is June 2017.

Information relating to this matter has been retained in these files and is identified as Exhibit 23.

Department of Administration, Executive Budget Office: Real Property Acquisition (R8)

The Department of Administration recommended approval of the following real property acquisition:

(a) Summary 6-2016: JBRC Item 22. Department of Natural Resources
Project: 9946, Lancaster/Kershaw – Catawba River/Liberty Hill WMA Property Acquisition
CHE Approval: N/A
JBRC Approval: 06/01/16

		Cumulative		Current Budget	Total Budget

Source of Funding Detail	Original Budget Amount	Changes Since Original Budget	Current Budget	Adjustment Requested	After Current Adjustment
Federal, US Forest Service	0.00	0.00	0.00	2,165,000.00	2,165,000.00
Other, Heritage Land Trust	20,000.00	0.00	20,000.00	672,604.00	692,604.00
Other, SC Conservation Bank	0.00	0.00	0.00	1,500,000.00	1,500,000.00
Other, Duke Energy	0.00	0.00	0.00	1,094,197.00	1,094,197.00
Other, County Water Recreation Fund	0.00	0.00	0.00	250,000.00	250,000.00
All Sources	20,000.00	0.00	20,000.00	5,681,801.00	5,701,801.00

Agency:	P24 – Department of Natural Resources
Acreage:	± 1,829 acres
Location:	Eastern shore of the Catawba River extending south to Lake Wateree west of SC Highway 97
County:	Kershaw/Lancaster
Purpose:	Complete the final phase of a habitat protection project.
Appraised Value:	$6,600,000
Price/Seller:	$5,681,801 ($3,107/acre) / The Conservation Fund
Source of Funds:	Federal, US Forest Service; Other, Heritage Land Trust; Other, SC Conservation Bank; Other, Duke Energy; Other, County Water Recreation Fund
Project Number:	P24-9946
Environmental Study:	Approved
Building Condition Assessment:	N/A
Additional Annual Op Cost/SOF:	Operating Costs of $15,000 annually for the entire property
Current Year Property Tax:	$3,421 Kershaw; $735 Lancaster

Historical Ownership Information

Owner/Purchaser	Date	Price
The Conservation Fund	12/10/2013	$2,660/acre
Greenwood Development Corporation	8/6/2006	$7,765/acre
Southern Power Company/Duke Power	1907	Not Provided

Request: Acquire approximately 1,829 acres of land in Lancaster and Kershaw Counties by the Department of Natural Resources. The project was established in June 2015 to procure preliminary studies required to adequately evaluate property prior to purchase, which are now complete. The property is adjacent to the agency's Liberty Hill Wildlife Management Area and is part of an overall acquisition plan for the larger Catawba Wildlife Management Area. The property is being offered to the agency by the Conservation Fund, an environmental non-profit, tax-exempt charity. Acquisition of this property will protect land containing habitats for deer, quail, small game, and turkey. After the property is acquired, it will be managed as part of the Catawba River WMA and will be open to the public for fishing, hunting, hiking, and wildlife viewing. The property has been appraised for $6,600,000 and the seller has agreed to sell for $5,681,801. The Executive Budget Office has reviewed the appraisal and environmental study and approves their use in granting this request. The agency reports the total projected cost of this project, including investigative studies, is $5,701,801 and additional annual operating costs of $15,000 will result from the acquisition. The agency reports the projected date of completion of the land acquisition is July 2016.

Mr. Eckstrom stated that the Department does a good job of protecting public property and providing for public use of large tracts of property.

Upon a motion by Mr. Eckstrom, seconded by Mr. White, the Authority approved the real property acquisition for the Department of Natural Resources as requested by the Department of Administration, Executive Budget Office. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 24.

Department of Administration, Real Property Services: Medical University of South Carolina Lease – 125 Doughty Street (Regular Session Item 9)

The Medical University of South Carolina (MUSC) requested approval to continue leasing 11,494 usable square feet located at 125 Doughty Street in Charleston from Roper MOB, LLC for office and research space for faculty, professional, and support staff for its Department of Psychiatry, Clinical Neurosciences Division-Drug Abuse Research Training (DART) program, Women's Health Center, and Southeastern Clinical and Translational Research

Institute (SCTR). The facility houses 77 permanent staff and includes exam rooms, conference rooms, and interview rooms for faculty, students, and research participants to meet in compliance with state and federal health privacy requirements.

A solicitation was conducted for space adjacent to campus as occupants coordinate on a daily basis with on-site employees, patients, and research participants within the MUSC Institute of Psychiatry. It is essential that the leased space for the Department of Psychiatry be adjacent to the campus and near the Institute of Psychiatry for accessibility of the faculty, staff, students, and patients. As such, specific outreach to properties available in the area was conducted; however, only one proposal was received for the selected location.

The current lease rate is $28.17 per usable square foot and expires on June 24, 2016. The new lease term will be five (5) years commencing on June 25, 2016. The landlord shall provide $86,205 for upfitting costs. Four (4) parking spaces in the deck of the building are included. All other parking is accommodated through the MUSC Parking System. Base rent ($16.41) and operating expenses ($13.31) will be $29.72 per usable square foot for the first period of the lease. Beginning on January 1, 2017 and continuing on January 1st of each year thereafter during the Lease Term ("Adjustment Date"), the Base Rent shall increase by three percent (3%) per annum. Annual operating expense increases, if applicable, will also occur on the Adjustment Date subject to a cap of five percent (5%) per annum. The chart below reflects the maximum amount MUSC could pay over the term of the lease for rent and operating expenses:

Period	Base Rent	Op EX	Total PSF	Total
June 25, 2016-December 31, 2016	$16.41	$13.31	$29.72	$177,820.05
January 1, 2017-December 31, 2017	$16.90	$13.98	$30.88	$354,934.72
January 1, 2018-December 31, 2018	$17.41	$14.68	$32.09	$368,842.46
January 1, 2019-December 31, 2019	$17.93	$15.41	$33.34	$383,209.96
January 1, 2020-December 31, 2020	$18.47	$16.18	$34.65	$398,267.10
January 1, 2021-June 24, 2021	$19.02	$16.99	$36.01	$198,444.75
TOTAL				$1,881,519.04

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

Location	Tenant	Rent Rate/SF
215 East Bay Street	Vacant	$35.00
40 Calhoun Street	Vacant	$34.50-$40.00
55 Bee Street	MUSC	$35.39
360 Concord Street	College of Charleston	$31.50
701 East Bay Street	Clemson University	$34.59

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

Additionally, the CBRE 2016 Q1 Marketview Report for Charleston Office space indicates a current average asking rate of $33.84/SF in the Charleston Business District and notes that these rates are expected to rise by the end of 2016. The Colliers 2016 Q1 Research & Forecast Report indicates a current average asking rate of $35.51/SF in downtown Charleston and also notes that rates are projected to increase.

Lease payments will be funded through Institutional Commitment Funds from SCTR and grant funds through Clinical Neurosciences DART and the Department of Psychiatry. MUSC has indicated that no student fee increase will be associated with this lease, and there are adequate funds for the lease according to a Budget Approval Form submitted by MUSC. The lease was approved by the MUSC Board of Trustees on April 8, 2016, by the Commission on Higher Education on May 5, 2016, and by JBRC on June 1, 2016.

Upon a motion by Mr. White, seconded by Mr. Eckstrom, the Authority approved the proposed lease for the Medical University of South Carolina at 125 Doughty Street in Charleston, as requested by the Department of Administration, Real Property Services. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 25.

University of South Carolina*: Not Exceeding $26,000,000 Aggregate Principal Amount Athletic Facilities Revenue Refunding Bonds of the University of South Carolina; and Authorizing the Issuance and Sale of Athletic Facilities Revenue Bond Anticipation Notes Pending the Issuance of the Athletic Facilities Revenue Bonds (Regular Session Item #10)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding 26,000,000 Athletic Facilities Revenue Refunding Bonds, of the University of South Carolina.

The proceeds of the bonds will be used to (i) provide the amount necessary, together with other funds available to the University, to pay the costs of advance refunding its Athletic Facilities Revenue Bonds, Series 2008A, maturing May 1, 2019, to and including May 1, 2038; (ii) funding the Series 2016A Debt Serve Reserve Fund, if any, or purchasing a debt service reserve fund substitute if any; and (iii) paying certain costs and expenses relating to the issuance of the Series 2016A Bonds, including a municipal bond insurance premium, if any.

Upon a motion by Mr. Loftis, seconded by Mr. White, the Authority adopted a resolution making provision for the issuance and sale of not exceeding $26,000,000 Aggregate Principal Amount Athletic Facilities Revenue Refunding Bonds of the University of South Carolina; and authorizing the issuance and sale of Athletic Facilities Revenue Bond Anticipation Notes pending the issuance of the Athletic Facilities Revenue Bonds. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 26.

University of South Carolina: Not Exceeding $81,000,000 University of South Carolina Higher Education Refunding Revenue Bonds, Series 2016A (Regular Session Item 11)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding $81,000,000 University of South Carolina Higher Education Refunding Revenue Bonds, Series 2016A.

The proceeds of the bonds will be used to (i) refund (1) all or a portion of the University's Higher Education Revenue Bonds, 2008A, outstanding in the aggregate principal amount of $52,450,000, and (2) all or a portion of the University's Higher Education Revenue Bonds, Series 2009A, outstanding in the aggregate principal amount of $23,510,000; (ii) provide for the Series 2016A Reserve Requirement, if any; (iii) pay certain costs and expense related to the issuance of the Series 2016A Bonds; and (v) provide for credit enhancement with respect to the Series 2016 Bonds, if any.

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Authority adopted a resolution making provision for the issuance and sale of not exceeding $81,000,000 University of South Carolina Higher Education Refunding Revenue Bonds, Series 2016A. Governor Haley noted that Senator Leatherman was absent for the vote.

Information relating to this matter has been retained in these files and is identified as Exhibit 27.

Future Meeting

Prior to adjournment of the meeting, Mr. Loftis stated that Mr. Eckstrom had mentioned the idea of hiring a consulting actuary for the system and asked if a motion could be made in that regard. Mr. Eckstrom said he was going to do that. Governor Haley said her concern was that Senator Leatherman walked out of the meeting on all of the pension votes and that changes cannot be made without the General Assembly. She said there is a danger getting an actuary without the commitment from Senator Leatherman that he wants an actuary. Mr. Eckstrom suggested that the Authority express desire for staff to inquire about the availability of actuaries and what the cost might be. Governor Haley said that she agrees the Authority needs to move forward, but without Senator Leatherman being present to vote for an actuary she did not think that would carry a lot of weight. Mr. Loftis said they would not be replacing the Retirement System's actuary, but would be hiring one for the Authority. Mr. White commented that he did not think a motion was needed and that Mr. Gillespie or someone else could explore what the cost would be or find out from PEBA. Governor Haley asked Mr. Gillespie to inform Senator Leatherman about what he finds out. Mr. White said if this makes financial sense it may be worthwhile doing. Mr. Eckstrom said other states in similar situations should be researched to find out what they have done with regard to hiring a specialist.

The Authority agreed to meet at 10:00 a.m. on Tuesday, August 9, 2016, in Room 252, Edgar A Brown Building.

Adjournment

The meeting adjourned at 5:00 p.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 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 1:15 p.m. on Monday, June 20, 2016.]