

MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

March 8, 2016 – 9:30 A. M.

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Tuesday, March 8, 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; Acting 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; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Budget Analyst Blythe Littlefield; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

Governor Haley announced at the beginning of the meeting that the Authority should meet to be briefed on the PEBA experience study and the health of the Retirement System. She said that the Authority should discuss these matters prior to the June 2016 meeting. She said the Authority should look at everything that is happening with the Retirement System and make sure that it is been managed properly and that the Authority is responding appropriately.

Mr. Loftis moved to have the Authority meet to discuss PEBA and the Retirement System. The motion was seconded by Mr. Eckstrom. Mr. White said the matter should be taken up during discussion on regular session item #11. Governor Haley said that the matter could be taken up then. Mr. Loftis commented that when presentations are made he did not want to see just the rosy picture that is often painted. He said that the Authority needed to see what the worst case basis is.

Adoption of Agenda for State Fiscal Accountability Authority

Upon a motion by Mr. White, seconded by Mr. Loftis, the Authority adopted the State Fiscal Accountability Authority agenda as proposed.

Minutes of Previous Meeting

Upon motion by Mr. White, seconded by Mr. Loftis, the Authority approved the minutes of the January 26, 2016, State Fiscal Accountability Authority meeting; and acting as the Tobacco Settlement Revenue Management Authority, approved the minutes of the January 26, 2016, Authority meeting.

Blue Agenda

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority unanimously approved blue agenda items #2-#4 as noted herein.

Upon a motion by Mr. White, seconded by Mr. Eckstrom, the Authority approved blue agenda item #1 as noted herein. Governor Haley, Mr. Eckstrom, Senator Leatherman, and Mr. White voted for the item. Mr. Loftis voted against the item.

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

Mr. Loftis noted that he would vote against ratification of issuer's counsel for the conduit issues. He also asked if the project for Coastal Carolina University (Coastal) was still alive. Senator Leatherman noted that the item was withdrawn from the JBRC agenda and is not before the Authority. Mr. Loftis asked that the bond counsel item be deleted since the project is "dead". Mr. Eckstrom asked if this would require assignment of counsel for a second time. He said this item is not approval of the debt it is approval of counsel. Mr. Mark Kelly, on behalf of Coastal, stated that the expansion of the football stadium was deferred by the Commission on Higher Education (CHE). He said they are working on a new report for CHE in order to bring the project forward to the Authority. He said approval of bond counsel is necessary if the project moves forward. He asked that the Authority approve the appointment of bond counsel.

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

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$14,400,000.00 SC JEDA	CPF Properties	Haynsworth Sinkler Boyd, P. A.	Nexsen Pruet
\$120,000,000.00 SC JEDA	SCJEDA Hospital Improvement and Refunding Revenue Bonds (Palmetto Health) 2016A	McNair Law Firm/ (Chapman & Cutler LLP)	Howell Linkous & Nettles, LLC
SC State Housing Finance & Development Authority \$11,000,000	Atlantic Housing Foundation, Inc.	Parker Poe	Tracey Easton (SCSHA)
SC State Housing Finance & Development Authority \$14,000,000	The Assembly SC, LLC	Howell Linkous & Nettles, LLC	Tracey Easton (SCSHA)
SC State Housing Finance & Development Authority \$7,000,000	Sunrise Village SC, LLC	Howell Linkous & Nettles, LLC	Tracey Easton (SCSHA)
SC State Housing Finance & Development Authority \$14,600,000	CHC Colony Apartments, LLC	Howell Linkous & Nettles, LLC	Tracey Easton (SCSHA)
SC State Housing Finance & Development Authority \$8,500,000	Atlantic Housing Foundation, Inc.	Parker Poe	Tracey Easton (SCSHA)

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel
\$9,100,000 Winthrop Higher Education Revenue Refunding Bonds	Winthrop University	Haynsworth Sinkler Boyd, P. A.
\$325,000,000 Medical University Hospital Authority	MUSC Children's Hospital & Women's Pavilion	Haynsworth Sinkler Boyd, P.A.
\$39,000,000.00 Coastal Carolina	Coastal Carolina (Brooks Stadium)	Pope Flynn, LLC

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

Department of Administration, Division of General Services: Easement (Blue Item #2)

The Authority approved granting the referenced easement as recommended by the Department of Administration, Division of General Services:

- (a) County Location: Horry
From: Coastal Carolina University
To: South Carolina Public Service Authority (Santee Cooper)
Consideration: \$5
Description/Purpose: To grant a 0.10 acre easement for the construction, installation, operation and maintenance of underground electric lines and associated facilities upon property of Coastal Carolina University. The easement is being sought by the University for the benefit of the property. The Division of General Services has determined that the University has complied with the requirement of the statute in that the easement does not materially impair the utility of the property or damage it.

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

Department of Administration, Division of General Services: Real Property Conveyance (B3)

The Authority approved the following real property conveyance as requested by the Department of Administration, Division of General Services.

- Controlling Agency:** **Clemson University**
Acreage: 518± acres
Location: Off Hood Creek Road, Laurens
County: Laurens
Purpose: To convey property adjacent to the Cliff Pitts Wildlife Management Area to the Department of Natural Resources to expand the existing wildlife management area and provide additional outdoor recreational opportunities to the public. Clemson University has been in the process of consolidating its youth programs into several locations rather than operating numerous locations across the state. The sale will allow the University to use the proceeds to improve and expand the infrastructure and facilities at one or more of its main youth program locations. This will also enable the University to serve more youth and expand youth programs at the consolidated locations. While the sales price is slightly below

the appraised value, the benefits that the University, Department of Natural Resources and the State would receive from this transaction more than compensate for the difference.

Appraised Value: \$1,297,047 as of 4/24/15
Price/Transferred To: \$1,143,294/Department of Natural Resources
Disposition of Proceeds: To be retained by Clemson University.

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

Executive Director: Revenue Bonds (Blue Agenda Item #4)

The Authority adopted resolutions approving the referenced proposals to issue revenue bonds:

- a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$120,000,000 Hospital Revenue Bonds
Allocation Needed: -0-
Name of Project: Palmetto Health
Employment Impact: maintain at least 10,499 jobs in Richland County and 1,800 jobs in Sumter County
Project Description: (A) finance or refinance the acquisition of certain assets of Tuomey d/b/a Tuomey Healthcare System and Tuomey Medical Professionals which are located in Sumter County, South Carolina (“Sumter County” and, together with Richland County, the “Counties”) (the “Tuomey Acquisition”), (B) finance or refinance certain additions, expansions and enlargements to its existing hospital facilities and certain acquisitions of machinery, equipment, office furnishings and other depreciable assets in the Counties, and (C) and pay fees and expenses incurred in connection with the issuance of the Bonds.
- Note:* private sale
Bond Counsel: David J. Kates, Chapman and Cutler LLP
(Exhibit 4)
- b. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: \$14,000,000 Multifamily Housing Revenue Bonds
Allocation Needed: -0-
Name of Project: The Assembly
Employment Impact: n/a
Project Description: provide financing for the acquisition and construction of approximately 240 rental units located in Greenville
Bond Counsel: Samuel W. Howell, Howell Linkous & Nettles, LLC
(Exhibit 5)

- c. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding \$8,500,000 Multifamily Housing Revenue Bonds
Allocation Needed: \$8,500,000 (will use carryforward allocation)
Name of Project: Waters at Berryhill
Employment Impact: n/a
Project Description: acquisition and rehabilitation of a 180 unit multifamily affordable housing apartment complex in Lexington
Bond Counsel: Ray E. Jones, Parker Poe Adams & Bernstein LLP
(Exhibit 6)
- d. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding \$11,000,000 Multifamily Housing Revenue Bonds
Allocation Needed: \$11,000,000 (will use carryforward allocation)
Name of Project: Waters at Longcreek
Employment Impact: n/a
Project Description: acquisition and rehabilitation of a 220 unit multifamily affordable housing apartment complex in Richland County
Bond Counsel: Ray E. Jones, Parker Poe Adams & Bernstein LLP
(Exhibit 7)

State Auditor: Update on the State Auditor's Office (Regular Session Item #1)

The Authority received as information an update from Mr. George Kennedy, the State Auditor, on the State Auditor's Office. He reminded the Authority members that he has been on the job for five months. He noted that he has had 27 years of experience in public sector accounting focusing on audit services and consulting services to state and local governments. He noted that the State Auditor's Office is divided into two service delivery divisions: the state audits division and the Medicaid division. He noted that the state audits division has a number of responsibilities with the primary one being the audit of the State's Comprehensive Annual Financial Report (CAFR) that is prepared by the Comptroller General's Office. He said that is a large project for his office that was completed with the assistance of an outside audit firm prior to this past Thanksgiving. He stated that they would begin preparations for the upcoming audit in a few weeks. Mr. Kennedy further stated that the second largest audit is that of the State's single audit for expenditure of federal funds. He said that year round his staff audits state agencies with the audits being driven by compliance with State laws and regulations. He stated that they also do some financial auditing centered around the closing package that is submitted to the Comptroller General's Office that feeds into the statewide CAFR.

In further discussion, Mr. Kennedy noted the Medicaid division is focused on providing audit services for cost reports submitted by nursing homes across the State. He said that is done through contract with the Department of Health and Human Services. He noted that last year the Medicaid division identified approximately \$9.5 million dollars of items that were questioned costs that became receivables back to the State.

He commented that the “bones” of the office are good, but that over the past 10 years the office has suffered from a lack of depth in leadership and investment in the office. He stated there is a need for focus on technology in the office. He said the office needs audit management software and computerized audit techniques that will allow them to break down big data and identify unusual relationships in the data to make them better auditors in an IT driven environment. He also stated that they need specialized staff with IT background to assess IT systems to ensure internal controls are strong. He commented that strategic and targeted training is needed for his staff. Additionally, Mr. Kennedy said their compensation levels should be reviewed. He noted they are very competitive at the entry level, but the more experience his employees get the less competitive they are with other agencies and the private sector.

Mr. Kennedy stated that they are in the process of reengineering their audit engagements to focus more on risks at agencies and developing plans to address those risks. He noted that he plans to work collaboratively with other auditing entities in state government. He said they are in the process of developing an early warning system for State government to identify an agency or entity of the State that may be headed for financial trouble. He stated that he also plans to meet with the Authority members once or twice a year for the exchange of information and feedback.

Governor Haley advised Mr. Kennedy not to focus on the number of bodies or positions, but to look to consolidate positions to be able to pay more to more qualified persons. She said she agrees with Mr. Kennedy about the use of technology.

Mr. Eckstrom said that he would like for Mr. Kennedy to provide the Authority with an idea of the financial cost needed for technology upgrades and training. He said that the State Auditor’s Office should also be focusing on risk as opposed to only an agreed upon procedure the State Auditor’s Office has done in the past to get audits done.

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

ARRA Advisory Committee: Transfer of Qualified Energy Conservation Bonds Volume Cap Allocation to the State Pool (Regular Session Item #2)

The American Recovery and Reinvestment Act (ARRA) of 2009 provided or expanded authority for certain types of entities to borrow funds with favorable tax treatment for Qualified Energy Conservation Bonds (QECB). As a result of the ARRA, South Carolina was allocated volume cap of \$46,475,000 for QECB.

Act 290 of 2010 created the South Carolina Volume Cap Allocation Act (the Act) which designated the former Budget and Control Board (now the State Fiscal Accountability Authority) as the entity responsible for managing the reallocation of certain unused ARRA Bond volume cap allocations. As defined in the Act, ARRA Bonds include QECB as described in the ARRA. The Act, delegated to the Board the authority to allocate or reallocate the volume cap authorized for South Carolina in ARRA. As prescribed in the Act, the Board on June 30, 2010, created the SC ARRA Volume Cap Advisory Committee (Advisory Committee) to make recommendations for allocation or reallocation of volume cap. The Advisory Committee first met on July 7, 2010, and agreed to send notice to the 46 counties and the cities of Charleston and Columbia advising them that they had until August 7, 2010, to provide notice of intent to use the volume cap allocation assigned to them in the ARRA, or the allocation would be deemed waived. On July 8, 2010, a “Notice of Intent to Use Volume Cap Allocation for Qualified Energy Conservation Bonds” form was sent to the counties and the cities. The Notice of Intent contained the following language for failure to use the allocation:

In the event a County has not used its allocation by November 1, 2010, the County is deemed to have waived its allocation unless the Board or its designee grants an extension.

No requests for extension have been received or granted for the allocations in question. The notice also made provision for the counties and the two cities to waive all or a portion of their volume cap and provided for them to request reallocation of waived allocation.

Subsequent communications were made in 2014 and 2016 to counties that had not used

their allocation about the waiver of their allocation. To date Anderson, Beaufort, Dorchester, and Richland Counties have not used their allocations. These counties received the following allocations:

Anderson County	\$ 1,897,724
Beaufort County	\$ 1,553,304
Dorchester County	\$ 1,302,240
Richland County	<u>\$ 2,460,575</u>
Total Unwaived:	\$ 7,213,843

The Advisory Committee met on February 24, 2016, to consider recommending to the Authority the return of unused QECB volume cap allocation to the state pool. During its meeting, the Advisory Committee was informed that the City of Columbia was relinquishing its \$2,500,000 in QECB volume cap reallocation made to the City of Columbia in 2010.

The Advisory Committee recommended that the Authority deem to be waived the QECB volume cap allocations awarded to Anderson County in the amount of \$1,897,724; Beaufort County in the amount of \$1,553,304; Dorchester County in the amount of \$1,302,240 and Richland County in the amount of \$2,460,575 in 2010 and transferred to the state pool for use by a qualified project, due to the failure by the respective counties to use the allocation. The Advisory Committee also recommended to the Authority that pursuant to the waiver provided to the Advisory Committee on behalf of the City of Columbia, the \$2,500,000 QECB volume cap reallocation awarded in 2010 be returned to the state pool for use by a qualified project.

Mr. Loftis commented that his office has been working to get the fees lowered with regard to the QECBs. He said he would welcome talking to any Authority member about what he is doing.

Upon a motion by Mr. White, seconded by Senator Leatherman, and as recommended by the SC ARRA Volume Cap Advisory Committee, the Authority deemed to be waived the Qualified Energy Conservation Bonds volume cap allocations awarded to Anderson County in the amount of \$1,897,724; Beaufort County in the amount of \$1,553,304; Dorchester County in the amount of \$1,302,240 and Richland County in the amount of \$2,460,575 in 2010 and approved the allocations be transferred to the state pool for use by a qualified project; and approved the transfer of the \$2,500,000 Qualified Energy Conservation Bonds volume cap

reallocation awarded in 2010 to the City of Columbia to the state pool for use by a qualified project.

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

Department of Administration, Division of General Services: Department of Commerce, Division of Public Railways Navy Base Intermodal Facility (NBIF) Land Acquisition and Related Easements (Regular Session Item #3)

The Department of Commerce, Division of Public Railways (Palmetto Railways), requested approval to acquire properties necessary to provide a 100-foot buffer between the western border of the Navy Base Intermodal Facility (NBIF) and the adjoining neighborhood and approval to grant easements to facilitate any of the real property transactions at issue associated with the implementation of the NBIF.

Since 2010, the Department has acquired approximately 296 acres associated with the implementation of NBIF (following review and approval of the JBRC, former Budget and Control Board, and Department of Administration, as appropriate). As part of an exchange of properties included in a settlement with the City of North Charleston in 2012, Palmetto Railways has retained approximately 266 acres. Acreage not necessary for the NBIF project is available for mitigation associated with the NBIF and/or revenue generating development. Palmetto Railways expects to have the NBIF operational by the end of 2018.

Transactions for which Palmetto Railways is seeking approval must be initiated prior to the release of the draft environmental impact statement (EIS), which is expected in April 2016. Palmetto Railways plans to create an earthen berm adjacent to the NBIF to serve as a buffer between the facility and the adjacent neighborhood to mitigate noise, vibration, and air quality. The residential area, consisting of 46 parcels and 7.75 total acres, is currently 70 percent occupied with single and multi-family homes, most of which is rental property. Palmetto Railways will provide relocation assistance to the displaced residents in accordance with federal guidelines.

The source of funds for the acquisitions is Palmetto Railway resources and will not impact the General Fund. Palmetto Railways has obtained 23 appraisals to date ranging from \$8,500 for unimproved land to \$1,086,000 for a large multi-family housing unit for a collective

appraised value of \$3.4 million. The total estimated appraisal value for all 46 parcels is currently anticipated to be approximately \$6.3 million. Palmetto Railways anticipates that all acquisitions can be undertaken at or below the appraised value for each parcel.

Palmetto Railways will perform Phase 1 assessments of all properties and, if needed, secure Voluntary Cleanup Contracts to ensure that Palmetto Railways and the State do not assume liability for existing environmental contamination.

The Department of Commerce reports that additional real property acquisitions are likely to be necessary after release of the draft EIS, which will specify whether additional buffering is required and will determine the northern and southern connection routes to the NBIF. Additional approvals will be requested at that time.

Palmetto Railways has advised that they may be required to grant easements for utilities or to provide access in connection with the proposed property transactions at issue and seek approval to grant such easements.

The acquisition of properties deemed necessary by Railways to provide the 100-foot buffer between the western border of the NBIF and the adjoining neighborhood was approved by JBRC at its meeting held February 24, 2016.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Authority approved the acquisition of properties deemed necessary by the Department of Commerce, Division of Public Railways to provide a 100-foot buffer between the western border of the Navy Base Intermodal Facility and the adjoining neighborhood and approved the granting of easements to facilitate any of the real property transactions at issue associated with the implementation of the NBIF, as recommended for consideration by the Department of Administration, Division of General Services. This approval includes granting easements for utilities or to provide access in connection with the proposed property transactions at issue.

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

Department of Administration, Division of General Services: Medical University of South Carolina Lease at Fishburne Street, Charleston, SC (Regular Session Item #4)

The Medical University of South Carolina (“MUSC”) requested approval to continue leasing 794 parking spaces with an option to expand up to a total of 1,143 parking spaces from the City of Charleston at the Fishburne Ballpark parking lot at Fishburne and Hagood Streets and on the former SCRA parking lot on the SE corner of Line and Hagood Streets. This lot is a low-cost parking option for students and employees. As of December, 2015 MUSC had 3,664 employees and students registered to park at this location. Parking is available on a first come, first serve basis to those who have paid a one-time registration fee of \$5.00 for the option to use this parking lot. The parking lot is in use 20 hours a day, Monday through Friday and is connected by the MUSC Transportation Department’s shuttle bus service to the MUSC campus. Without this critical parking lot, MUSC advises that the MUSC commuter park-and-ride system would be effectively eliminated. This space is currently leased by the Agency thus eliminating any downtime or relocation costs, estimated at \$200,000.00 for booth, gates, bumpers and call boxes.

A solicitation was conducted and three (3) responses were received, of which the selected location represents the lowest bid and the only proposal with space currently available. The term of the Lease will be five (5) years beginning on June 1, 2016. Rent will be charged at a rate of \$40.00 per month per space. Initially there will be 794 parking spaces available with an option to expand to an additional 349 parking spaces should they become available over the five year lease term. The monthly rate will increase by 3% per year. MUSC will pay these fees with Parking Revenues, generated from all parking income received from all parking spaces (for students, employees and guests). Below is a chart of the rental costs of the lease over the full term.

TERM	PERIOD: FROM-TO	Monthly Rent Per Space	TOTAL MONTHLY RENT	TOTAL ANNUAL RENT
YEAR 1	6/01/2016 - 5/31/2017	\$40.00	\$31,760.00 – 45,720.00	\$381,120.00 – 548,640.00
YEAR 2	6/01/2017 - 5/31/2018	\$41.20	\$32,712.80 – 47,091.60	\$392,553.60 – 565,099.20
YEAR 3	6/01/2018 - 5/31/2019	\$42.44	\$33,697.36 – 48,508.92	\$404,368.32 – 582,107.04
YEAR 4	6/01/2019 - 5/31/2020	\$43.71	\$34,705.74 – 49,960.53	\$416,468.88 – 599,526.36

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YEAR 5	6/01/2020 - 5/31/2021	\$45.02	\$35,745.88 – 51,457.86	\$428,950.56 – 617,494.32
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MUSC reports that parking rates in the vicinity run from \$98.41 per space per month to \$119.50 per space per month.

There are adequate funds for the lease according to a Budget Approval Form and multi-year plan submitted by the Agency.

This lease was approved by the MUSC Board of Trustees on February 12, 2016; the Commission on Higher Education (CHE) on February 4, 2016; and JBRC on February 24, 2016.

Mr. Eckstrom asked if the employees and the staff pay for the parking spaces. Mr. Greg Whitle, chief facilities officer for the Medical University, appeared before the Authority. He said the Medical University has a parking management department that charges a parking fee to employees and staff.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom(?), the Authority approved the proposed 5 year lease for up to 1,143 parking spaces at the Fishburne Street and the former SCRA parking lot on the SE corner of Line and Hagood Streets, Charleston, to the Medical University of South Carolina as recommended by the Department of Administration, Division of General Services.

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

Department of Administration, Division of General Services: Palmetto Railways Lease of 12,150 RSF Office Space at 1360 Truxtun Avenue, North Charleston, to Equiscript, LLC (Regular Session Item #5)

Palmetto Railways (“Railways”) requested approval to lease 12,150 rentable square feet (RSF) at 1360 Truxtun Ave., Suite 300, North Charleston, SC to Equiscript, LLC (“Tenant”) located at 474 Wando Park Blvd. Suite 200, Mount Pleasant, SC 24464.

Railways retained NAI AvantCharleston LLC (“Landlord Broker”) to market this property which has been vacant since October, 2013. The term of the Lease will be five (5) years and 8 months. The Commencement Date is expected to be April 1, 2016. The initial base rent will be at a rate of \$22.00 per rentable square foot. On the Commencement Date Tenant will

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prepay seven months of rental for a total of \$155,925.00, thereafter beginning January 1, 2017 Tenant shall pay base rent monthly. Beginning June 1, 2017 the rental rate will increase by 2.5% to \$22.55 per rentable square foot and will thereafter increase annually at that same rate. The base rent includes Tenant's proportionate share of operating expenses, including but not limited to, taxes, insurance, common area maintenance, utilities (power and water) and janitorial services. Below is a chart of the rental costs of the lease over the full term.

PERIOD: FROM-TO	MONTHLY RENT	ANNUAL RENT	RENT/RSF
4/01/2016 - 5/31/2017*	\$22,275.00	\$267,300.00	\$22.00
4/01/2017 - 5/31/2018	\$22,831.88	\$273,982.50	\$22.55
4/01/2018 - 5/31/2019	\$23,402.67	\$280,832.06	\$23.11
4/01/2019 - 5/31/2020	\$23,987.74	\$287,852.86	\$23.69
4/01/2020 - 5/31/2021	\$24,587.43	\$295,049.19	\$24.28

*Lease provides that the first two months of rental are free, and Tenant shall prepay 7 months rental on 4/1/16 with monthly rental payments beginning January 1, 2017.

State agencies leasing space in the North Charleston area pay blended rates between \$14.54 per rentable square foot to \$17.25 per rentable square foot. Lee & Associates Commercial Real Estate Services reports rates in the North Charleston area average \$19.27 per square foot and the Colliers International 2015 Fourth Quarter Market Report indicates an average commercial lease rate per square foot between \$18.71 and \$20.25 in the North Charleston market area.

This is a modified gross lease. Tenant will pay as additional rent its pro rata share of increases in building operating costs with the first increase calculated at the conclusion of calendar year 2016 (Base Year), however, Tenant shall not be liable for or obligated to pay any portion of the building operating cost increases which exceed 102.5% of their pro rata share of building operating cost in the Base Year.

Railways will make renovations to the premises in accordance with construction drawings as agreed to by Tenant. Railways shall provide a tenant improvement allowance not to exceed a total amount of \$277,425. The tenant improvement allowance may not be utilized towards furniture, fixtures, equipment or rent due. Railways shall select a general contractor and coordinate and oversee all construction and Tenant shall remit to Railways the balance of the final total construction cost to the extent the improvements exceed \$277,425.00.

Tenant shall pay a security deposit of \$22,275.00 to be held by Railways without liability for interest and as security for the performance by Tenant of Tenant's covenants and obligations. Tenant has a right, at any time after the 38th full month, with three months prior written notice, to terminate the lease if Railways cannot supply Tenant with additional office space (between 3,000 – 12,000 square feet) within the building or within a quarter mile of the building and cannot meet this need within six months. If Tenant exercises this termination right, Tenant will pay Railways an amount equal to any and all unamortized tenant improvement allowance and real estate commission expenses.

Railways will pay a real estate commission to Landlord Broker in the amount of 6%, a total of \$96,000.00, half of which will be paid to the Tenant's Broker, Caldwell Commercial Real Estate Services.

This lease-out was approved by JBRC at its meeting held February 24, 2016.

Mr. Eckstrom asked how Palmetto Railways was able to get a tenant that was willing to pay such an attractive rate because the price is significantly above market. Mr. Bobby Hitt, Commerce Secretary, appeared before the Authority on this matter. Mr. Hitt said that particular part of North Charleston is a high focus of mixed use. He said the rail system over the last six years has acquired 300 acres on the site most of which is being held until the NBIF (Navy Base Intermodal Facility) project is completed. He said it makes sense to find tenants to occupy the buildings until that time.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority approved the proposed 5 year 8 month lease-out of 1360 Truxtun Avenue, North Charleston, to Equiscript, LLC from Palmetto Railways, as recommended for consideration by the Department of Administration, Division of General Services.

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

Dept. of Administration, Executive Budget Office: Permanent Improvement Projects (R6)

With regard to item 6(b) for the College of Charleston, Mr. Eckstrom asked if the 36 year and 16 year life of the units are normal for these components. He asked if state entities would invest more to buy better quality construction on the front end for chiller systems that last longer

than 16 years whether the overall lifetime cost on a per year basis would be reduced. Mr. Steve Osborne, Executive Vice-President for Business Affairs for the College of Charleston, appeared before the Authority on this matter. He responded yes to Mr. Eckstrom and said they are going to try to get a longer life for the units on the mechanical side.

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

Establish Project for A&E Design

- (a) Summary 5-2016: JBRC Item 1. College of Charleston
Project: 9622, Avery Envelope Renovation and Mechanical System Replacement

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Capital Project Institutional Funds	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>18,889.00</u>	<u>18,889.00</u>
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>18,889.00</u>	<u>18,889.00</u>

Funding Source: \$18,889 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 to bonds issued under Section 59-130-410 through 59-130-510 of the S.C Code of Laws. This 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: Establish project and budget for \$18,889 (Other, Capital Project Institutional Funds) to begin design 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. The Avery Research Center is 17,054-gross-square-feet and is approximately 148 years old. The mechanical system being replaced is approximately 16 years old. The building envelope and mechanical systems are failing and are in need of repair and replacement in order to properly preserve the important archival and exhibition materials housed within the facility. The building envelope is failing to control moisture intrusion through areas of the roof, exterior walls, windows, and sealants. The planned envelope repair includes selective roof repair and modification, masonry wall repairs, removal, repair, resetting or replacement of

windows, and total replacement of all exterior sealant systems. The mechanical system has exceeded its normal service life and is not holding the temperature and humidity set points required for archive areas. New computer room-style HVAC units, DDC controllers, sensors, central station air handlers, and fan coil units will be installed. The agency estimates that the complete project will cost approximately \$1,259,300.

Establish Construction Budget

- (b) Summary 5-2016: JBRC Item 2. College of Charleston
Project: 9663, McConnell Residence Hall HVAC System Replacement and Renovation

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Housing Revenue	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,442,180.00</u>	<u>3,442,180.00</u>
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,442,180.00</u>	<u>3,442,180.00</u>

Funding Source: \$3,442,180 Other, Housing Revenue, which are those funds generated primarily through the Student Housing Fee, paid only by students who reside in on-campus housing. The Student Housing Fee is on a slide scale based on the amenities, number of beds per room, and location of the residence hall or historic home.

Request: Establish project and budget for \$3,442,180 (Other, Housing Revenue) to begin design work and to begin Phase II to replace the HVAC system distribution piping and associated major mechanical equipment and air distribution in the Glenn McConnell Residence Hall at the College of Charleston. The McConnell Residence Hall is 71,603-gross-square-feet and is approximately 36 years old. The HVAC piping and pump system is original to the building, and the chiller and roof top unit are 16 years old. The HVAC piping system is 36-years-old and is original to the building. The system is leaking and is excessively corroded. It is beyond repair and needs to be replaced in order to avoid catastrophic system failure. Select ceilings, lighting, and plumbing fixtures will be replaced as part of this project. The agency reports the total projected cost of this project is \$3,442,180 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 spring 2016 and for completion of construction is summer 2016.

Establish Project for Preliminary Land Studies

- (c) Summary 5-2016: JBRC Item 8. Florence-Darlington Technical College
Project: 6123, Darlington and Florence County – Cosmetology Building and Land Acquisition

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

Funding Source: \$20,000 Other, College Funds, which are funds coming from the College's facilities operational budget.

Request: Establish project and budget for \$20,000 (Other, College Funds) to procure the investigative studies required to adequately evaluate property prior to purchase. The Florence-Darlington Technical College is considering the purchase of an 11,600-square-foot building it currently leases for its cosmetology program and approximately 50.74 acres of land. The property is adjacent to two other separated pieces of land, comprised of 16 acres and 1.7 acres, which is currently owned by the college. This acquisition would place the entire 68.44 acre tract under ownership of the college. The acquisition also includes a 6.36 acre tract near the college's main campus. The college has grown from 3,956 to 6,215 students in the last 7 years. From 2007 to 2014, the college was the fastest growing technical college in the state system, growing by 57%. Facilities on the existing campuses are limiting the growth in many programs. The main campus is essentially landlocked, limiting options for new buildings and parking areas. This property will allow relocation of the Continuing Education Healthcare programs from the downtown Florence Health Science Campus. Thus, opening up space there for the growth of the academic Health Science programs, which have student waiting lists. The acreage available in this acquisition will allow the college the opportunity to add additional buildings to meet academic and instructional expansion needs in the future. The agency estimates that the complete project will cost approximately \$1,875,000.

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

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Department of Administration, Executive Budget Office: Real Property Acquisitions (R7)

Upon a motion by Mr. White, seconded by Senator Leatherman, the Authority approved the following real property acquisitions as requested by the Department of Administration, Executive Budget Office:

(a)

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Capital Project Institutional Funds	<u>20,000.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>3,400,000.00</u>	<u>3,420,000.00</u>
All Sources	<u>20,000.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>3,400,000.00</u>	<u>3,420,000.00</u>

Agency:	H15 – College of Charleston
Acreage:	±0.2 acres
Location:	32 George Street, Charleston, SC 29401
County:	Charleston
Purpose:	Consolidate the College's guest services
Appraised Value:	\$3,200,000
Price/Seller:	\$3,400,000 King George LLC
Source of Funds:	Other, Capital Project Institutional Funds
Project Number:	H15-9661
Environmental Study:	Approved
Building Condition Assessment:	Approved
Additional Annual Op Cost/SOF:	Operating Costs of \$50,211 annually for the entire property
Current Year Property Tax:	\$20,836.59 (2014)
Approved By:	JBRC on 02/24/2016

Historical Ownership Information		
<u>Owner/Purchaser</u>	<u>Date</u>	<u>Price</u>
Smith Beverly Jean Grappo	5/21/1997	775,000.00
Moon Edyth N	3/23/1990	170,000.00

(b)

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Fish & Wildlife PF Deer Tags	20,000.00	0.00	20,000.00	760,000.00	780,000.00

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Other, Reedy River Mitigation Trust Fund					
Other, National Wild Turkey Federation	0.00	0.00	0.00	530,000.00	530,000.00
	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>10,000.00</u>	<u>10,000.00</u>
All Sources	<u>20,000.00</u>	<u>0.00</u>	<u>20,000.00</u>	<u>1,300,000.00</u>	<u>1,320,000.00</u>

Agency: P24 – Department of Natural Resources
Acreage: ±589 acres
Location: Land in Laurens County that adjoins the Cliff Pitts Wildlife Management Area. This property is located on the south side of Hood Creek Road
County: Laurens
Purpose: Protect wildlife habitat and provide outdoor recreational space to the public
Appraised Value: \$1,475,000
Price/Seller: \$1,300,000 Clemson University Land Stewardship Foundation and Clemson University
Source of Funds: Other, Fish & Wildlife PF Deer Tags; Other, Reedy River Mitigation Trust Fund; Other, National Wild Turkey Federation
Project Number: P24-9948
Environmental Study: Approved
Building Condition Assessment: Approved
Additional Annual Op Cost/SOF: \$0.00
Current Year Property Tax: \$0.00
Approved By: JBRC on 02/24/2016

Historical Ownership Information – 71.1 Acre Halbert Tract Portion		
<u>Owner/Purchaser</u>	<u>Date</u>	<u>Price</u>
Clemson University Land Stewardship Foundation, Inc	11/28/2012	Not Provided
Clemson University Real Estate Foundations, Inc.	1/10/2007	Not Provided
SP Forest, LLC	12/14/2001	Not Provided
Sustainable Forest, LLC	2/13/1998	Not Provided
Federal Forestlands, LLC	1/1/1998	Not Provided
International Paper Co.	4/27/1988	Not Provided
Federal Paper Board Co.	4/27/1988	Not Provided
Timber Acquisitions LP	4/27/1988	Not Provided
KMI Continental Wrens, Inc.	12/19/1986	Not Provided
KMI Continental Wrens, Inc.	12/31/1984	Not Provided
Continental Augusta Woodlands	12/30/1982	Not Provided
Continental Can Co., Inc.	7/1/1960	Not Provided
Gair Woodlands Corp.	7/13/1956	Not Provided

Historical Ownership Information – 518.23 Acre Adair Tract Portion		
<u>Owner/Purchaser</u>	<u>Date</u>	<u>Price</u>
Clemson University	7/28/1999	Not Provided
J.R. Adair	2/7/1967	Not Provided
Miss Love McDaniel	7/14/1920	Not Provided
J.R. Adair	11/25/1961	Not Provided
Clatie M. Burton	4/12/1948	Not Provided
J.R. Adair, Jr.	11/19/1940	Not Provided
J.R. Adair, Jr.	3/20/1937	Not Provided
J.R. Adair, Jr.	3/27/1935	Not Provided

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

Division of Procurement Services: Waiver to Extend the Maximum Time on a Multi-term Contract for the South Carolina Education Lottery (Regular Session Item #8)

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The South Carolina Education Lottery (SCEL) has asked the Division of Procurement Services to assist in seeking Authority approval to authorize SCEL to award a contract with a performance term after installation of equipment and conversion to the new system of ten (10) years for a central gaming system and related software that facilitate the sale of all SCEL products. SCEL officials believe the resulting contract will encourage effective competition by allowing vendors to amortize initial equipment and initial implementation costs (conversion costs) over a longer period of time thereby reducing the fixed monthly payments that SCEL must pay the vendor.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority, under authority of SC Consolidated Procurement Code Section 11-35-2030(4), approved the South Carolina Education Lottery's (SCEL) request for a contract for central gaming system and related software that facilitate the sale of all SCEL products with a performance term of ten (10) years, as recommended for consideration by the Division of Procurement Services.

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

Medical University of South Carolina: Not Exceeding \$325,000,000 Mortgage Indebtedness incurred Pursuant to an FHA Insured Mortgage Acquisition Obligation of the Medical University Hospital Authority (MUHA) (Regular Session Item #9)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$325,000,000 Mortgage Indebtedness incurred Pursuant to an FHA Insured Mortgage Acquisition Obligation of the Medical University Hospital Authority.

The proceeds of the bonds will be used to (i) defray a portion of the costs of constructing the MUSC Shawn Jenkins Children's Hospital, a children's hospital and women's pavilion, and other health care and related facilities of the authority; and (ii) defraying the costs associated with issuance of the obligations.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Authority adopted a resolution making provision for the issuance and sale of not exceeding \$325,000,000 Mortgage Indebtedness incurred Pursuant to an FHA Insured Mortgage Acquisition Obligation of the Medical University Hospital Authority.

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

Winthrop University: Not Exceeding \$9,100,000 Higher Education Revenue Refunding Bonds, Series 2016, of Winthrop University (Regular Session Item #10)

The Authority was asked to adopt a resolution making provision for the issuance and sale not exceeding \$9,100,000 Higher Education Revenue Refunding Bonds, Series 2016, of Winthrop University.

The proceeds of the bonds will be used to refund the Prior Bonds (the Series 2009A Bonds, the Series 2009B Bonds, and the Series 2011 Bonds); and pay certain costs and expenses related to issuance of the Series 2016 Bonds.

Mr. Eckstrom asked if the bond would be rated. Mr. Theodore DuBose, bond counsel for the matter, appeared before the Authority on this item. Mr. DuBose said that because of the small size of the bond the financial advisor recommended first going to banks to see if the bonds could be privately placed and save on agency fees. He said the current outstanding bonds are in the same category. Mr. Eckstrom asked if it would save any underwriting compensation. Mr. DuBose responded that it would and it would save on agency fees.

Upon a motion by Senator Leatherman, seconded by Mr. White/ Mr. Loftis, the Authority adopted a resolution making provision for the issuance and sale of not exceeding \$9,100,000 Higher Education Revenue Refunding Bonds, Series 2016 of Winthrop University.

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

Future Meeting

Mr. White moved to have the Authority meet before the June 7, 2016, meeting to have PEBA provide the Authority with an update on the Retirement System. The motion was seconded by Senator Leatherman. Mr. Eckstrom asked if there was time when the Authority would meet. Governor Haley said it would have to fit into their schedules. The consensus among the members of the Authority was that April would be a good time to meet. The motion was passed unanimously.

Upon a motion by Mr. White, seconded Senator Leatherman, the Authority agreed to meet at 10:00 a.m. on Tuesday, June 7, 2016, in Room 252, Edgar A Brown Building.

Adjournment

The meeting adjourned at 10:20 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Authority Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 4:45 p.m. on Friday, March 4, 2016.]