

MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING

September 20, 2016 – 10:00 A. M.

The State Fiscal Accountability Authority (Authority) met at 10:00 a.m. on Tuesday, September 20, 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; and
Representative W. Brian White, Chairman, Ways and Means Committee.

Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee participated in the meeting via telephone.

Also attending were State Fiscal Accountability Authority Director Grant Gillespie; Authority 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 Chief of Staff Beverly Smith; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

Adoption of Agenda for State Fiscal Accountability Authority

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority deleted regular session item #3 from the agenda and adopted the remainder of the Authority agenda as amended.

Minutes of Previous Meeting

Upon a motion by Mr. Loftis, seconded by Mr. White, the Authority approved the minutes of the following Authority meetings: June 22, 2016; August 23, 2016; and September 9, 2016; and, acting as the State Education Assistance Authority; and, approved the minutes of the June 22, 2016, State Education Assistance Authority meeting.

Blue Agenda

Mr. Eckstrom asked for blue agenda items #5 and #6 to be separated into two items each. He said that each of the items on the two agenda items deal with a separate matter that are

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usually considered separately.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Authority unanimously approved blue agenda items #1, #2, #3, #4, 9, and #10 as noted herein.

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Authority approved blue agenda item #5.1 as noted herein.

Upon a motion by Rep. White, seconded by Mr. Loftis, the Authority approved blue agenda item #5.2 as noted herein.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority approved blue agenda item #6.1 as noted herein.

Upon a motion by Rep. White, seconded by Senator Leatherman, the Authority approved blue agenda item #6.2 as noted herein.

Upon a motion by Mr. Eckstrom, seconded by Mr. Loftis, the Authority approved blue agenda item #7 as noted herein.

Upon a motion by Mr. Eckstrom, seconded by Rep. White, the Authority voted to carryover blue agenda item #8.

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

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

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$165,000,000 SC JEDA	AnMed Health	McNair Law Firm	Parker Poe Adams & Bernstein
\$13,000,0000 SC JEDA	Clemson Heritage, LLC	McNair Law Firm	Pope Flynn
\$14,000,000 SC JEDA	CR Senior Living, LLC (Lakewood Senior Living- Boiling Springs)	Parker Poe Adams & Bernstein	Haynsworth Sinkler Boyd
\$51,000,000 SC JEDA	Aiken Advanced Manufacturing Partnership	Hanysworth Sinkler Boyd	McNair Law Firm
\$25,000,000 SC JEDA	CR Senior Living, LLC (River Park	Parker Poe	Nexsen Pruitt

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	Senior Living-Little River)		
\$7,000,000 SC JEDA	Mason Preparatory School	Haynsworth Sinkler Boyd	Howell Linkous Nettles
\$30,000,000 SC JEDA	East Point Academy	Pope Flynn	Haynsworth Sinkler Boyd

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel
\$ 45,000,000 South Carolina State Fiscal Accountability Authority	SFAA	Pope Flynn

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel
\$37,500,000 SC State University	SC State University	Pope Flynn

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

Department of Administration, Executive Budget Office: State Auditor FTE Change in Source of Funding (Blue Agenda Item #2)

The State Auditor's Office received a \$109,804 general fund increase in the FY 2016-17 Appropriation Act for Audit staff. The Appropriation Act, however, did not include a change in the source of funding for two FTEs impacted by the change in funding source. As a result, a change in the source of funds from Other Funds to General Funds for 2 FTEs has been requested by the State Auditor's Office. This action will not result in an increase in the total number of FTEs for the State Auditor's Office.

The Department of Administration, Executive Budget Office pursuant to Proviso 117.14(1) of the FY 2016-17 Appropriation Act which states "[t]hat no state agency exceed the total authorized number of full-time equivalent positions and those funded from state sources as provided in each section of this act except by majority vote of the State Fiscal Accountability Authority" requested a source in fund change for 2 Other Funded positions to General Funded positions for the State Auditor's Office.

As recommended by the Department of Administration, Executive Budget Office the Authority approved the request to change the source of funds for 2 FTEs from Other Funds to

General Funds for the State Auditor's Office, as recommended by the Department of Administration, Executive Budget Office.

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

Department of Administration, Real Property Services: Easement (Blue Agenda Item #3)

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

- (a) County Location: Charleston
From: Department of Administration
To: North Charleston Sewer District
Consideration: \$5
Description/Purpose: To grant a 0.019 acre easement for the construction, location, installation, operation, maintenance, repair and replacement of one or more underground sewer lines, together with the right of ingress and egress, on property of the Vocational Rehabilitation Department's Charleston Area Office and Work Training Center. The term of the easement will be fifty (50) years. The easement will be of mutual benefit to the Vocational Rehabilitation Department and the North Charleston Sewer District. Real Property Services has determined that Voc Rehab has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

- (b) County Location: Florence
From: Department of Mental Health
To: City of Florence
Consideration: Other good and valuable consideration
Description/Purpose: To grant a permanent ten foot building setback and restrictions together with a pedestrian access easement upon property of the Department of Mental Health's Pee Dee Mental Health Center for the purpose of demolition of a portion of the existing East Evans Street and constructing a hotel structure. The setback and pedestrian access easement is needed to realign Evans Street and accommodate the new Hyatt Place Hotel which will be located at the corner of Dargan and Evans Streets in downtown Florence. The setback and pedestrian access easement will be of mutual benefit to the Department of Mental Health (DMH) and the City of Florence as it will provide a pedestrian

walkway that adjoins the DMH parking lot for use by DMH staff. Additionally, the City of Florence will relocate the fence east of the facility back towards the Pee Dee Mental Health building to open the street view and will landscape the area for use by DMH staff and patients. All costs associated with this landscaping including future maintenance will be the responsibility of the City. Real Property Services has determined that the Department of Mental Health has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

Concerning item 3(b), an easement from the Department of Mental Health (DMH) to the City of Florence, Mr. Eckstrom asked what consideration is the State getting for granting the easement. Mark Binkley, DMH Deputy Director for Administrative Services, said there is no cash consideration, but that the grantee is going to maintain the property and the Pee Dee Mental Health Center (the Center) and its residents will receive the benefit of the landscaping after the construction of the hotel. Mr. Eckstrom asked if the landscaping was going to be on State property or on the property provided to the hotel through the easement. Mr. Binkley said that his understanding is that the setback is to comply with the City's code and the property will continue to be the Center's property and for the Center's use. Mr. Eckstrom further asked if there was any impairment to the value of the property by giving the setback authorization. Mr. Binkley said there was no impairment to the value of the property. Mr. Eckstrom asked what would happen if the easement is not granted. Mr. Binkley said his understanding is that the hotel will not fit where it is planned to if the easement is not granted. Mr. Eckstrom asked if there is some reason the State is not seeking compensation for the easement. Senator Leatherman commented that, in part, the transaction will allow for the intersection at the site location on Evans Street in Florence to be straightened out. He noted that what the State will be getting is improved pedestrian and traffic flow. He stated that this will help to enhance the revitalization effort in Florence. Senator Leatherman further stated that the landscaping will be done on DMH property. DMH Director John Magill stated the usage of the property will not abridge the mission of the Center. He said the landscaping is going to make the parking lot look more user-friendly to those who receive services at the Center.

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- (c) County Location: Horry
From: Clemson University
To: South Carolina Public Service Authority (Santee Cooper)
Consideration: \$5
Description/Purpose: To grant a 0.46 acre easement for the construction, installation, operation and maintenance of underground electric lines and associated facilities upon property of Clemson University to provide service to the new Socastee Middle School, Clemson parcels and future developments on Esso Road. The term of the easement will be ninety-nine (99) years. The easement will be of mutual benefit to Clemson University and the South Carolina Public Service Authority. Real Property Services has determined that the University has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.
- (d) County Location: Horry
From: Clemson University
To: Horry Telephone Cooperative, Inc.
Consideration: \$1
Description/Purpose: To grant a 0.46 acre easement for the construction, installation, operation and maintenance of a telecommunications system upon property of Clemson University to provide service to the new Socastee Middle School, Clemson parcels and future development on Esso Road. The term of the easement will be ninety-nine (99) years. The easement will be of mutual benefit to Clemson University and Horry Telephone Cooperative. Real Property Services has determined that the University has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.
- (e) County Location: Richland
From: Midlands Technical College
To: Central Midlands Regional Transit Authority (COMET)
Consideration: \$1
Description/Purpose: To grant a 0.007 acre easement for the purpose of constructing, installing, maintaining, operating, repairing, altering and replacing a public transportation system stop, including a bus shelter, bench, bike rack, garbage can and any other improvements reasonably related to the operation of a public transportation system stop. COMET will erect a bus shelter at Midlands Technical College's Beltline Campus on Rosewood Drive. The term of the easement will be fifty (50) years. The easement will be of mutual benefit to Midlands Technical College and COMET. Real Property Services has determined that the Midlands Tech has complied with the

requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

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 Conveyance (B#4)

As recommended by the Department of Administration, Real Property Services, the Authority approved of the following real property conveyance:

Controlling Agency:	Department of Agriculture
Acreage:	23 ± acres
Location:	Greenville Farmers Market, Greenville
County:	Greenville
Purpose:	To convey property at the Greenville Market to House of Raeford (HOR) for the proposed expansion of HOR's processing facilities.
Price/Transferred To:	Not less than appraised value/House of Raeford
Disposition of Proceeds:	To be retained by the Department of Agriculture pursuant to the Conditional Property Release of Greenville County's reversionary interests as approved by Greenville County Council.

Mr. Eckstrom asked if and when an appraisal had been obtained and what the appraised amount is. Commissioner of Agriculture Hugh Weathers said an appraisal was done a while back, but that they had permission to use that appraisal. He said that is the value they will use for a per acre value once the number of acres are determined to be purchased. He said the price per acre is just under \$65,000. He also stated that the appraisal was done in the Fall of 2015. Senator Leatherman said that he asked if there is a reverter clause in case the property is not used as described. He said he was assured by Karen Manning with the Department of Commerce that there is a reverter clause. Commissioner Weathers pointed out that there was a reverter clause attached to the property when the State received it in the early 1990s. He said Greenville County has voted on the item. Mr. Eckstrom noted that the reverter clause permits the sale of the property upon the condition that the proceeds be reinvested in agriculture in Greenville County and that Senator Leatherman was pointing out that if that is not done the reverter clause takes over. Commissioner Weathers said that is correct.

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

Division of Procurement Services: Procurement Audit of the Midlands Technical College Enterprise Campus Authority and Request for Re-authorization of the Midlands Technical College Enterprise Campus Authority's Procurement Policy (Blue Agenda Item #5)

Procurement Audit

In accordance with Section 59-53-1784(B) of the South Carolina Code of Laws, the Division of Procurement Services reviewed the procurement system of the Midlands Technical College Enterprise Campus Authority. The audit report was submitted as information only.

Mr. Eckstrom asked what the progress was on the institution revising its current policies and procedures and in developing tools and training to prevent future findings. Mr. White said that a follow-up with the agency would have to be done to find out the answer to Mr. Eckstrom's question. Mr. Eckstrom asked that the Authority take a separate vote on the two items in blue agenda item #5.

Request for ReAuthorization of Procurement Policy

Midlands Technical College Enterprise Campus Authority requested that the State Fiscal Accountability Authority reauthorize the Midlands Technical College Enterprise Campus Authority's Procurement Policy.

The Midlands Technical College Enterprise Campus Authority made this request in accordance with Section 59-53-1784(B) of the South Carolina Code of Laws, which exempts Midlands Technical College Enterprise Campus Authority from the South Carolina Consolidated Procurement Code, provided the authority adopts a procurement policy requiring competitive solicitations. As a condition of adoption, the statute requires that the policy be filed with and approved by the State Fiscal Accountability Authority. The Budget and Control Board originally approved the procurement policy at its September 2006 meeting and again at its September 2013 meeting. That approval expires at the end of the second quarter of the fifth calendar year following approval. Midlands Technical College Enterprise Campus Authority requested that the State Fiscal Accountability Authority reauthorize the Procurement Policy. Midlands

Technical College Enterprise Campus Authority requested no substantive changes to the current policy.

Mr. Eckstrom noted that the approval date of February 23, 2010, listed in the College's policy is not correct. He said that the item was not dealt with in February 2010 because Budget and Control Board minutes reflect that Senator Leatherman asked that the item be carried over and it was not dealt with until June 2010. He said the College needs to correct its policy to put in proper dates and use a great deal of care to get details correct.

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

1. Received the audit report as information only; and,
2. Reauthorized the Midlands Technical College Enterprise Campus Authority's Procurement Policy.

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

Division of Procurement Services: Procurement Audit of the Trident Technical College Enterprise Campus Authority and Request for Re-authorization of the Trident Technical College Enterprise Campus Authority's Procurement Policy (Blue Agenda Item #6)

Procurement Audit

In accordance with Section 59-53-480(B) of the South Carolina Code of Laws, the Division of Procurement Services reviewed the procurement system of the Trident Technical College Enterprise Campus Authority. The audit report was submitted as information only.

Request for Reauthorization of Procurement Policies

Trident Technical College Enterprise Campus Authority requested that the State Fiscal Accountability Authority reauthorize the Trident Technical College Enterprise Campus Authority's Procurement Policy.

The Trident Technical College Enterprise Campus Authority made this request in accordance with Section 59-53-480(B) of the South Carolina Code of Laws, which exempts Trident Technical College Enterprise Campus Authority from the South Carolina Consolidated

Procurement Code, provided the Trident Technical College Enterprise Campus Authority adopts a procurement policy requiring competitive solicitations. As a condition of adoption, the statute requires that the policy be filed with and approved by the State Fiscal Accountability Authority. The Budget and Control Board originally approved the procurement policy at its September 2006 meeting and again at its June 2011 meeting. That approval expired at the end of the second quarter of the fifth calendar year following approval which was June 30, 2016. Trident Technical College Enterprise Campus Authority requested that the State Fiscal Accountability Authority reauthorize the Procurement Policy. The Trident Technical College Enterprise Campus Authority requested no substantive changes to the current policy.

Mr. Eckstrom said the action requested refers to an improper date. He said the item said the Budget and Control Board last approved the policy at its June 2011 meeting, but it was approved at the May 2011 meeting. He said the motion (the agenda item) should be corrected to reflect May 2011.

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

1. Received the audit report as information only; and,
2. Reauthorized the Trident Technical College Enterprise Campus Authority's Procurement Policy.

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

Division of Procurement Services: Procurement Audit and Certifications (Blue Item #7)

The Division of Procurement Services, in accord with Section 11-35-1210, audited the following agency and recommended certification within the parameters described in the audit report for the following limits (total potential purchase commitment whether single-or multi-year contracts are used):

- a. Department of Health and Human Services (for a period of three years): service provider contracts (service provider being a provider of services directly to a client, \$3,000,000 per contract per year (limit four one-year extension options); supplies and services, \$600,000* per commitment; information technology, \$300,000* per commitment; consultants, \$300,000* per commitment.

The Department of Health and Human Services 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 operating procedures are adequate to properly handle procurement transactions. The Division recommended the State Fiscal Accountability Authority grant the South Carolina Department of Health and Human Services the certification limits noted above.

- b. In accordance with Section 11-35-1230(1) of the South Carolina Consolidated Procurement Code and Section 19-445.2020 of the accompanying regulations, the Division of Procurement Services reviewed the procurement system of Florence-Darlington Technical College. The Division noted thirty instances in which the College made purchases inappropriately as sole sources and an additional twenty sole source transactions where the written determinations did not provide sufficient information to support the procurements as sole sources. Because of a significant number of inappropriate sole source procurements, the Division of Procurement Services recommended the Authority consider suspending the College's sole source authority for one year, the maximum time allowed by statute. With the exception of sole source procurements, the Division recommends the College be allowed to continue to procure all supplies and services, construction, information technology, and consultant services up to the basic level of \$50,000 as outlined in the South Carolina Consolidated Procurement Code. The Division did not recommend higher procurement certification as the College requested. Also, the Division indicated it will perform another full procurement audit reporting the results to the State Fiscal Accountability Authority by this time next year.

Mr. Eckstrom noted that the exceptions that are revealed in the procurement audit for Florence-Darlington Technical College (the College) occurred prior to Dr. Ben Dillard's tenure as president. He commented that the audit covered six years and asked if that period of time is too long to go between performing a procurement audit. John White, Division of Procurement Services, stated that certified agencies are to be audited every three years. He stated that there was a series of events that occurred with this audit that caused it to be drawn out. He stated that the audit was delayed because of staff turnover, other audit assignments, updating of the audit, the transition of the Budget and Control Board into different agencies and the need to discuss issues concerning the audit with upper management which did not occur until after restructuring occurred. Mr. Eckstrom asked if the practice is to conduct the audit every three years to which Mr. White responded that is correct. Senator Leatherman commented that Dr. Dillard has done a good job since being at the College and that Dr. Dillard has assured him that they will comply

with the Procurement Code. He asked that the Authority members consider that the audit issues have been cleaned up and that the College will continue to perform in accordance with the Procurement Code.

Mr. Eckstrom noted that the audit pointed out that the school obtained a (non-profit) contractor through a sole source procurement to develop training materials for the College and that the contractor retained the materials and marketed them as its own. He noted that the audit stated the “materials and any funds derived from the sales of those materials belong to the College and must be remitted to the College.” He asked if that had been done. Senator Leatherman responded that he could not answer that question. Jimmy Aycock, Audit and Certification Director for the Division of Procurement Services, stated that the College has indicated that the contractor retained the materials, but did not sell them. He said the College has indicated that the materials are being returned. Mr. Eckstrom asked Mr. Aycock if his understanding was at the time of the audit that the materials were being marketed and if that was not the case. Mr. Aycock said that is correct. Mr. Eckstrom also asked if the State Ethics Commission (the Commission) accepted the matter that was referred to it. Mr. Aycock said the Commission has accepted the item, but the Commission is not allowed to discuss the details of their review. He noted that the College has indicated that some individuals have received letters from the Commission. Senator Leatherman said that Dr. Dillard is to be commended for the work that he has done and that he hopes that future audits will not be delayed due to staff turnover. Mr. Eckstrom asked that the matter be put back on the Authority’s calendar for an update after a follow-up audit examination has been conducted within a year of the date of the audit report.

After further discussion, Mr. Loftis noted that the action requested of the Authority stated that the Authority is being asked to “consider” suspending sole source authority. He said that the language needed to be amended to say “suspend” the College’s sole source authority. Mr. Loftis said that he thinks it is wise to have a follow-up audit examination and that it would set a bad precedent if the sole source authority is not suspended in this instance. Mr. Eckstrom said his motion would be to accept the audit report and for the Division of Procurement Services to report back to the Authority with a follow-up audit report within a year of the audit report in question. Senator Leatherman said he would second that motion.

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

Department of Health and Human Services (for a period of three years): service provider contracts (service provider being a provider of services directly to a client, \$3,000,000 per contract per year (limit four one-year extension options); supplies and services, \$600,000* per commitment; information technology, \$300,000* per commitment; consultants, \$300,000* per commitment.

- b. Suspended Florence-Darlington Technical College's sole source authority for one year per Section 11-35-1560(C), the maximum time allowed by statute, because of a significant number of inappropriate sole source procurements. The Division of Procurement Services is to report back to the Authority with a follow-up audit report within a year of the audit report in question.

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

Division of Procurement Services: Adoption of the U.S. Green Building Council's Leadership in Energy and Environmental Design Rating System Version 4 (Blue Agenda Item #8)

Section 48-52-825 of the Energy Independence and Sustainable Construction Act (the "Act") provides that the governing board of the State Fiscal Accountability Authority (the "Authority") "shall automatically adopt by reference the most current editions of the rating systems developed by Green Building Initiative and U.S. Green Building Council's Leadership in Energy and Environmental Design used for certification" of major facility projects pursuant to the Act article. This Section further provides that the Authority shall refer new or updated rating systems to the Energy Independence and Sustainable Construction Advisory Committee for consideration pursuant to Section 48-52-865(B). The latest and most current edition of the U.S. Green Building Council's Leadership in Energy and Environmental Design Rating System is Version 4.

Rep. White requested to receive a copy of the changes that are being made.

The Authority voted to carryover this item to the next meeting as noted herein above.

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

Executive Director: Revenue Bonds (Blue Agenda Item #9)

The Authority adopted resolutions approving the referenced proposals to issue revenue bonds as noted herein: The projects require approval under State law. Ceiling allocation requests were approved in a separate item.

- a. Issuing Authority: Jobs-Economic Development Authority
 Amount of Issue: Not Exceeding \$51,000,000 Economic Development Revenue Bonds (Taxable)

 Allocation Needed: -0-
 Name of Project: Aiken Advanced Manufacturing Collaborative
 Employment Impact: maintain employment for 50 people, create additional employment for approximately 120 people within 12 months and approximately 185 people within 24 months, and provide additional employment for approximately 60-80 people when the project is in full operation.

 Project Description: Constructing and equipping an Advanced Manufacturing Collaborative (AMC) facility of which approximately 64,394 square feet will be leased to Savannah River Nuclear Solutions and approximately 1,100 square feet will be leased rent free to the Aiken County Commission on Higher Education for the benefit of the University of South Carolina – Aiken used for technology research, risk management and workforce development for nuclear chemical manufacturing missions.

 Note: private sale
 Bond Counsel: Kathleen C. McKinney, Haynsworth Sinkler Boyd, P. A. (Exhibit 9)

- b. Issuing Authority: Jobs-Economic Development Authority
 Amount of Issue: Not Exceeding \$165,000,000 Hospital Refunding Revenue Bonds (\$165,000,000 refunding involved)
 Allocation Needed: -0-
 Name of Project: AnMed Health
 Employment Impact: maintaining permanent employment for approximately 3,966 people
 Project Description: refinancing of (a) \$34,585,000 original principal amount SC Jobs-Economic Development Authority Hospital

Refunding and Improvement Revenue Bonds (AnMed Health Project), Series 2009A, and (b) \$112,000,000 original principal amount SC Jobs-Economic development Authority hospital Refunding and Improvement Revenue Bonds (AnMed Health Project), Series 2009B, which were previously issued to refund prior to indebtedness of AnMed Health.

Note: *public or private sale*
Bond Counsel: William M. Musser, McNair Law Firm
(Exhibit 10)

- c. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$13,000,000 Economic Development Revenue Bonds
Allocation Needed: \$13,000,000
Name of Project: Clemson Heritage
Employment Impact: approximately 50 employees upon commencement of operation
Project Description: financing the development and construction of certain senior residential rental facilities located in the City of Clemson, constituting “qualified residential rental property” within the meaning of Section 142(D) of the Internal Revenue Code.

Note: *negotiated private sale or limited public offering*
Bond Counsel: Rion D. Foley and Brandon T. Norris, McNair Law Firm
(Exhibit 11)

- d. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$30,000,000 Economic Development Revenue Bonds/Bond Anticipation Notes
Allocation Needed: -0-
Name of Project: East Point Academy
Employment Impact: maintain 71 existing jobs, create 7 new jobs, and create an estimated 30 indirect, construction-related jobs during construction of the project
Project Description: construction of campus facilities and renovation of existing campus facilities for East Point Academy for the continued operation of a K-7 (with future plans to add 8th grade) public charter school known as East Point Academy, located in West Columbia, Lexington County

Note: *sold to qualified institutional buyer or privately placed*
Bond Counsel: Josiah C. T. Lucas, Pope Flynn, LLC
(Exhibit 12)

- e. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$14,000,000 Economic Development Revenue Bonds
Allocation Needed: \$14,000,000
Name of Project: Lakewood Senior Living
Employment Impact: 55 (direct); 60 (indirect) within 24 months
Project Description: constructing, owning and operating assisted living facilities with memory care. The project will consist of approximately 66 units (approximately 48 assisted living and 18 memory care) and comprise approximately 60,000 square feet.
Note: *limited offering*
Bond Counsel: Emily S. Luther, Parker Poe Adams & Bernstein LLP
(Exhibit 13)
- f. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$7,000,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: Mason Preparatory School
Employment Impact: 53
Project Description: consists of (i) refinancing the costs of constructing and equipping a new lower school building and undertaking related renovations and (ii) paying certain fees and expenses incurred in connection with the issuance of the bonds.
Note: *negotiated sale*
Bond Counsel: Jeremy L. Cook, Haysworth Sinkler Boyd, P. A.
(Exhibit 14)
- g. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: Not Exceeding \$25,000,000 Economic Development Revenue Bonds
Allocation Needed: \$25,000,000
Name of Project: River Park Senior Living
Employment Impact: 65 (direct); 60 (indirect) within 24 months
Project Description: constructing, owning and operating assisted living facilities with memory care. The project will be located in Little River in Horry County and will consist of approximately 66 assisted living and memory care units and 40 independent living unities, comprising an aggregate of approximately 110,000 square feet.
Note: *limited offering*
Bond Counsel: Emily S. Luther, Parker Poe Adams & Bernstein LLP
(Exhibit 15)

Executive Director: Economic Development (2016 Ceiling Allocations) (Blue #10)

The initial balance of the 2016 state ceiling allocation is \$489,614,600. In accord with Code Section 1-11-520, \$195,845,840 (40% of the total) is designated as the state pool and \$293,768,760 (60% of the total) is designated as the local pool. There is presently a state ceiling balance of \$462,614,600 remaining for 2016. Allocation requests for 2016 totaling \$79,000,000 have been received thus far.

The recommendation from the Department of Commerce for allocations for this cycle totaled \$52,000,000. The Department of Commerce made the following recommendations for allocation from the local pool:

JEDA, Clemson Heritage Project (Pickens County), \$13,000,000;
JEDA, Lakewood Senior Living (Spartanburg County), \$14,000,000; and
JEDA, River Park Senior Living (Horry County), \$25,000,000

Approval of the recommended requests would leave an unexpended state ceiling balance of \$410,614,600 (state pool - \$195,845,840; local pool - \$214,768,760) to be allocated later in the calendar year.

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

JEDA, Clemson Heritage Project (Pickens County), \$13,000,000;
JEDA, Lakewood Senior Living (Spartanburg County), \$14,000,000; and
JEDA, River Park Senior Living (Horry County), \$25,000,000

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

Dept. of Administration, Executive Budget Office: Permanent Improvement Projects (R1)

The Authority was asked to approve permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Executive Budget Office. All items had been reviewed favorable by the Joint Bond Review Committee. Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority approved the following permanent improvement project establishment requests and budget revisions. Mr.

White abstained from voting on the item. All other Authority members voted for the item.

Establish Project for A&E Design

- (a) Summary 2-2017: JBRC Item 1. Clemson University
Project: 9925, Clemson House Demolition

CHE Approval: 08/02/16

JBRC Approval: 09/13/16

<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, Maintenance and Stewardship Funds	0.00	0.00	0.00	95,000.00	95,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>95,000.00</u>	<u>95,000.00</u>

Funding Source: \$95,000 Other, Maintenance and Stewardship Funds, which are tuition, matriculation and other debt retirement and plant transfers revenues that are not formally obligated to fund debt service in the current period and that are responsibly transferred to and managed by the State Treasurer until the time of their State Treasurer approved qualified use.

Request: Establish project and budget for \$95,000 (Other, Maintenance and Stewardship Funds) to begin design work for the demolition of the Clemson House located adjacent to the Douthit Hills Student Community Construction at Clemson University. The 135,000 square foot building was constructed in 1950 and has been the most expensive housing facility to operate. It is no longer in use by University Housing and Dining. The Phase I pre-design budget is requested at 2.50% of the estimated project cost and the additional amount will allow the University to procure the services of professionals to do additional environmental investigation of hazardous materials and investigations of demolition procedures needed for the building's demolition. The Clemson House does not have "good bones" worthy of reinvestment or renovation. Originally constructed as a hotel, the quality of construction and materials used are not institutional quality. Renovation of the building would require replacing the building's exterior skin, a complete seismic retrofit, and removing the slab to create more space, resulting in only 50% space utilization. The cost to renovate the facility for use as classroom, meeting, and office or conference space would exceed the cost to construct a new building on the site. The existing facility is located on a prominent site on campus which merits a building of approximately 200,000 square feet. Renovating the existing building would result in inefficient space and leave prime University land underutilized. After demolition the Clemson House site will be developed as green space with some parking. With Douthit Hills opening in 2018 and the

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Business School opening in 2019, both immediately adjacent to the Clemson House site, the additional area will be put to good use. The agency estimates that the completed project will cost approximately \$3,800,000. (See attachment 1 for this agenda item for additional annual operating cost savings.)

- (b) Summary 2-2017: JBRC Item 2. Clemson University
Project: 9931, IPTAY Center Expansion/Renovation

CHE Approval: 08/02/16

JBRC Approval: 09/13/16

<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, Athletic Private Gifts	0.00	0.00	0.00	250,000.00	250,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>250,000.00</u>	<u>250,000.00</u>

Funding Source: \$250,000 Other, Athletic Private Gifts, which are contributions received from individuals, corporations, and other entities that are to be expended for their restricted purposes.

Request: Establish project and budget for \$250,000 (Other, Athletic Private Gift funds) to begin design work for the renovation and expansion of facilities for IPTAY at Memorial Stadium. The IPTAY Center at Memorial Stadium is approximately 14,000 square feet and approximately 28 years old. The Phase I pre-design budget is requested at 2.50% of the estimated project cost and the additional amount will provide the pre-construction services of a Construction Manager-at-Risk during the pre-design phase of the project and will provide for additional geotechnical investigations and surveys of the site. The current IPTAY space is not sufficient to house the increased and growing development staff, and has not had any major renovations since constructed in the late 1980's. The space will be expanded to include office space for staff working with major gifts, annual fund, gifts and estate planning, stewardship and ticketing, and will also include support spaces. The existing facilities will be updated to improve interior finishes and functionality to enhance the overall fundraising capabilities of IPTAY. In addition, the work will include the creation of premium seating areas adjacent to and accessible from Memorial Stadium for utilization on football game days that will allow for new revenue generation. Currently, all premium spaces in the stadium are sold out with wait lists. The total square footage of the building to be renovated and expanded is 21,500 square feet. Of that, approximately 14,000 square feet is used for the IPTAY Center. The expansion for IPTAY will be approximately 9,500 square feet. Minor renovations to the remaining 7,500 square feet will be necessary to expand and renovate the IPTAY Center. The renovated space will house 20

fulltime IPTAY staff along with dozens of part-time and student workers. Additionally, up to 510 high level IPTAY members will be able to use the space for football game day functions, as meeting space throughout the year, and for other related events. The agency estimates that the completed project will cost approximately \$10,000,000. (See attachment 2 for this agenda item for additional annual operating costs.)

- (c) Summary 2-2017: JBRC Item 3. Clemson University
Project: 9932, Tennis Center Construction

CHE Approval: 08/04/16

JBRC Approval: 09/13/16

<u>Source of Funding</u> <u>Detail</u>	<u>Original Budget</u> <u>Amount</u>	<u>Cumulative</u> <u>Changes Since</u> <u>Original Budget</u>	<u>Current Budget</u>	<u>Current Budget</u> <u>Adjustment</u> <u>Requested</u>	<u>Total Budget</u> <u>After Current</u> <u>Adjustment</u>
Other, Athletic Improvement Funds	0.00	0.00	0.00	312,500.00	312,500.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>312,500.00</u>	<u>312,500.00</u>

Funding Source: \$312,500 Other, Athletic Improvement Funds, which are from bond covenant-required transfers from Athletic Operations to allow for the maintenance and replacement of athletic facilities.

Request: Establish project and budget for \$312,500 (Other, Athletic Improvement Funds) to begin design work for the construction of a new state-of-the-art tennis center for the men's and women's varsity tennis teams. The existing tennis center and indoor practice facilities were constructed between 1987 and 1993 and are not sufficient for today's needs. The Phase I pre-design budget is requested at 2.50% of the estimated project cost and the additional amount will provide the pre-construction services of a Construction Manager-at-Risk during the pre-design phase of the project and will provide for additional geotechnical investigations, surveys of the site, and the required LEED cost benefit analysis. The new center will retain and continue to utilize existing tennis facilities, including outdoor competition courts and a 700 seat permanent stadium. The new approximately 48,000 square foot tennis center will include a new six-court indoor tennis facility, a clubhouse containing locker rooms, a training room, equipment rooms, a players' lounge, laundry and coaches' offices, a ticket office and public restroom building, two new outdoor courts, and related site work. The existing indoor facility lacks two needed courts for practice and competition in inclement weather. There is currently no designated tennis parking or suitable vehicular or disabled access to the site, which is located along Highway 93. Existing office and support facilities are too small for today's needs. The new facilities will enhance recruiting efforts, improve student athlete playing experiences, improve opportunities for NCAA

regionals and other championships, and provide for better pedestrian circulation and vehicular access. The primary users of the new facilities will remain the NCAA varsity men's and women's tennis programs. Each program has approximately three coaches, three support staff members and ten student athletes, totaling approximately 32 individuals who will use the facility. Additionally and as available, Clemson Campus Recreation will host intramurals, club team, and other recreation activities at the facility, as well as community-centered events such as summer tennis camps and City of Clemson sponsored tennis tournaments. Further, Clemson anticipates a total of 5,000 spectators per year for men's and women's tennis matches will also use the facilities. Renovating the existing indoor court building was considered but demolishing it and constructing a new facility was determined to be a more feasible alternative due to siting, ventilation, seismic and other issues. The construction portion of the project is planned to be funded by the issuance of Athletic Facilities Revenue Bonds that will be serviced fully with private donations. The agency estimates that the completed project will cost approximately \$12,500,000. (See attachment 3 for this agenda item for additional annual operating costs.)

- (d) Summary 2-2017: JBRC Item 6. Department of Corrections
Project: 9731, Deferred Maintenance and Renovations

CHE Approval: N/A
JBRC Approval: 09/13/16

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Appropriated State, Carry-Forward FY 2016	0.00	0.00	0.00	49,800.00	49,800.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>49,800.00</u>	<u>49,800.00</u>

Funding Source: \$49,800 Appropriated State, Carry-Forward FY15-16.

Request: Establish project and budget for \$49,800 (Appropriated State, Carry-Forward FY 2016) to begin design work for the most critical maintenance repairs, renovations, and system and equipment replacement for the Agency's 26 institutions and support service buildings located statewide which is more than 6.5 million square feet of building space. The Division of Facilities Management performs a yearly detailed assessment report of the Agency's facilities to determine the physical defects that must be corrected to maintain the buildings operationally. None of the building deficiencies are merely due to the failure to maintain the systems, equipment or structures. The project will address life cycle replacement issues for fire/life safety, accessibility, energy

conservation, HVAC and electrical/electronic and environmental health, including asbestos and indoor air quality. The buildings age range from 25 years to over 45 years with an average of 173,076 square feet. The specific systems to be replaced in this project include the following: 1) Evans Correctional Institution Chiller # 2 (Central Energy Plant), for \$360,000. 2) Camille Graham Correctional Institution Fire Alarm System (less the Dana Dorm) for \$750,000. 3) Broad River Correctional Institution Underground emergency power cabling system for \$300,000. 4) MacDougall Correctional Institution Chiller for Kitchen/Dining Building for \$250,000. 5) Lieber Correctional Institution Cooling Tower Central Energy Plant) for \$375,000. 6) Evans Correctional Institution Cooling Tower (Central Energy Plant) for \$375,000. 7) Trenton Correctional Institution Chillers (total of six) for \$910,000. The agency estimates that the completed project will cost approximately \$3,320,000.

- (e) Summary 2-2017: JBRC Item 7. Department of Corrections
Project: 9732, Cell Phone Interdiction System

CHE Approval: N/A

JBRC Approval: 09/13/16

<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, FY 2017, Proviso 65.25	0.00	0.00	0.00	20,490.00	20,490.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>20,490.00</u>	<u>20,490.00</u>

Funding Source: \$20,490 Other, FY16-17 Proviso 65.25 which grants the right to add a surcharge to all inmate pay phone calls to offset the cost of equipment and operations of cell phone interdiction measures.

Request: Establish project and budget for \$20,490 (Other, FY 2017, Proviso 65.25 funds) to begin design work to furnish and install a Cell Phone Interdiction System (CPIS) at Broad River (BRCI), Lieber (LCI) and McCormick (MCI) Correctional Institutions. The buildings range in age from 23 year to 30 years. The square footage and users of the facilities affected are as follows: 19,185 sq. ft. @ BRCI with 59 inmates and approximately 20 staff, 46,114 sq. ft. @ Lee with 307 inmates and approximately 20 staff, 47,328 sq. ft. @ LCI with 295 inmates and approximately 20 staff and 16,948 sq. ft. @ MCI with 76 inmates and approximately 20 staff. The CPIS will be installed in the (1) Restrictive Housing Unit (RHU) at BRCI, in two (2) RHU's at Lee, in the one (1) RHU and in one the (1) Death Row unit at LCI, and in the one (1) RUHU at MCI. The system will provide real-time coverage to detect the use of unauthorized cell phones anywhere within the specified housing units and will enable facility personnel to locate the contraband cellular phone(s) being utilized by the

inmate(s). The CPIS is self-monitoring and customizable to each correctional institution's housing unit. The ability to customize the interdiction system within the individual housing units will enable the system to detect multiple cellular devices by minimizing spillover from the range of one cellular device into the range of another cellular device within the housing unit(s). In addition, the system can be configured for instantaneous notification and automatic reporting of system activity to authorized SCDC personnel. The agency estimates that the completed project will cost approximately \$1,366,000. (See attachment 4 for this agenda item for additional annual operating costs.)

Establish Construction Budget

- (f) Summary 2-2017: JBRC Item 9. Medical University of South Carolina
Project: 9834, Psych Institute Chiller #1 Replacement

CHE Approval: Pending CHE Board approval on 09/01/16

JBRC Approval: 08/02/16

<u>Source of Funding</u> <u>Detail</u>	<u>Original Budget</u> <u>Amount</u>	<u>Cumulative</u> <u>Changes Since</u> <u>Original Budget</u>	<u>Current Budget</u>	<u>Current Budget</u> <u>Adjustment</u> <u>Requested</u>	<u>Total Budget</u> <u>After Current</u> <u>Adjustment</u>
Other, Institution Deferred Maintenance	23,250.00	0.00	23,250.00	1,576,750.00	1,600,000.00
All Sources	<u>23,250.00</u>	<u>0.00</u>	<u>23,250.00</u>	<u>1,576,750.00</u>	<u>1,600,000.00</u>

Funding Source: \$1,600,000 Other, Institution Deferred Maintenance, which are operational funds earmarked on an annual basis to address deferred maintenance needs.

Request: Increase budget to \$1,600,000 (add \$1,576,750 Other, Institution Deferred Maintenance Funds) to begin final design and construction to replace chiller # 1 at the Psychiatric Institute Building. This project was established in June 2016 for Phase I, which is now complete. The existing chiller is original to the building making it 39 years old. It is beyond its useful life, undersized, and needs replacement. The existing 250 ton chiller will be replaced with a 350 ton chiller. Existing pumps and cooling tower will also be upgraded to match the new chiller capacity. The facility is 62,300 gross square feet and houses 25 faculty/doctors, 50 staff, 30 students, and approximately 75 patients per day. When brought for Phase I, the total projected cost of the project was \$1,550,000. The agency reports, with the addition of \$50,000 in design cost erroneously excluded from Phase I, the total projected cost of this project is \$1,600,000 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 March 2017 and for completion of construction is December 2017.

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- (g) Summary 2-2017: JBRC Item 10. State Board for Technical and Comprehensive Education

Project: 6124, Greenville - Demolition of Building 602

CHE Approval: 07/26/16

JBRC Approval: 09/13/16

<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, Local	39,900.00	0.00	39,900.00	1,340,739.00	1,380,639.00
All Sources	<u>39,900.00</u>	<u>0.00</u>	<u>39,900.00</u>	<u>1,340,739.00</u>	<u>1,380,639.00</u>

Funding Source: \$1,380,639 Other, Local Funds, which are funds primarily from Greenville County appropriations that are accumulated over time and ultimately used for capital projects.

Request: Increase budget to \$1,380,639 (add \$1,340,739 Other Local funds) to begin solicitation and construction work for abatement, demolition, and mall exterior renovations. This project was established in June 2016 for Phase I, which is now complete. The 137,000 square foot building is 43 years old. Renovation and restoration to current building code and sustainability certification (Green Globes or LEEDS) is estimated to cost in excess of eight million dollars. Structural deterioration of the roof is leading to water penetration resulting in mold growth inside the building. Asbestos-containing material throughout the building will require abatement prior to demolition. The project will include asbestos abatement, structural demolition, mall façade restoration concept, and re-routing HVAC chilled water lines supplying tenant spaces on Bldg. 602 side of McAlister Square. When brought for Phase I, the total projected cost of the project was \$1,330,000. The agency reports, with the addition of the cost for the restoration of the mall rear entrance and relocation of a chill water line, the total projected cost of this project is \$1,380,639 with annual operating savings of \$6,707 in years 1 through 3. The agency also reports the projected date for execution of the construction contract is September 2016 and for completion of construction is April 2017. (See attachment 5 for this agenda item for additional annual operating costs savings.)

- (h) Summary 2-2017: JBRC Item 11. State Board for Technical and Comprehensive Education

Project: 6125, Tri-County - Industrial Technology Center Renovation

CHE Approval: 08/04/16

JBRC Approval: 09/13/16

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<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Capital Reserve Fund	0.00	0.00	0.00	1,000,000.00	1,000,000.00
Other, TCTC Cumulative Maintenance Funds	0.00	0.00	0.00	800,000.00	800,000.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>1,800,000.00</u>	<u>1,800,000.00</u>

Funding Source: \$1,000,000 Capital Reserve Fund. \$800,000 Other, TCTC Cumulative Maintenance Funds, which are plant funds from unrestricted net assets.

Request: Establish budget and project for \$1,800,000 (Capital Reserve and Other, TCTC Cumulative Maintenance Funds) to begin the design and renovation of the Industrial Technology Center (ITC) and Engineering & Industrial Technology (EIT) areas at the Pendleton Campus for industrial technology programs. The project is being requested bypassing Phase I because a portion of the funding is legislatively authorized through FY15-16 Capital Reserve Funds. The facilities are approximately 25 years old and are designed to accommodate 534 individuals. EIT programs are currently housed at both Pendleton Campus and the ITC facility in Sandy Springs. The ITC has approximately 7,500 square foot of space reserved for future expansion. This project is to up fit this space to cost-effectively achieve optimal utilization and allow their industrial-focused programs to be centrally located at the ITC. Project goals include: 1) Develop a “showcase” CNC (Computer Numerical Controls) area to promote the program and the College. 2) Consolidate CNC Programming and Operations and relocate from Pendleton Campus to the ITC. 3) Move HVAC from the ITC to occupy vacated space in Cleveland Hall on the Pendleton Campus. 4) Relocate Welding Technology’s grinding and fabrication areas to the vacated HVAC area. 5) Re-purpose vacated space in Cleveland and Wilson Halls on the Pendleton Campus for GET, Automotive Technology, Mechatronics, and Engineering transfer classes. The College’s programs in CNC Machining and Mechatronics are growing rapidly. In addition to being able to meet student demand, employers are also asking the College to provide training for their employees which cannot currently be accommodated in existing space. The Industrial Technology Center is designed to mimic a real-world manufacturing environment which best serves the growth of these critical programs in available space at relatively low cost. The agency reports the total projected cost of this project is \$1,800,000 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 September 2016 and for completion of construction is November 2017.

- (i) Summary 2-2017: JBRC Item 16. Department of Transportation
 Project: 9732, SHEP Greenville/Spartanburg Office Phase II

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CHE Approval: N/A
JBRC Approval: 09/13/16

<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>
Capital Reserve Fund	0.00	0.00	0.00	20,000.00	20,000.00
Federal	12,000.00	0.00	12,000.00	852,000.00	864,000.00
Other, State Highway Fund	3,000.00	0.00	3,000.00	193,000.00	196,000.00
All Sources	<u>15,000.00</u>	<u>0.00</u>	<u>15,000.00</u>	<u>1,065,000.00</u>	<u>1,080,000.00</u>

Funding Source: \$20,000 Capital Reserve Fund, \$864,000 Federal, Highway Fund, which are funds derived from the federal motor fuel user fee, \$196,000 Other, State Highway Funds, which are funds derived from the state motor fuel user fee.

Request: Increase budget to \$1,080,000 (add \$1,065,000 Capital Reserve, Federal and Other, State Highway) to begin construction of a 2,950 square foot office to house the State Highway Emergency Program (SHEP) employees located in the Greenville/Spartanburg area. The project was established in June 2015 for Phase I, which is now complete. The scope of work includes the construction of an office to house 16 SHEP employees, their personal vehicles, and secure parking for the SHEP vehicles. The employees must physically report to an office to receive instructions/briefing, gather materials, etc. to prepare for their shift patrolling the interstates in the area. The purpose of the SHEP program is to assist motorists whose vehicles are experiencing mechanical problems and to provide support and assistance to emergency response teams during incidents. The building will be constructed on the same site as the Upstate Salt Storage Structure at exit 58 on Interstate I-85 at the Greenville/Spartanburg County line. The staff is presently located in a 360 square foot construction trailer located at a closed rest area. The trailer is 17 years old, in poor condition, and is too small to accommodate the SHEP shift employees. The trailer and location were intended to be temporary at the time the program was implemented (in 1996) in the Greenville/Spartanburg area. Since the facility is remote from the Greenville Traffic Management Center and view of the roadway is imperative at times, a backup viewing room was added to the facility/project to provide access to video of the interstates. This allows strategic deployment of the SHEP vehicles; however, this added space to the building. When brought for Phase I, the total projected cost of the project was \$750,000. The agency reports, with the addition of the backup viewing room, the total projected cost of this project is \$1,080,000 with additional operating costs of \$3,000 in year 1, \$6,000 in year 2 and \$6,200 in year 3. The agency also reports the projected date for execution of the construction contract is February 2017 and for completion of construction is December 2017. (See

attachment 7 for this agenda item for additional annual operating costs.)

Mr. Eckstrom asked that the agenda reflect that the Commission on Higher Education (CHE) recommended approval as opposed to approved. Mr. Eckstrom asked if CHE reviews the procurement audits of higher education institutions. Governor Haley said an answer to Mr. Eckstrom's question will be obtained.

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

Department of Administration, Real Property Services Office of the Adjutant General Lease-out to South Carolina Electric & Gas Company (SCE&G) at 5 National Guard Road in Columbia (Regular Session Item #2)

The Office of the Adjutant General has leased 37,409 SF of office and garage space in the building formerly known as the Combined Support Maintenance Shop, along with the surrounding grounds, located at 5 National Guard Road in Columbia to SCE&G since 1999 for use as a vehicle maintenance shop. The current lease term, which was approved by the Budget and Control Board at its December 15, 2011, meeting, expires on November 30, 2018. SCE&G had planned to complete construction of a new vehicle maintenance facility by the end of the lease term but has experienced construction funding shortfalls. As such, the Office of the Adjutant General is requesting approval to amend the lease to provide for two additional two year renewal options.

The first optional renewal term would begin on December 1, 2018, and end on November 30, 2020, at a rate of \$5.05/SF, which represents a three (3) percent increase over the prior term. The term for the second optional renewal would begin on December 1, 2020 and end on November 30, 2022 at a rate of \$5.20/SF as shown in the table below:

<u>TERM</u>	<u>ANNUAL RENT ROUNDED</u>	<u>MONTHLY RENT ROUNDED</u>	<u>RENT PER SF ROUNDED</u>
YEAR 1 – First Renewal	\$ 188,915.45	\$ 15,742.95	\$ 5.05
YEAR 2 – First Renewal	\$ 188,915.45	\$ 15,742.95	\$ 5.05
YEAR 1 – Second Renewal	\$ 194,526.80	\$ 16,210.57	\$ 5.20

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YEAR 2 – Second Renewal	\$ 194,526.80	\$ 16,210.57	\$ 5.20
TOTAL	\$766,884.50		

SCE&G is responsible for all maintenance and operating costs. Additionally, in 2011 SCE&G contributed \$200,000 towards a roof replacement for the facility. SCE&G employees are not permitted to use any parking spaces inside of the fenced area for football games. The spaces inside the fenced area are rented out through the TAG Employees Association pursuant to Proviso 100.4 of the FY 2016-2017 General Appropriations Act. The Office of the Adjutant General does not control any parking spaces on National Guard Road.

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

Location	Tenant	Rent Rate/SF
1601 Shop Road	Vacant	\$4.50
1080 Shop Road	Vacant	\$4.98
2840 Shop Road	Vacant	\$5.50

The funds generated by this lease are used by the South Carolina Military Department to fund maintenance and repair on the South Carolina Army National Guard's Readiness Centers throughout the state. The lease was approved by JBRC on September 13, 2016.

Mr. Eckstrom noted that the comparable lease rates indicated various addresses on Shop Road. He asked if any of the addresses are located behind a security fence to be comparable or if they are standalone buildings. Ashlie Lancaster, Real Property Services, Department of Administration, said they were not able to locate property with the same type of demographics as the facility in question. She said this facility is located within a secured area and has a higher rate than might otherwise be seen. Mr. Eckstrom asked why the rates would be higher. Ms. Lancaster said because of the security feature, the rate to SCE&G is higher than the surrounding comparables.

Upon a motion by Rep. White, seconded by Mr. Loftis, the Authority approved the proposed lease-out from the Office of the Adjutant General to SCE&G at 5 National Guard Road in Columbia.

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

Department of Administration, Real Property Services: Office of the State Auditor - Lease at 1401 Main Street in Columbia (Regular Session Item #3)

As noted above, the Authority voted to carry over the State Auditor's request to continue leasing space located at 1401 Main Street in Columbia from MS Joint Venture.

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

State Fiscal Accountability Authority: Not Exceeding \$45,000,000 Lease Revenue Bonds (Department of Mental Health Project), Series 2016 of the South Carolina State Fiscal Accountability Authority (Regular Session Item #4)

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$45,000,000 Lease Revenue Bonds, Series 2016, of the South Carolina State Fiscal Accountability Authority.

The proceeds of the bonds will be used to defray the costs of (1) constructing, equipping, improving and renovating a facility to house and treat individuals adjudicated as Sexually Violent Predators Act committed to the South Carolina Department of Mental Health pursuant to the Sexually Violent Predators Act on a portion of the land located at 4546 Broad River Road, Columbia, South Carolina, and (2) issuance thereof.

Upon a motion by Rep. White, seconded by Mr. Eckstrom, the Authority adopted a resolution making provision for the issuance and sale of not exceeding \$45,000,000 Lease Revenue Bonds, Series 2016 of the State Fiscal Accountability Authority for the construction and ongoing operation of the proposed facility to house the Department of Mental Health's Sexually Violent Predator Treatment Program.

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

Department of Mental Health: Proposed New Facility to House the Sexually Violent Predator Treatment Program (SVPTP) and Associated Operations Agreement (Regular #5)

BACKGROUND:

Since the South Carolina Sexually Violent Predator Act (SVPA) was passed by the General Assembly in June, 1998, SCDMH has struggled to find space for this program which it

does not control admissions to or discharges from. By legislative Proviso, SCDMH and SCDC were directed to issue a Request for Proposals (RFP) seeking long-term solutions for securely housing the growing census of the SVPTP. The RFP is pending final award, and the proposed contractor (the “Vendor”) has provided plans for a 250-bed facility, with the potential to be expanded to house as many as 500 residents (the “New Facility”). The cost of the New Facility will be approximately \$41,461,921 inclusive of construction costs and development fees. Financing costs are not included. In its response, the Vendor provided a proposed financing arrangement. SCDMH, after discussion with the Office of State Treasurer, Department of Administration and others, determined that the cost differential between the vendor proposed financing and the available public alternatives was significantly higher without commensurate benefit. Specifically, Vendor financing proposed an indicative interest rate of approximately 4.25% and costs of issuance of approximately 5% or \$2 million. Analysis by the State’s financial advisor indicates that, under current market conditions, a public financing could be undertaken at an interest rate of approximately 2.05%, with costs of issuance of approximately 1.35% or \$602,750. The proposed public financing described below is estimated to cost approximately \$10.4 million less than the proposed Vendor financing in terms of total estimated lease payments.

The preferred financing mechanism of SCDMH, taking into account all available alternatives and after consultation with the Office of State Treasurer is a financing pursuant to Section 11-1-110 of the South Carolina Code. Section 11-1-110 allows for the State Fiscal Accountability Authority (SFAA) to lease property to an agency and to then issue lease revenue bonds of the SFAA secured by such lease payments for the purpose of providing funds to acquire, construct, renovate or maintain facilities for the State agency. Section 11-1-110, codified in 1995, and its precursor were used to finance State agency projects in 1994 (by proviso), 1997, 1998, 1999, 2001, and 2003. A description of each issue and its purpose is attached.

Despite prior use of Section 11-1-110 and its precursor, this would be the first to be completed since the reorganization of the Budget and Control Board and the first to be undertaken in connection with a design, build, operate and maintain procurement. The recently passed FY 2016-17 State budget includes the recurring funds requested by SCDMH to cover the anticipated cost of the public financing.

The New Facility is proposed to be located on SCDC property, on the site of the existing Stevenson Correctional Institution, a SCDC facility whose inmates would be relocated to facilitate construction if the project is approved. In order for the SFAA to obtain sufficient property rights to lease the New Facility to SCDMH and to issue the bonds, SCDMH proposes to ground lease the site from SCDC (40-year term), in turn sublease the site to the SFAA (20 year term), and then enter into a lease and use agreement with the SFAA (automatically renewing one year terms; renewal subject to non-appropriation) whereby SCDMH agrees to make lease payments, cause the development of the New Facility, and use the New Facility for SVPTP purposes (collectively, the “Transaction”).

The SVPTP is fundamentally different from SCDMH’s mental health treatment services and its State Veteran’s nursing homes. Because of the nature of the resident population and security issues, it has been difficult for the agency to recruit and retain clinical staff. A number of other States have contracted out the operation of their SVP treatment programs, and that is the preferred direction of SCDMH leadership. The Agreement under consideration would provide for the private operation of the SVPTP by the proposed Vendor based on a per-bed/per-day rate. Contingent upon contract approval by the SFAA, and upon receiving Notice to Proceed from DMH, the Vendor shall begin an approximately sixty (60) day transition of existing services. At the end of the transition period, the Vendor shall provide management and operational services for the Program pursuant to the requirements of the contract documents.

The cost projections of entering into the Services Agreement and bond financing for the New Facility would represent an estimated increase in expense to SCDMH for the SVPTP of \$4.3 million which includes projected census increases in FY 2018 and FY 2019. The estimated increase is based on a projected increase in operations cost of \$1.5 million and a projected annual lease payment of \$2.8 million. The projected increase in costs solely attributable to outsourcing the management and operation of the program is marginal in the short term (just over 1%), but overall costs will ultimately be reduced in the long term due to the efficiencies created by being in a newer facility.

SCDMH has indicated that it will not contract for the private operation (Services Agreement) unless/until it receives approval to proceed with the financing and construction of the New Facility.

TRANSACTION COMPONENTS SUMMARY:

There are various components of this transaction that require Authority approval. They are summarized below and presented in more detail in the attached agenda item worksheets in Tabs A, B, and C for this agenda item.

Permanent Improvement Project (Tab A of this agenda item)

The proposed project consists of demolition of a 50,000 square-foot housing unit which was constructed in 1938, the construction of two new buildings totaling 99,805 square feet, and the renovation of 26,600 square feet of three existing buildings which were built in 2001, 2007, and 2008.

The new construction buildings will consist of housing units and associated medical treatment and therapy spaces; group, medication, and observation rooms; and administrative functions including staff training space, security and resident visitation space. Other support space to be accommodated in the renovated areas include the admission/discharge unit, classroom areas, a central laundry, offices and staff support space, and a large supply/storage area.

The total cost of the construction and renovation of the facilities is estimated to be \$41,461,921 and will be funded from the proceeds of Lease Revenue Bonds issued by the SFAA pursuant to Section 11-1-110 of the South Carolina Code of Laws (see below). The FY 2016-17 Appropriation Act contains a recurring General Fund appropriation of \$4,200,000 to cover the lease payments (debt service on the revenue bonds) and additional operating expenses of the program.

Contract Term (Tab B of this agenda item)

SCDMH has asked the Division of Procurement Services to assist in seeking Authority approval to authorize SCDMH to award a contract for up to forty (40) years for operations of the Sexually Violent Predator Treatment Program (SVPTP). The contract will have a 2-year initial contract term, followed by an optional 10-year renewal, and four optional 7-year renewals. SCDMH officials believe the resulting contract with the maximum 40 year term fulfills the directives set forth by Proviso 117.115 of the 2013-14 Appropriations Act for a cost effective long-term solution for the operation of SVPTP while maintaining the stability as well as

providing for the anticipated expansion of these services.

The specific contract terms are derived from the request for proposals (RFP), which stated that “the contract period for privatized treatment and operational services shall be negotiated prior to award. The intent of the State is to enter into a long-term (+10 year) contract with renewal options.” The cost proposal from the vendor proposed the terms above and the Department has accepted them for the following reasons:

- a. During the initial two year term, the vendor will be operating the program in the existing facility, while the new facility is being constructed.
- b. In the second ten year term, the vendor will be operating the program in the newly constructed facility. The Department expects learning curve improvements during this time which will benefit both parties.
- c. For the remainder of the maximum 40 year term, the four optional 7-year renewals provide incentives to the vendor to maintain an effective, safe, and cost efficient operation. If the performance of the vendor declines, the Department has multiple options to re-compete or in source the operations.
- d. The State retains the right to terminate for convenience or for default at any point during the contract.

Leases (Tab C of this agenda item)

A proposed ground lease provides for DMH to lease from SCDC the following: 17.07 acres of land plus up to an additional acre for a retention pond, buildings, fencing, common areas, drives, parking areas, and walks of Stevenson Correctional Institution located at 4546 Broad River Road in Columbia for a term of 40 years. The lease will begin on the date the lease is approved by the SFAA. Rent will be \$1 per year, prepaid for the entire lease term.

DMH will utilize the premises to construct, improve, renovate, equip, maintain, and operate a facility to house individuals committed to DMH pursuant to the Act. DMH will be responsible for maintenance and repairs of the premises throughout the term. DMH will sublease the premises to SFAA in connection with financing described below. At the end of the term or any subsequent renewal term, DMH will surrender the premises including the new facility and any other improvements to SCDC.

The proposal calls for DMH to sublease the premises to SFAA in connection with financing through Lease Revenue Bonds. The term of the sublease is 20 years with annual automatic renewal terms each year that the bonds remain outstanding. The sublease will begin

on the date it is approved by SFAA. Rent will be \$1 per year, prepaid for the entire 20-year term. DMH will have the option to terminate the sublease at any time following discharge of the Bonds, at which time SFAA will surrender the premises and improvements to DMH.

Pursuant to the Lease and Use Agreement, SFAA will issue Lease Revenue Bonds and apply the proceeds to the permanent improvement project described above. The term of the lease will be for successive automatically renewing terms commencing upon approval of the Lease and Use Agreement by SFAA and ending on June 30 each year thereafter until final maturity of the bonds.

DMH will pay SFAA on or before September 1 each year an amount sufficient to make the debt service payments due on the Bonds (which is projected to be \$2,800,000 per year) as well as additional sums necessary to maintain a Debt Service Reserve Fund and other expenses associated with the issuance of the bonds. DMH will be responsible for the maintenance and operation of the facility; a recurring General Fund appropriation of \$4,200,000 was included in the FY 2016-17 Appropriation Act to provide for the lease payment as well as the maintenance and operation of the facility.

Lease Revenue Bonds (Separate Agenda Item)

DMH is requesting SFAA to issue not exceeding \$45,000,000 of Lease Revenue Bonds pursuant to Section 11-1-110 of the South Carolina Code of Laws to pay (1) the cost of constructing, renovating, and equipping the facility and (2) expenses related to the issuance of the bonds. DMH's annual lease payments to SFAA will be sufficient to pay the debt service associated with the bonds which is expected to be approximately \$2,800,000 annually. (Again, the recurring General Fund appropriation includes funding to cover the lease payments.) The term of the bonds will be 20 years.

Should the recurring funding not be appropriated or otherwise proves insufficient to offset the debt service, DMH may divert revenues currently devoted to other DMH programs to make the lease payments to SFAA. If at any time DMH fails to make the payments required under the Lease and Use Agreement, SFAA may take possession of the facility and lease it for the purpose of generating rent, transfer the operation of the facility to itself or another state agency, or sell the facility.

Pursuant to Section 11-1-110 of the Code of Laws, the full faith and credit of the State will not be pledged to payment of the bonds.

Upon a motion by Rep. White, seconded by Senator Leatherman, the Authority, as requested by the South Carolina Department of Mental Health, took the following action:

- a. Approved the Permanent Improvement Project Phase II Project Approval. (See Tab A for this agenda item)
- b. Under authority of SC Consolidated Procurement Code Section 11-35-2030(4), approved the Department of Mental Health's request for a multi-term contract for operations of the Sexually Violent Predator Treatment Program for up to forty (40) years. (See Tab B for this agenda item)
- c. Approved the proposed lease transactions associated with the Department of Mental Health Sexually Violent Predator Program Renovation and New Construction of a 250 Bed Capacity Facility to include: (i) the Ground Lease from SCDC to SCDMH; (ii) the Sublease from SCDMH to SFAA; and (iii) Lease and Use Agreement between SFAA and SCDMH. (See Tab C for this agenda item)

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

Division of Procurement Services: Waiver to Extend the Maximum Time on a Multi-term Contract for the University of South Carolina (Regular Session Item #6)

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The University of South Carolina asked the Division of Procurement Services to assist in seeking Authority approval to authorize the University to solicit a contract for up to fifteen (15) years for Food Services. University officials believe a contract term of fifteen years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including updating and expanding existing dining facilities and outfitting new facilities.

Mr. Eckstrom asked if it has been demonstrated that there is a lower cost overall by having an extended contract up to fifteen years. Mr. White said that he is not aware of any study that has determined if that is in fact the case. In response to Mr. Eckstrom's question, Rick Kelly, with the University of South Carolina (USC), stated that they look at their peers across the country and talk to vendors, including three major vendors who are interested in this contract.

He said all of the vendors tell them that the more time they have to amortize their investment they can invest more money up front for the food service contract. He noted that was the case in 2002 when USC had a “sad” food services facility. He said with the Authority’s (former Budget and Control Board) approval USC entered a 15-year contract with Marriott-Sodexo which guaranteed them \$35 million over the life of the contract to be invested in the food service facility. He said an \$8 million up front facility improvement investment was made and expansion of services was included as part of that contract. He said for the future contract much of the same will be seen. Mr. Kelly noted that USC is rated as the 21st best food service facility in the country.

Rep. White asked if by requesting a 15-year contract was USC limiting the number of vendors who could provide the services. Mr. Kelly said there would be a limiting ability for a smaller, local, or even regional food service provider to try to take on this proposed contract. He said this contract should be at the higher level because on any given day in the Russell House cafeteria and other food service facilities 8,000 people will be served. He said there are very few local or regional firms that have that kind of capacity or expertise. He stated that while a 15-year contract is limiting, it exposes the University to the bigger, national corporations that perform this service for airports, hotels, and major universities. Mr. Kelly said by not doing so USC would not gain the expertise in providing food services and the capital would be lost. Rep. White asked if the vendor hires USC’s hospitality students. Mr. Kelly said that some of the students do get hired.

Mr. Loftis said that he is glad to see that CHE is stepping up to look at higher education because the Authority is making decisions with woefully inadequate information. Governor Haley said that CHE’s goal is not to go after schools. She said she asked CHE to start doing what it is supposed to do. She said she will ask if CHE gets involved in the higher education institutions’ procurements. She said that she has full faith in what CHE is trying to do in watching out for the schools and the taxpayers.

Mr. Eckstrom asked if this contract extension request has gone to CHE for its consideration. Mr. Gillespie said that it does not have to go to CHE. Governor Haley said that is not what CHE is typically responsible for. Mr. Eckstrom asked what CHE typically is responsible for. Governor Haley asked Austin Smith to explain what CHE is doing. Mr. Smith

said CHE currently reviews permanent improvement projects and program approval. He said the Governor's Office has asked them to take into account the financial health of the institutions as they make those determinations. He stated that CHE is looking at the financial health of the institutions so that adjustments can be made if it looks like an institution is heading for financial trouble. Mr. Eckstrom said that is a good function and it is in CHE's enabling legislation, but that the matter of approving permanent improvement projects is not in CHE's enabling legislation. He stated that the JBRC statutes designate CHE as a reviewing and recommending authority. Mr. Eckstrom said that he knows that Governor Haley thinks the Authority should follow the recommendations of CHE as binding the Authority. He stated that if that is the case either CHE or the Authority is not necessary. He said a requirement that the Authority follow a recommendation from CHE should not be imposed on the Authority because the Authority is elected and the CHE board is appointed. Governor Haley said that she is going to listen when CHE says that something is not good for an institution. She said that when she receives that kind of information she is going to do something with it and Mr. Eckstrom has the right to do what he wants to with the information. Governor Haley further stated that CHE is starting to bring accountability to the table. Senator Leatherman said that he concurs that CHE is on the right track and he applauds CHE for what they are doing.

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 University of South Carolina's request for a multi-term contract for Food Services and authorize the solicitation of proposals and award of a contract for up to fifteen (15) years. Mr. White voted against the item. All other Authority members voted for the item.

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

Future Meeting

Upon a motion by Mr. White seconded Mr. Loftis, the Authority agreed to meet at 10:00 a.m. on Tuesday, November 1, 2016, in Room 252, Edgar A Brown Building. [Secretary's Note: The November 1, 2016, meeting was later changed to November 7, 2016.]

Adjournment

The meeting adjourned at 11:20 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 3:55 p.m. on Friday, September 16.]