

# STATE FISCAL ACCOUNTABILITY AUTHORITY

Meeting of Tuesday, January 30, 2018 -- 9:30 A. M.

Room 252, Edgar A. Brown Building

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## AGENDA INDEX

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<b>A.</b>	<b>MEETING OF THE TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY</b>	
<b>B.</b>	<b>MEETING OF STATE FISCAL ACCOUNTABILITY AUTHORITY</b>	
<b>C.</b>	<b>ADOPTION OF PROPOSED AGENDA</b>	
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<b>F.</b>	<b>REGULAR SESSION</b>	
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2.	Department of Administration, Facilities Management and Property Services	Patriots Point Development Authority (PPDA) First Amendment Lease Out to the Medal of Honor Museum Foundation
3.	Department of Administration, Executive Budget Office	Permanent Improvement Projects
4.	Division of Procurement Services	Waiver to Extend the Maximum Time on a Multi- term Contract for the University of South Carolina
5.	Division of Procurement Services	Waiver to Extend the Maximum Time on a Multi- term Contract for the University of South Carolina
6.	Division of Procurement Services	Update Current Exemption for Advertising
7.	State Fiscal Accountability Authority	Future Meeting

# **TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

**Meeting of Tuesday, January 30, 2018 -- 9:30 A. M.**

**Room 252, Edgar A. Brown Building**

## ***REGULAR SESSION AGENDA INDEX***

<b>Item No.</b>	<b>Agency</b>	<b>Subject</b>
<b>A.</b>	<b>ADOPTION OF PROPOSED AGENDA</b>	
<b>B.</b>	<b>REGULAR SESSION</b>	
1.	Tobacco Settlement Revenue Management Authority	Adoption of Budget
2.	Tobacco Settlement Revenue Management Authority	Financial Statement for the Fiscal Year Ended June 30, 2017
<b>C.</b>	<b>ADJOURNMENT</b>	

TOBACCO SETTLEMENT

REVENUE MANAGEMENT AUTHORITY

MEETING OF January 30, 2018

REGULAR SESSION

ITEM NUMBER 1

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AGENCY: Office of the State Treasurer

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SUBJECT: Adoption of Budget

In accord with South Carolina Code of Laws Section 11-49-60 (12), the Authority is asked to adopt the attached proposed fiscal year budget for the period July 1, 2018, through June 30, 2019, as submitted by the State Treasurer. The proposed budget is anticipated to cover, in part, expenses including, but is not limited to, professional services, payment of insurance premiums for members of the Authority Board, and other expenses related to the operation and administration of the Authority.

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AUTHORITY ACTION REQUESTED:

Adopt the operating budget for the Authority's fiscal year budget for the period July 1, 2018, through June 30, 2019.

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ATTACHMENTS:

Loftis 1/8/18 letter; Proposed Budget; Code Section 11-49-60 (12)



**THE HONORABLE CURTIS M. LOFTIS, JR.**  
State Treasurer

January 8, 2018

Mr. Delbert Singleton  
Secretary, Tobacco Settlement  
Revenue Management Authority  
600 Wade Hampton State Office Building  
Columbia, South Carolina 29201

Re: Tobacco Settlement Revenue Management Authority  
Annual Budget 2018-2019

Dear Delbert:

In accordance with South Carolina Code of Laws Section 11-49-60(12), I am pleased to submit herewith the annual budget proposed for the Tobacco Settlement Revenue Management Authority for the Fiscal Year beginning July 1, 2018 and ending June 30, 2019.

Please place this item on the agenda for the Authority's meeting on January 30, 2018.

Respectfully submitted,

A large, stylized handwritten signature in blue ink, reading "Curtis M. Loftis, Jr." with a long, sweeping flourish at the end.

Curtis M. Loftis, Jr.  
State Treasurer

Enclosure

**Tobacco Settlement Revenue Management Authority**  
(A Component Unit of the State of South Carolina)

Operating Budget for the Authority's Budget Year Ending June 30, 2018

(Cash Basis)

	Fiscal Year 2017 / 2018		Fiscal Year 2018 / 2019
	Budgeted	Adjusted Budget @ 12/31/17	Budget
<b>Funds held By Tobacco Authority:</b>			
Cash Balance, Beginning	\$ 5,282,580	\$ 5,282,580 <sup>1</sup>	\$ 5,253,890 <sup>6</sup>
<b>Revenue:</b>			
Tobacco settlement revenue	70,000,000	71,972,166 <sup>2</sup>	71,152,424
Total Cash Available	75,282,580	77,254,747	76,406,314
<b>Expense</b>			
Administrative and operating expense			
Professional fees and expenses			
Audit and accounting	20,000	13,200 <sup>3</sup>	16,000
Arbitrage, deallocation and disclosure	25,000	13,000 <sup>3</sup>	16,000
Insurance			
Tort insurance for authority members	2,490	2,490 <sup>3</sup>	2,490
General operating			
Postage and shipping	-	-	-
Contingency	-	-	-
Distributions per Proviso			
Attorney General	1,253,000	1,253,000 <sup>4</sup>	1,253,000
South Carolina Law enforcement Division	450,000	450,000 <sup>4</sup>	450,000
Department of Revenue	325,000	325,000 <sup>4</sup>	325,000
Department of Health and Human Services	67,972,000	69,944,166 <sup>5</sup>	69,124,424
Total Cash Disbursements	70,047,490	72,000,856	71,186,914
Cash Balance, Ending	\$ 5,235,090	\$ 5,253,890 <sup>6</sup>	\$ 5,219,400

**Notes and Assumptions as of December 31, 2017.**

- 1 Ending cash balance retained by TSRMA at June 30, 2017.
- 2 Currently Estimated TSRMA Revenues to be received Spring 2018.
- 3 Actual Expense as of December 31, 2017.
- 4 TSRMA Revenue to be distributed per Proviso 118.11.
- 5 Estimated remainder revenue to be distributed per Proviso 118.11.
- 6 Estimated cash balance to be retained by TSRMA at June 30, 2018.

**SECTION 11-49-60. Powers of board to operate and administer authority.**

In addition to the powers contained elsewhere in this chapter, the board has all power necessary, useful, or appropriate to operate and administer the authority, to effectuate the purposes of the authority, and to perform its other functions including, but not limited to, the power to:

- (1) have perpetual succession;
- (2) sue and be sued in its own name;
- (3) adopt, promulgate, amend, and repeal bylaws, not inconsistent with provisions in this chapter for the administration of the authority's affairs and the implementation of its functions;
- (4) have a seal and alter it at its pleasure, although the failure to affix the seal does not affect the validity of an instrument executed on behalf of the authority;
- (5) enter into contracts, arrangements, and agreements with government units and other persons and execute and deliver all financing agreements, including bonds issued to support the borrowing by such government units to pay eligible costs of qualified projects, and other instruments necessary or convenient to the exercise of the powers granted in this chapter;
- (6) enter into agreements with a department, agency, political subdivision or instrumentality of the United States or of this State or of another State for the purpose of planning and providing for the financing of qualified projects or for the administration of the purposes and programs of this chapter;
- (7) enter into agreements with the tobacco trust fund for the purpose of managing and controlling the transfer of funds between the authority and the tobacco trust fund and governing the investment and the monitoring and recordkeeping of these funds, for purposes of maintaining the exemption from federal income tax of interest on bonds and for other purposes;
- (8) enter into, amend, and terminate agreements in the nature of interest rate swaps, forward security supply contracts, agreements for the management of interest rate risks, agreements for the management of cash flow, and other agreements of a similar nature, with respect to bonds issued pursuant to this chapter;
- (9) procure insurance, guarantees, letters of credit, and other forms of collateral or security or credit support from any public or private entity, including any department, agency, or instrumentality of the United States or this State, for the payment of any bonds, including the power to pay premiums or fees on any insurance, guarantees, letters of credit, and other forms of collateral or security or credit support;
- (10) borrow money through the issuance of bonds as provided in this chapter, and through the issuance of notes in anticipation of the issuance of these bonds;
- (11) enter into contracts and expend funds to obtain accounting, management, legal, financial consulting, trusteeship and other professional services necessary or convenient to the operations of the authority; however, all matters relating to the designation and selection of bond counsel to the authority is within the discretion of the State Treasurer;
- (12) in order to pay budgeted items pursuant to a budget adopted in accordance with Section 11-49-100, to expend funds for the costs of administering the operations of the authority;

TOBACCO SETTLEMENT REVENUE

MANAGEMENT AUTHORITY

MEETING OF January 30, 2018

REGULAR SESSION

ITEM NUMBER 2

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AGENCY: Tobacco Settlement Revenue Management Authority

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SUBJECT: Financial Statement for the Fiscal Year Ended June 30, 2017

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

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AUTHORITY ACTION REQUESTED:

In accord with Code Section 11-49-100, receive as information the Tobacco Settlement Revenue Management Authority’s Financial Statement for the Fiscal Year Ended June 30, 2017, and approve the submittal of the Financial Statement to the State Fiscal Accountability Authority.

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ATTACHMENTS:

Loftis 1/8/18 letter with attachment; Code Section 11-49-100



**THE HONORABLE CURTIS M. LOFTIS, JR.**  
State Treasurer

January 8, 2018

To the members of the Tobacco Settlement Revenue Management Authority and  
The State Fiscal Accountability Authority

In accordance with S.C. Code Section 11-49-100, which requires that the Tobacco Settlement Revenue Management Authority provide an annual report of its activities to the State Fiscal Accountability Authority (then State Budget and Control Board) during the month of January, I am providing copies of the Authority's audited financial statements for the fiscal year ended June 30, 2017. Management's Discussion and Analysis and the Notes to Financial Statements contained therein describe the Authority's activities in all material respects.

I have asked Mr. Singleton to place this item on the agenda for the Authority's meeting on January 30, 2018.

Respectfully submitted,

A large, stylized handwritten signature in blue ink, reading "Curtis M. Loftis, Jr.", is written over the typed name and title.

Curtis M. Loftis, Jr.  
State Treasurer

Enclosure

**TOBACCO SETTLEMENT REVENUE  
MANAGEMENT AUTHORITY**  
(A Component Unit of the State of South Carolina)

**Financial Statements**  
**June 30, 2017**  
(With Independent Auditor's Report Thereon)



George L. Kennedy, III, CPA  
State Auditor

September 26, 2017

Members of the Tobacco Settlement Revenue  
Management Authority  
Columbia, South Carolina

This report on the audit of the financial statements of the Tobacco Settlement Revenue Management Authority for the fiscal year ended June 30, 2017, was issued by The Hobbs Group, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA  
State Auditor

GLKIII/cwc

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**  
(A Component Unit of the State of South Carolina)

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## INDEPENDENT AUDITORS' REPORT

Mr. George L. Kennedy, III, CPA  
State Auditor  
Office of the State Auditor  
Columbia, South Carolina

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of South Carolina Tobacco Settlement Revenue Management Authority (the "Authority"), a component unit of the State of South Carolina as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2017, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## OTHER MATTERS

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Columbia, South Carolina  
September 26, 2017

*The Heller Group, P.A.*

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Management's Discussion and Analysis (unaudited)

June 30, 2017

This section of the annual financial report of the Tobacco Settlement Revenue Management Authority (the "Authority") presents the analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2017. Please read it in conjunction with the financial statements and their accompanying notes, which follow this section.

### **The Authority**

The Authority was created by Act No. 387 of the Acts and Joint Resolutions of the General Assembly of the State of South Carolina (the "General Assembly"), Regular Session of 2000, as codified at Section 11-49-10 of the South Carolina Code of Laws 1976, as amended (the "Act"), as an instrumentality of the State of South Carolina (the "State"). The Act created the Authority to receive all of the State's payments under the Master Settlement Agreement (the "MSA"). The MSA was entered into on November 23, 1998, among the attorneys general of 46 states (including South Carolina), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (collectively the "Settling States") and the four largest United States tobacco manufacturers: Philip Morris Incorporated, R. J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation, and Lorillard Tobacco Company (collectively the "Original Participating Manufacturers" or "OPMs"). The MSA resolved cigarette smoking-related litigation among the Settling States and the OPMs, released the OPMs from past and present smoking-related claims by the Settling States, and provides for a continuing release of future smoking-related claims in exchange for certain payments to be made to the Settling States. The MSA also provides for the imposition of certain tobacco advertising and marketing restrictions, among other things. The Authority is not a party to the MSA.

The State is entitled to certain periodic payments made under the MSA. Pursuant to the Act, the Authority has been assigned all Tobacco Settlement Receipts ("TSRs"), which are the State's right, title and interest in payments due after June 30, 2001 under the MSA. The assignment of the TSRs is irrevocable during any time when bonds are outstanding, plus one year and one day thereafter, and is a part of the contractual obligation owed to the Authority's bondholders.

### **Overview of the Financial Statements**

This analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's financial statements consist of three components: 1) government-wide financial statements, 2) governmental fund financial statements, and 3) notes to the financial statements.

- *The Statement of Net Position and Governmental Fund Balance Sheet* include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the Authority. The *Statement of Net Position* reports information about the Authority using accounting methods similar to those used by private sector companies and presents all assets and liabilities of the Authority – both current and long-term. The *Governmental Fund Balance Sheet* of the General Fund focuses only on the Authority's resources available for expenditure at the end of the fiscal year.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Management's Discussion and Analysis (unaudited)

June 30, 2017

- All the current year's activity is accounted for in the *Statement of Activities* and *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance*. These statements measure the success of the Authority's operations over the past year and can be used to determine the Authority's credit-worthiness and ability to meet its financial objectives. The *Statement of Activities* presents information on how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. The *Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance* focuses only on the Authority's near-term inflows and outflows of resources available for expenditure for the fiscal year.

### Summary of Financial Results

The Authority's financial results are summarized, discussed and compared to the prior fiscal year in the sections following.

#### Government-Wide Financial Statements

Statement of Net Position. The following table summarizes the Authority's Net Position for the period ending June 30, 2017, along with comparative data for the prior fiscal year.

	June 30, 2017	June 30, 2016	Difference	%
<b>Assets</b>				
Cash and cash equivalents	\$ 5,282,580	\$ 5,311,070	\$ (28,490)	-0.5%
Tobacco settlement payments receivable	35,000,000	35,000,000	-	0.0%
Total assets	40,282,580	40,311,070	(28,490)	-0.1%
<b>Liabilities</b>				
Accounts payable	-	-	-	0.0%
Total liabilities	-	-	-	0.0%
<b>Net position</b>				
Restricted by statute	35,000,000	35,000,000	-	0.0%
Unrestricted	5,282,580	5,311,070	(28,490)	-0.5%
Total net position	\$ 40,282,580	\$ 40,311,070	\$ (28,490)	-0.1%

The Authority's assets include cash and cash equivalents, and accrued earnings on those cash and cash equivalents. Certain of the Authority's assets are classified as restricted by statute because they are subject to external legal constraint for appropriation by the State in accordance with the expenditure provisions of Section 11-11-170 of the South Carolina Code of Laws 1976, as amended (the "Expenditure Act"). The remaining assets are held by the Authority to pay its authorized operating expenses.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Management's Discussion and Analysis (unaudited)

June 30, 2017

The Authority's cash and cash equivalents decreased 0.5% over the course of the fiscal year, due primarily to operating expenses within the Authority's operating fund. Tobacco settlement payments receivable did not increase nor decrease. Total assets decreased 0.1% reflecting these same factors.

Net position restricted by statute is comprised of that portion of TSRs forecasted to be earned in the current fiscal year but received in the ensuing fiscal year. The amount of TSRs is dependent on many factors including future tobacco consumption, certain adjustments, and the financial capability of the OPMs and consequently, except as noted above, do not meet asset recognition criteria under accounting principles generally accepted in the United States of America ("GAAP").

Statement of Activities. The following table summarizes the Authority's activities for the period ending June 30, 2017 with comparative amounts for the prior fiscal year.

	June 30, 2017	June 30, 2016	Difference	%
General revenues				
Tobacco settlement revenues	\$ 73,532,774	\$ 71,118,801	\$ 2,413,973	3.4%
Total general revenues	73,532,774	71,118,801	2,413,973	3.4%
Expenses				
General government	2,056,490	2,058,680	(2,190)	-0.1%
Total expenses	2,056,490	2,058,680	(2,190)	-0.1%
Excess of general revenues over expenses before transfers	71,476,284	69,060,121	2,416,163	3.5%
Transfers				
Transfers to state funds and programs pursuant to proviso	(71,504,774)	(69,090,801)	(2,413,973)	3.5%
Total transfers	(71,504,774)	(69,090,801)	(2,413,973)	3.5%
Change in net position	(28,490)	(30,680)	2,190	-7.1%
Net position - beginning of year	40,311,070	40,341,750	(30,680)	-0.1%
Net position - end of year	\$ 40,282,580	\$ 40,311,070	\$ (28,490)	-0.1%

General revenues of approximately \$73.5 million reflect the receipt of and accrual for TSRs and other revenues. Revenues increased year over year by approximately \$2.41 million or 3.4% which represent an increase in tobacco settlement payments that have been received by the Authority for the year ended June 30, 2017. These payments are dependent on remittances received by the State under the MSA each year.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Management's Discussion and Analysis (unaudited)

June 30, 2017

The Authority's expenses primarily consisted of its administrative expenses and directed transfers to other state agencies for diligent enforcement. Total expenses decreased minimally by approximately \$2 thousand. Transfers to the state fund increased by approximately \$2.4 million, as a result of the increase in tobacco settlement payments received and a reduction in expense during the year ended June 30, 2017.

### *Governmental Funds*

As of the end of the current fiscal year, the ending fund balance in the Authority's governmental fund was approximately \$40.3 million, a decrease of approximately \$28,000 by comparison to the prior fiscal year. Of the total fund balance, \$35.0 million is restricted for statutory expenditures. The factors contributing to the change in fund balance year over year are the same as those described above in the discussion and analysis of the government-wide financial statements.

### **Long-Term Debt Activity**

On March 22, 2001, the Authority issued \$934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds (the "Series 2001 Bonds") pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by the Bank of New York), as trustee, dated as of March 1, 2001, and the Tobacco Settlement Revenue Management Authority Act. On June 26, 2008, the Authority defeased the Series 2001 Bonds with certain cash funds and proceeds of \$275,730,000 Tobacco Settlement Revenue Management Authority Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Bonds") issued pursuant to an indenture between The Bank of New York Trust Company, N.A., as trustee, and the Tobacco Settlement Revenue Management Authority. All of the Series 2001 Bonds are deemed paid within the meaning of and with the effect expressed in, and accordingly are no longer outstanding under, the Trust Indenture.

The Series 2008 Bonds were scheduled to retire in ordinary course on June 1, 2018; however, under early redemption provisions ("Turbo Redemptions"), any MSA payments exceeding annual debt service requirements of the Series 2008 Bonds were applied to early redemption of principal. On June 1, 2012, the Authority had sufficient funds to redeem as Turbo Redemptions the entire principal amount of the Series 2008 Bonds then outstanding; accordingly, all of the Authority's debt has been fully discharged.

The Authority has no present plans to undertake the issuance of additional debt.

### **Budgetary Highlights**

The Authority annually adopts an operating budget as required by its by-laws. From a budgetary perspective, the Authority realized an approximate \$28,000 deficiency of expenditures over revenues during the fiscal year ended June 30, 2017, which arose due to factors described in the Summary of Financial Results contained herein.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Management's Discussion and Analysis (unaudited)

June 30, 2017

### **Economic Factors and Outlook**

As noted above, the amount of TSRs is dependent on many factors including future tobacco consumption, certain adjustments, and the financial capability of the OPMs; accordingly, the amount of future TSRs, and particularly the financial effects of the Disputed Payments Settlement thereon, cannot be presently determined with precision. Since all of the Authority's debt has been fully discharged and the Authority has no present plans to undertake the issuance of additional indebtedness, the effects of these factors on the Authority's debt profile have been abated. The Authority's continuing responsibility thereafter is limited to the receipt and distribution of future TSRs as prescribed by law.

### **Contacting the Authority**

Persons needing additional information concerning this report or otherwise needing to contact the Authority should address requests to:

SC Office of the Treasurer  
1200 Senate Street, Suite 214  
Wade Hampton Office Building  
Columbia, SC 29201

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**  
(A Component Unit of the State of South Carolina)

**Statement of Net Position**

June 30, 2017

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,282,580
Tobacco settlement payments receivable	35,000,000
Total assets	<u>40,282,580</u>
<b>Liabilities</b>	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
<b>Net position</b>	
Restricted by statute	35,000,000
Unrestricted	5,282,580
Total net position	<u>\$ 40,282,580</u>

The Notes to Financial Statements are an integral part of this statement.

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**  
(A Component Unit of the State of South Carolina)

**Statement of Activities**

June 30, 2017

	Governmental Activities
Program expenses	
General government	\$ 2,056,490
Total expenses	<u>2,056,490</u>
Net program expense	<u>2,056,490</u>
General revenues	
Tobacco settlement revenues	<u>73,532,774</u>
Total general revenues	<u>73,532,774</u>
Change in net position before transfers	71,476,284
Transfers	<u>(71,504,774)</u>
Transfers to state funds and programs pursuant to proviso	<u>(71,504,774)</u>
Change in net position	(28,490)
Net position	
Beginning of the year	<u>40,311,070</u>
End of the year	<u>\$ 40,282,580</u>

The Notes to Financial Statements are an integral part of this statement.

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**  
(A Component Unit of the State of South Carolina)

**Governmental Fund Balance Sheet**

June 30, 2017

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,282,580
Tobacco settlement payments receivable	<u>35,000,000</u>
Total assets	<u>40,282,580</u>
 <b>Liabilities</b>	
Accounts payable	<u>\$ -</u>
Total liabilities	<u>-</u>
 <b>Fund balance</b>	
Restricted by statute	35,000,000
Committed to operating expense	<u>5,282,580</u>
Total fund balance	<u>40,282,580</u>
Total liabilities and fund balance	<u>\$ 40,282,580</u>

The Notes to Financial Statements are an integral part of this statement.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance

June 30, 2017

	<u>General Fund</u>
Revenues	
Tobacco settlement revenues	\$ 73,532,774
Total revenues	<u>73,532,774</u>
Expenditures	
General government	<u>2,056,490</u>
Total expenditures	<u>2,056,490</u>
Excess of revenues over expenditures	71,476,284
Transfers	
Transfers to state funds and programs pursuant to proviso	<u>(71,504,774)</u>
Total transfers	<u>(71,504,774)</u>
Net change in fund balance	(28,490)
Fund balance	
Beginning of the year	40,311,070
End of the year	<u>\$ 40,282,580</u>

The Notes to Financial Statements are an integral part of this statement.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2017

### (1) Reporting Entity

The Tobacco Settlement Revenue Management Authority (the "Authority") is a public body and an instrumentality of the State of South Carolina (the "State") established in 2001 pursuant to Section 11-49-10 et seq. of the South Carolina Code of Laws 1976, as amended. The State transferred to the Authority all of its rights and interests under the Master Settlement Agreement (the "MSA") and the Consent Decree and Final Judgment (the "Decree") between all participating States and the participating Tobacco manufacturers. These rights include the State's share of all Tobacco Settlement revenue received after June 30, 2001 and in perpetuity to be received under the MSA.

The core of a financial reporting entity is the primary government which has a separately elected governing body. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In turn, component units may have component units.

An organization other than a primary government may serve as a nucleus for a reporting entity when it issues separate financial statements. That organization is identified herein as a primary entity. The Authority has determined that it qualifies as a primary entity, it is a component unit of the State of South Carolina, and it has no component units.

A primary government or entity is financially accountable if its officials or appointees appoint a voting majority of an organization's governing body including situations in which the voting majority consists of the primary entity's officials serving as required by law (e.g., employees who serve in an ex-officio capacity on the component unit's board are considered appointments by the primary entity) and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary entity. The primary entity also may be financially accountable if an organization is fiscally dependent on it even if it does not appoint a voting majority of the board. An organization is fiscally independent if it holds all of the following powers:

- (1) Determines its budget without another government having the authority to approve and modify that budget.
- (2) Levies taxes or sets rates or charges without approval by another government.
- (3) Issues bonded debt without approval by another government.

The organization is fiscally dependent on the primary government or entity that holds one or more of the above powers. Based on these criteria, the Authority is a blended component unit of the primary government of the State. Accordingly, the financial statements are blended in the State's special revenue funds in the State's Comprehensive Annual Financial Report.

The Authority is governed by a board, which consists of five members. The members are the Governor or his designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The Governor serves as chairman; in the absence of the Governor, the meeting is chaired by the State Treasurer. All members of the Board serve ex officio.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2017

**(2) Summary of Significant Accounting Policies**

- (a) General. In its accounting and financial reporting in conformity with accounting principles generally accepted in the United States of America, the Authority follows the pronouncements of the Governmental Accounting Standards Board ("GASB").
- (b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation. GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Government-wide financial statements (i.e., the statement of net position and the statement of activities) do not provide information by fund. Significantly, the statement of net position may include non-current assets and liabilities, which generally are not included in the fund statements. The statement of net position includes three components of net position.
  - (1) Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds. The Authority does not have any capital assets; thus this classification is not used.
  - (2) Restricted net position consists of net position subject to external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. The Authority reports that portion of its net position restricted by statutory constraints as restricted net position.
  - (3) Unrestricted net position consists of net position that does not meet the definition of restricted net position or invested in capital assets, net of related debt. The Authority reports that portion of its net position not externally constrained, primarily funds available for payment of its authorized operating expenses, as unrestricted net position.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues. The Authority has no program revenues.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2017

In addition to the government-wide financial statements, the Authority has prepared financial statements for the Authority's only governmental fund. Governmental fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Tobacco Settlement Revenues ("TSRs") are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within one year after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred.

The Authority reports one governmental fund, the General Fund, which is the general operating fund of the Authority. It is used to account for all financial resources of the Authority. As a blended component unit of the State, the Authority's General Fund is reported as a special revenue fund in the financial statements of the State.

- (c) Asset Recognition Criteria for TSRs. The Authority implemented GASB Technical Bulletin No. 2004-1: Tobacco Settlement Recognition and Financial Reporting Entity Issues (the "Bulletin"), effective July 1, 2003. The Bulletin requires the Authority to recognize TSRs when the event giving rise to recognition occurs (the domestic shipment of cigarettes by the tobacco manufacturers) in the government-wide financial statements, and when the event occurs and the TSRs become available in the fund financial statements. Other than the asset recognition criteria required by the Bulletin, future collections are not measurable and are therefore not recorded as assets in either the government-wide financial statements or the government fund financial statements.
- (d) Cash and Cash Equivalents. Cash includes cash on hand, demand deposits, and short term investments with original maturities of three months or less from the date acquired by the Authority.
- (e) Investments. Investments, if any, are recorded on the Statement of Net Position and the Governmental Fund Balance Sheet at fair value. All investment income, including changes in the fair value of investments, is reported as revenue in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance.
- (f) Fund Balance. The Authority reports fund balance in accordance with GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes fund balance classifications for governmental funds that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported therein. The Statement requires governments to disclose information in the notes about the processes through which constraints are imposed, as well as accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to be spent.

The Authority conforms its fund balance reporting to the classification and hierarchy structure of the State, generally as follows:

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY  
(A Component Unit of the State of South Carolina)

Notes to Financial Statements

June 30, 2017

- (1) Restricted. Fund balance is reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors, grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandate payments of resources from resource providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party can compel the government to honor.
- (2) Committed. Fund balance is reported as committed if the Authority's by-laws or official actions, including adoption of its annual budget, constrain the use of its resources. Committed constraints can be removed only through similar action that created the constraint.
- (3) Assigned. Fund balance is reported as assigned if the fund balance is constrained by the Authority's intent to expend resources for specific purposes. Such intent may be expressed by an official or body pursuant to delegation by the Authority.
- (4) Non-spendable. Fund balance is reported as non-spendable if the balance has a lack of availability in form or substance of the assets and liabilities reported in the fund to meet its obligations in the near future.
- (5) Unassigned. Fund balance is reported as unassigned for all residual amounts not otherwise classified.

The Authority has no assigned, non-spendable or unassigned fund balance.

The Authority's bond enabling act provides a covenant for the irrevocable assignment of certain of the Authority's assets during any time bonds are outstanding, plus one year and one day thereafter. All of the Authority's outstanding bonds were retired on June 1, 2012. Accordingly, until June 2, 2013, certain of the Authority's assets were classified as restricted by bond covenants because they were subject to a legally enforceable external constraint by the terms of the Trust Indenture.

Subsequent to June 2, 2013, assets previously restricted by bond covenants are available to the State in accordance with the expenditure provisions of Section 11-11-170 of the South Carolina Code of Laws 1976, as amended (the "Expenditure Act"). The Authority classifies all TSRs held at, or received or receivable subsequent to June 2, 2013, as restricted by statute, since the Expenditure Act constrains the use of that portion of the Authority's resources. The remaining portion of net position is reported as unrestricted.

Likewise, in the Governmental Fund Balance Sheet, the portion of fund balance that is subject to the Expenditure Act is reported as restricted by statute; however, the remaining portion of fund balance is reported as committed to operating expense inasmuch as that portion of fund balance is constrained by the Authority's annually adopted budget. The Authority has full statutory power to adopt, revise and rescind its budget, and to expend funds for the costs of administering its operations.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2017

The Authority classifies the expenditure of funds when incurred based on the nature of the expenditure, with externally directed expenditures generally made from restricted funds, and expenditures made within the discretion of the Authority or subject to its own budget, primarily its authorized operating expenditures, made from committed funds.

- (g) **Administrative Expenses.** The State of South Carolina and certain of its agencies perform certain accounting, administrative, legal and enforcement services for the Authority, and the value of these services is accounted for as general government expenses in the financial statements. Note 6 – Related Party Transactions contains descriptions of and amounts expended for these purposes.
- (h) **Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### (3) Deposits and Investments

Prior to June 2, 2013, the Authority's cash deposits and investments held by the trustee were held in several restricted accounts in the name of the Authority, subject to investment restrictions imposed by the Trust Indenture. The Authority has not adopted a formal policy for these investments because the Trust Indenture contains these restrictions.

Subsequent to June 2, 2013, all of the Authority's cash deposits and investments are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all bank balances under the control of the State Treasurer, who must correct any deficiencies in collateral within two days. At June 30, 2017, all bank balances under the control of the State Treasurer were fully insured or collateralized with securities held by the State's agent in the name of the State Treasurer.

The following schedule reflects the Authority's deposits and investments at their fair and reported values at June 30, 2017, and reconciles the amounts reported in the statement of net position to the notes.

Notes		Statements	
Deposits		Cash	
Held by State Treasurer	\$ 5,282,580	and cash equivalents	\$ 5,282,580
Totals	<u>\$ 5,282,580</u>		<u>\$ 5,282,580</u>

Further information concerning among other things values and risks of deposits and investments under the control of the State Treasurer, including disclosure under GASB Statement No. 40, Deposits and Investments - Risk Disclosures, is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina, which may be accessed at [www.cg.sc.gov](http://www.cg.sc.gov).

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2017

### **(4) Bonds Payable**

On March 22, 2001, the Authority issued \$934,530,000 aggregate principal amount of Tobacco Settlement Asset-Backed Bonds (the "Series 2001 Bonds") pursuant to an indenture between the Authority and United States Trust Company of New York (subsequently acquired by the Bank of New York), as trustee, dated as of March 1, 2001, and the Tobacco Settlement Revenue Management Authority Act. On June 26, 2008, the Authority defeased the Series 2001 Bonds with certain cash funds and proceeds of \$275,730,000 Tobacco Settlement Revenue Management Authority Tobacco Settlement Revenue Asset-Backed Refunding Bonds, Series 2008 (the "Series 2008 Bonds") issued pursuant to an indenture between The Bank of New York Trust Company, N.A., as trustee, and the Tobacco Settlement Revenue Management Authority.

At June 30, 2017, a total of \$64,890,000 of the Authority's legally and economically defeased Series 2001 Bonds remained outstanding; however, all of the Series 2001 Bonds are deemed paid within the meaning of and with the effect expressed in, and accordingly are no longer outstanding under, the Trust Indenture.

The Series 2008 Bonds were scheduled to retire in ordinary course on June 1, 2018; however, under early redemption provisions ("Turbo Redemptions"), any MSA payments exceeding annual debt service requirements of the Series 2008 Bonds were applied to early redemption of principal. On June 1, 2012, the Authority had sufficient funds to redeem as Turbo Redemptions the entire principal amount of the Series 2008 Bonds then outstanding; accordingly, all of the Authority's debt has been fully discharged.

### **(5) Disputed Payments**

During the periods ending June 30, 2006 through June 30, 2014, a number of participating manufacturers ("PMs") deposited a portion of their tobacco settlement payments into a disputed payments account, incidental to findings by an independent arbitrator that MSA disadvantages were a significant factor in market share losses experienced by the PMs in certain calendar years. Under the provisions of the MSA, PMs are potentially entitled to an adjustment of their required payments under the MSA (a Non-Participating Manufacturer or NPM Adjustment) in the event that all of the PMs, in the aggregate, lose more than two percentage points of market share compared to the market share of the PMs in 1997. However, the adjustment cannot be applied against settling states that have enacted and diligently enforced an escrow fund statute under the MSA. As a result of the PMs' deposit into the disputed payments account, South Carolina's share of payments under the MSA has been reduced since 2006.

In May, 2013, the State joined 21 other states and the PMs in a global settlement of the NPM adjustment disputes for the years 2003 through 2012. The settlement provides that the State will receive during the fiscal year ended June 30, 2014, certain payments released from the disputed payments account, and that the PMs will be entitled to take certain credits from MSA payments due in the fiscal years ending June 30, 2014 through June 30, 2017. Moreover, the PMs did not withhold disputed funds during 2014 and 2015, and have agreed to reduce withholding amounts for disputed funds thereafter. In addition to the financial terms of the settlement, the 22 settling states have agreed to a modification of future NPM adjustment disputes.

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2017

The State estimated that it would initially receive approximately \$60 million in payments released from the disputed payments account, and the General Assembly determined to receive the settlement in two parts, in September, 2013, and in April, 2014, and made provision under Part IB, Section 118.17 in the fiscal year 2013-14 appropriation act for certain of the settlement funds to be transferred to the State's general fund. The Authority received the first of these settlement payments totaling \$21.7 million in October, 2013, and received the remainder of the settlement payments totaling \$48.7 million in April, 2014.

### **(6) Related Party Transactions**

The State of South Carolina, through the Office of Attorney General, the State Law Enforcement Division, and the South Carolina Department of Revenue, provides certain legal and enforcement services to the Authority. During the fiscal year ended June 30, 2017, the Authority made or provided for \$2,028,000 in expenditures from its general fund to these state agencies to cover costs of providing these services. The Office of State Treasurer provides administrative, investment, operations, record keeping, and other support services to the Authority; however, no reimbursements were made by the Authority during the fiscal year ended June 30, 2017 to cover costs of providing these services.

### **(7) Risk Management**

The Authority is exposed to risks of loss from torts and maintains State coverage for these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. There were no significant reductions in insurance coverage from coverage in the prior year. The insurer promises to pay to or on behalf of the insured for covered economic losses sustained during the policy period in accord with insurance policy and benefit program limits except for the deductibles. The Authority and other entities pay premiums to the State's Insurance Reserve Fund ("IRF") which issues policies, accumulates assets to cover the risks of loss, and pays claims incurred for covered losses related to torts. The IRF is a self-insurer whose rates are determined actuarially.

No payments for uninsured losses were made during the fiscal year ended June 30, 2017.

### **(8) Subsequent Events**

The Authority has evaluated all events subsequent to the statement of net position date of June 30, 2017 through the date of issuance of these financial statements, September 26, 2017, and has determined that there are no subsequent events requiring disclosure.

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

(A Component Unit of the State of South Carolina)

**Required Supplementary Information (unaudited)**

**Budgetary Comparison Schedule**

**General Fund**

**Year ended June 30, 2017**

	Budgeted Amounts		Actual	Variance Positive/(Negative)
	Original	Final		
<b>Revenues</b>				
Tobacco settlement receipts	\$ 70,000,000	\$ 70,000,000	\$ 73,532,774	\$ 3,532,774
<b>Total revenues</b>	<u>70,000,000</u>	<u>70,000,000</u>	<u>73,532,774</u>	<u>3,532,774</u>
<b>Expenditures</b>				
Contractual services	45,000	45,000	26,000	19,000
Fixed charges and contributions	3,000	3,000	2,490	510
Miscellaneous administrative	2,000	2,000	-	2,000
<b>Total expenditures</b>	<u>50,000</u>	<u>50,000</u>	<u>28,490</u>	<u>21,510</u>
<b>Transfers</b>				
Transfers to other state agencies	70,000,000	70,000,000	73,532,774	(3,532,774)
<b>Total transfers</b>	<u>70,000,000</u>	<u>70,000,000</u>	<u>73,532,774</u>	<u>(3,532,774)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (28,490)</u>	<u>\$ 21,510</u>

See accompanying notes to required supplementary information.

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

(A Component Unit of the State of South Carolina)

**Required Supplementary Information (unaudited)**

**Notes to Budgetary Comparison Schedule  
General Fund**

**Year ended June 30, 2017**

**(1) Basis of Presentation**

Section 11-49-60 of the South Carolina Code of Laws 1976, as amended requires the Authority to adopt an annual budget for its operational expenditures. The accompanying budgetary comparison schedule compares the Authority's legally adopted budget to actual results on the budgetary basis.

**(2) Budgetary Revisions**

The Authority maintains budgetary control at the object category of expenditure and must approve any transfer of appropriations between the object categories.

**(3) Differences in Budgetary and GAAP Reporting**

The accompanying budgetary comparison schedule compares the Authority's legally adopted budget with actual results in accordance with the Authority's basis of budgeting. The Authority's primarily cash basis budgetary accounting principles, however, differ significantly from GAAP. These different accounting principles may result in basis differences in the excess (deficiency) of revenues over (under) expenditures. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the governmental fund statement of revenues, expenditures and changes in fund balance. The primary difference reflected in the budgetary comparison schedule for the fiscal year ended June 30, 2017 was the classification of transfers to other state agencies. For budgetary purposes, these are presented as transfers, however, under GAAP, a portion of these are reflected as operating expenditures as they represent reimbursement to other state agencies for their enforcement of the MSA.

See accompanying notes to required supplementary information.

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mr. George L. Kennedy III, CPA  
State Auditor  
Office of the State Auditor  
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of South Carolina Tobacco Settlement Revenue Management Authority (the "*Authority*") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise South Carolina Tobacco Settlement Revenue Management Authority's basic financial statements, and have issued our report thereon dated September 26, 2017.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered South Carolina Tobacco Settlement Revenue Management Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Carolina Tobacco Settlement Revenue Management Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Carolina Tobacco Settlement Revenue Management Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether South Carolina Tobacco Settlement Revenue Management Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Columbia, South Carolina  
September 26, 2017

*The Hall Group, P.A.*

**SECTION 11-49-100.** Accounts to be maintained separately; annual report.

All accounts of the authority must be held and maintained separately from all other funds, properties, assets, and accounts of this State and its other agencies. The board shall keep an accurate account of all of its activities and all of its receipts and expenditures and annually, in the month of January, shall make a report of its activities to the State Budget and Control Board, the report to be in a form prescribed by the State Budget and Control Board. Audited financial statements must be submitted to the Comptroller General by October fifteenth following the end of the fiscal year.

HISTORY: 2000 Act No. 387, Part II, Section 69A.2; 2005 Act No. 164, Section 13.

Code Commissioner's Note

At the direction of the Code Commissioner, reference in this section to the former Budget and Control Board has not been changed pursuant to the directive of the South Carolina Restructuring Act, 2014 Act No. 121, Section 5(D)(1), until further action by the General Assembly.

STATE FISCAL ACCOUNTABILITY AUTHORITY  
MEETING OF January 30, 2018

BLUE AGENDA  
ITEM NUMBER 1

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AGENCY: Department of Administration, Capital Budget Office

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SUBJECT: State of South Carolina Comprehensive Permanent Improvement Plan

Section 2-47-55 of the 1976 South Carolina Code of Laws provides among other things that all state agencies responsible for providing and maintaining physical facilities are required to submit a Comprehensive Permanent Improvement Plan to the Joint Bond Review Committee and the State Fiscal Accountability Authority. The Capital Budget Office of the South Carolina Department of Administration has 1) compiled a statewide report entitled "State of South Carolina 2017 Comprehensive Permanent Improvement Plan, Fiscal Years 2017-18 through 2021-22" from agency submissions; 2) provided the information to the Joint Bond Review Committee and the State Fiscal Accountability Authority pursuant to the statute; and 3) made accessible complete and full details of state agency submissions on the Department's website at <http://www.admin.sc.gov/budget/capital-budget-office/cpip>.

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AUTHORITY ACTION REQUESTED:

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

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ATTACHMENTS:

Agenda item worksheet State of South Carolina Comprehensive Permanent Improvement Plan, Fiscal Years 2017-18 through 2021-22; Statutory Reference – Section 2-47-55 of the 1976 South Carolina Code of Laws.

# STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 30, 2018

Blue Agenda

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**1. Submitted by:**

- (a) Agency: Department of Administration
- (b) Authorized Official Signature:



Rick Harmon, Director, Capital Budget Office

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**2. Subject:** State of South Carolina Comprehensive Permanent Improvement Plan

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**3. Summary Background Information:**

Section 2-47-55 of the 1976 South Carolina Code of Laws provides among other things that all state agencies responsible for providing and maintaining physical facilities are required to submit a Comprehensive Permanent Improvement Plan to the Joint Bond Review Committee and the State Fiscal Accountability Authority. The Capital Budget Office of the South Carolina Department of Administration has 1) compiled a statewide report entitled "State of South Carolina 2017 Comprehensive Permanent Improvement Plan, Fiscal Years 2017-18 through 2021-22" from agency submissions; 2) provided the information to the Joint Bond Review Committee and the State Fiscal Accountability Authority pursuant to the statute; and 3) made accessible complete and full details of state agency submissions on the Department's website at <http://www.admin.sc.gov/budget/capital-budget-office/cpip>.

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**4. What is the Authority asked to do?**

The Authority is requested to receive the report described above, as information.

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**5. What is recommendation of the Department of Administration?**

The Department of Administration recommends that the Authority receive the report described above, as information.

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**6. List of Supporting Documents:**

State of South Carolina Comprehensive Permanent Improvement Plan, Fiscal Years 2017-18 through 2021-22.

Statutory Reference – Section 2-47-55 of the 1976 South Carolina Code of Laws.

1976 South Carolina Code of Laws  
Title 2 - General Assembly

CHAPTER 47  
Joint Bond Review Committee

**SECTION 2-47-55.** Comprehensive Permanent Improvement Plan.

(A) All state agencies responsible for providing and maintaining physical facilities are required to submit a Comprehensive Permanent Improvement Plan (CPIP) to the Joint Bond Review Committee and the authority. The CPIP must include all of the agency's permanent improvement projects anticipated and proposed over the next five years beginning with the fiscal year starting July first after submission. The purpose of the CPIP process is to provide the authority and the committee with an outline of each agency's permanent improvement activities for the next five years. Agencies must submit a CPIP to the committee and the authority on or before a date to be determined by the committee and the authority. The CPIP for each higher education agency, including the technical colleges, must be submitted through the Commission on Higher Education which must review the CPIP and provide its recommendations to the authority and the committee. The authority and the committee must approve the CPIP after submission and may develop policies and procedures to implement and accomplish the purposes of this section.

(B) The State shall define a permanent improvement only in terms of capital improvements, as defined by generally accepted accounting principles, for reporting purposes to the State.

HISTORY: 1993 Act No. 178, Section 5, eff July 1, 1993; 2003 Act No. 5, Section 1; 2014 Act No. 121 (S.22), Pt VII, Section 18.B, eff July 1, 2015.

Effect of Amendment

2014 Act No. 121, Section 18.B, in subsection (A), substituted "authority" for "Budget and Control Board", substituted "authority" for "board" throughout, and made other nonsubstantive changes.



**Nikki R. Haley, Governor**  
**Marcia S. Adams, Executive Director**

**CAPITAL BUDGET OFFICE**  
F. Richard Harmon, Jr., Director  
1205 Pendleton Street, Suite 529  
Columbia, SC 29201  
803.734.8620  
803.734.0645 Fax

January 5, 2018

Mr. Delbert H. Singleton, Jr.  
Secretary  
State Fiscal Accountability Authority

Dear Mr. Singleton:

Submitted herewith is the 2017 Comprehensive Permanent Improvement Plan as prescribed by Section 2-47-55 of the SC Code of Laws, which section provides among other things that all state agencies responsible for providing and maintaining physical facilities are required to submit a Comprehensive Permanent Improvement Plan to the Joint Bond Review Committee and the State Fiscal Accountability Authority.

This report has been compiled by the Capital Budget Office of the South Carolina Department of Administration from agency submissions, the complete and full details of which may be accessed on the Department's website at <http://www.admin.sc.gov/budget/capital-budget-office/cpip>.

Very truly yours,

F. Richard Harmon, Jr.  
Director, Capital Budget Office



---

AGENCY: Department of Administration, Facilities Management and Property Services

---

SUBJECT: Easements

---

The Department of Administration requests approval of the following easements in accordance with SC Code of Laws:

- (a) County Location: Horry  
From: Department of Administration  
To: The Rice Living Trust  
Consideration: \$700  
Description/Purpose: To grant a 0.015 acre easement across uplands and marshlands of the 44<sup>th</sup> Avenue North canal in the Cherry Grove section of North Myrtle Beach where the bulkhead and fill material extend 6-10 feet beyond the property line for land owned by Mr. and Mrs. Rice for the purpose of obtaining a permit to build a dock. The easement is being required by SCDHEC before the agency issues a dock permit as the Rice's property is not by definition waterfront. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
- (b) County Location: Richland  
From: Department of Administration  
To: South Carolina Electric & Gas Company  
Consideration: \$1  
Description/Purpose: To grant an easement consisting of three (3) crossings measuring 0.00241 acre, 0.00264 acre and 0.00114 acre to implant, install and maintain anchors and to construct, extend and maintain guy wires on property of the Department of Disabilities and Special Needs' Midlands Center Campus. The easement is needed as part of the upgrades to increase capacity and improve service reliability. The easement will contain the State's standard reverter language that if SCE&G discontinues usage of the electric lines and facilities, the easement will terminate. The easement will be of mutual benefit to DDSN and SCE&G. The Division of Facilities Management and Property Services has determined that DDSN has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

---

AGENCY: Department of Administration, Facilities Management and Property Services

---

SUBJECT: Easements

- (c) County Location: Beaufort  
From: Department of Administration  
To: Fripp Island Public Service District  
Consideration: \$1,154  
Description/Purpose: To grant a 3.27 acre easement for the installation, operation and maintenance of a water main beneath the Harbor River to accommodate SCDOT's US 21 Bridge Replacement Project. The existing conduit is attached to the bridge and must be relocated before SCDOT can demolish the existing bridge. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
- (d) County Location: Charleston  
From: Department of Administration  
To: South Carolina Electric & Gas Company  
Consideration: \$700  
Description/Purpose: To grant a 0.013 acre easement for the relocation, installation, operation and maintenance of a gas line beneath James Island Creek to accommodate SCDOT's construction of a roundabout at the intersection of Camp Road and Riverland Drive on James Island. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.

---

AUTHORITY ACTION REQUESTED:

Approve granting the referenced easements as recommended by the Department of Administration, Facilities Management and Property Services.

---

ATTACHMENTS:

Agenda item worksheet and attachments

## STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 30, 2018

Blue Agenda

**1. Submitted by:**

- (a) Agency: Department of Administration,  
Division of Facilities Management  
and Property Services
- (b) Authorized Official Signature:



Ashlie Lancaster, Director

**2. Subject: EASEMENTS**

**3. Summary Background Information:**

The Department of Administration requests approval of the following easements in accordance with SC Code of Laws:

- (a) County Location: Horry  
From: Department of Administration  
To: The Rice Living Trust  
Consideration: \$700  
Description/Purpose: To grant a 0.015 acre easement across uplands and marshlands of the 44<sup>th</sup> Avenue North canal in the Cherry Grove section of North Myrtle Beach where the bulkhead and fill material extend 6-10 feet beyond the property line for land owned by The Rice Living Trust for the purpose of obtaining a permit to build a dock. The easement is being required by SCDHEC before the agency issues a dock permit as the Rice's property is not by definition waterfront. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
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From: Department of Administration  
To: South Carolina Electric & Gas Company  
Consideration: \$1  
Description/Purpose: To grant an easement consisting of three (3) crossings measuring 0.00241 acre, 0.00264 acre and 0.00114 acre to implant, install and maintain anchors and to construct, extend and maintain guy wires on property of the Department of Disabilities and Special Needs' Midlands Center Campus. The easement is needed as part of the upgrades to increase capacity and improve service reliability. The easement will contain the State's standard reverter language that if SCE&G discontinues usage of the electric lines and facilities, the easement will terminate. The easement will be of mutual benefit to DDSN and SCE&G. The Division of Facilities Management and Property Services has determined that DDSN has complied with the requirement of the statute in that the easement does not appear to materially impair the utility of the property or damage it.

- (c) County Location: Beaufort  
From: Department of Administration  
To: Fripp Island Public Service District  
Consideration: \$1,154  
Description/Purpose: To grant a 3.27 acre easement for the installation, operation and maintenance of a water main beneath the Harbor River to accommodate SCDOT's US 21 Bridge Replacement Project. The existing conduit is attached to the bridge and must be relocated before SCDOT can demolish the existing bridge. The term of the easement will be fifty (50) years. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
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- 

**4. What is the Authority asked to do?** Approve the referenced easements.

---

**5. What is recommendation of the Department of Administration?** Recommend approval of the referenced easements.

---

**6. List of Supporting Documents:**

1. SC Code of Laws Sections 1-11-80, 1-11-100 and 10-1-130
2. Exhibits (maps, plats, etc.)
  - (a) The Rice Living Trust
  - (b) South Carolina Electric & Gas Company
  - (c) Fripp Island Public Service District
  - (d) South Carolina Electric & Gas Company

## **SOUTH CAROLINA CODE OF LAWS**

### **SECTION 1-11-80. Board authorized to grant easements for public utilities on vacant State lands.**

The Department of Administration, upon approval of the State Fiscal Accountability Authority, is authorized to grant easements and rights of way to any person for construction and maintenance of power lines, pipe lines, water and sewer lines and railroad facilities over, on or under such vacant lands or marshland as are owned by the State, upon payment of the reasonable value thereof.

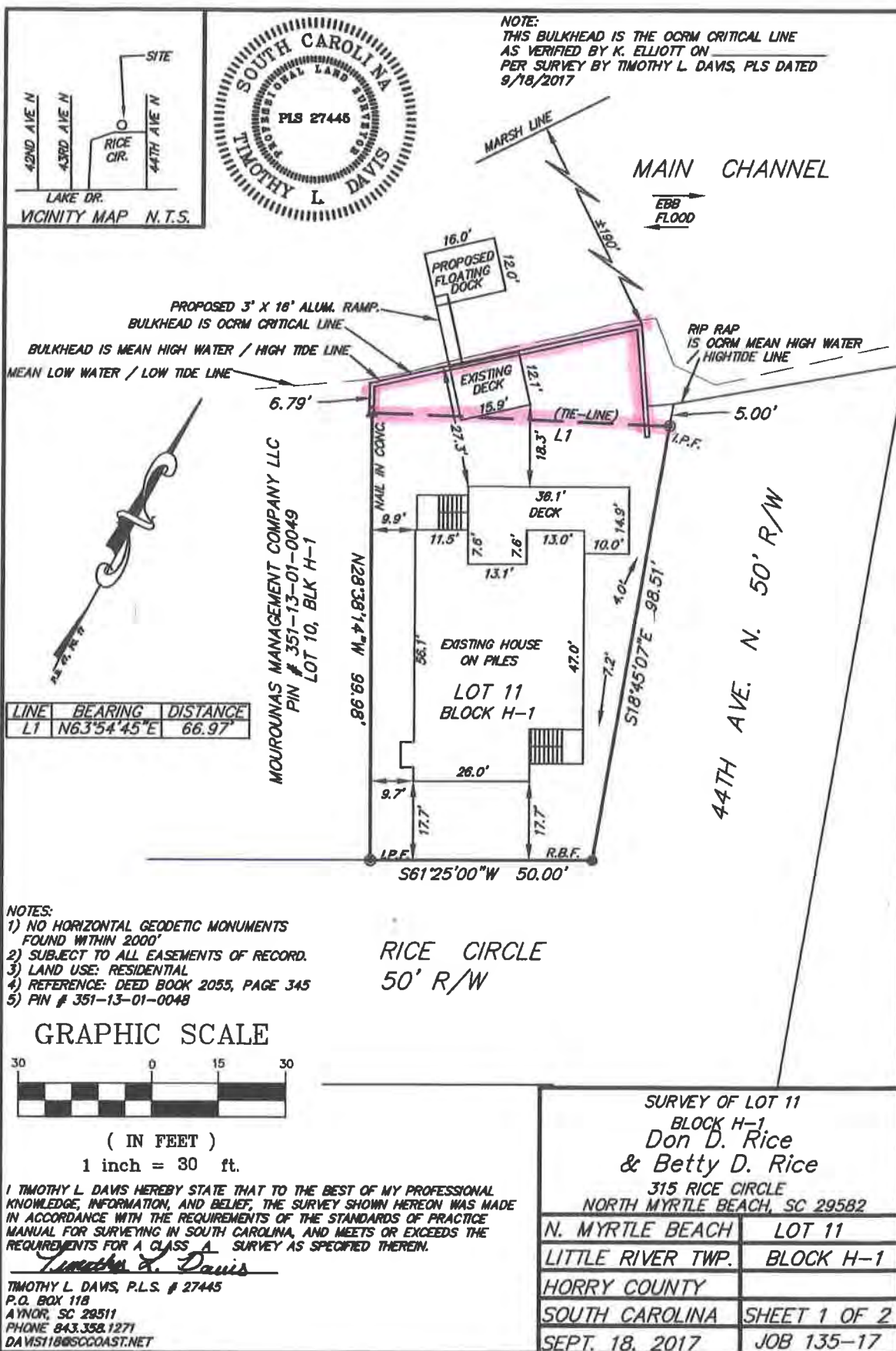
### **SECTION 1-11-100. Execution of instruments conveying rights of way or easements over marshlands or vacant lands.**

Deeds or other instruments conveying such rights of way or easements over such marshlands or vacant lands as are owned by the State shall be executed by the Governor in the name of the State, when authorized by the Department of Administration, upon approval of the State Fiscal Accountability Authority, and when duly approved by the office of the Attorney General; deeds or other instruments conveying such easements over property in the name of or under the control of State agencies, institutions, commissions or other bodies shall be executed by the majority of the governing body thereof, shall name both the State of South Carolina and the institution, agency, commission or governing body as grantors, and shall show the written approval of the Director of the Department of Administration and the State Fiscal Accountability Authority.

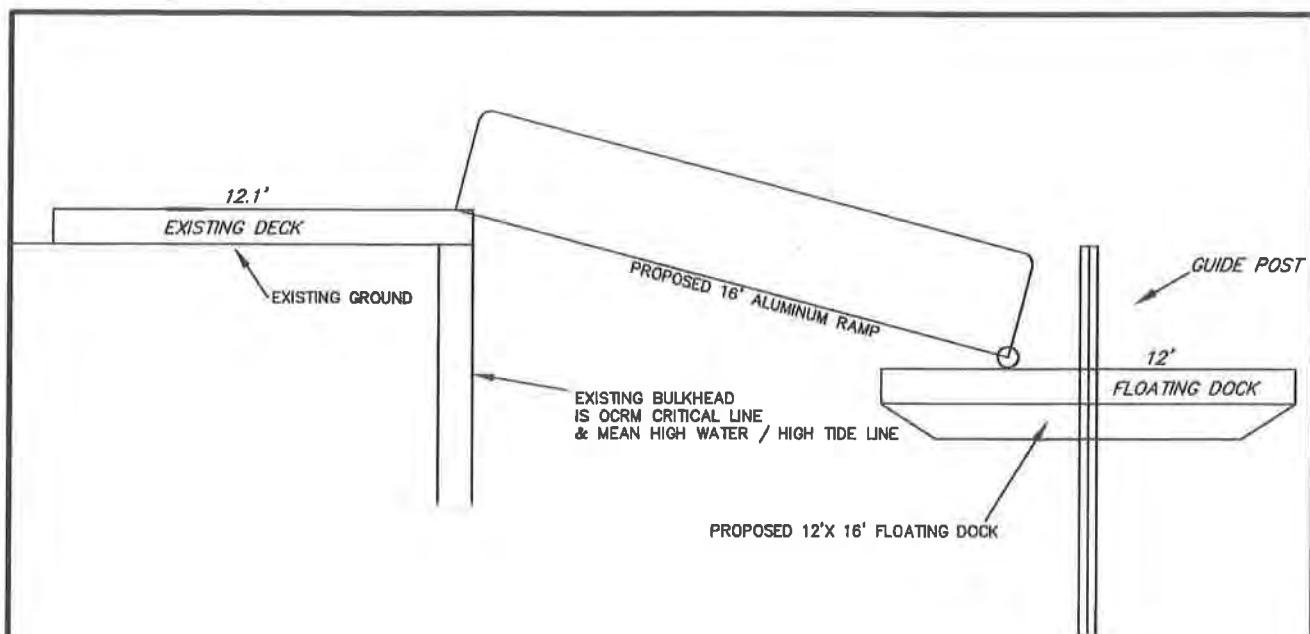
### **SECTION 10-1-130. Grant of easements and rights of way.**

The trustees or governing bodies of state institutions and agencies may grant easements and rights of way over any property under their control, upon the recommendation of the Department of Administration and approval of the State Fiscal Accountability Authority, whenever it appears that such easements do not materially impair the utility of the property or damage it and, when a consideration is paid therefor, any amounts must be placed in the State Treasury to the credit of the institution or agency having control of the property involved.

(a-1)



(A-2)



NOTE:  
THIS BULKHEAD IS THE OCRM CRITICAL LINE  
AS VERIFIED BY K. ELLIOTT ON  
PER SURVEY BY TIMOTHY L. DAVIS, PLS DATED  
9/18/2017.



## SIDE SECTION VIEW

### GRAPHIC SCALE



( IN FEET )

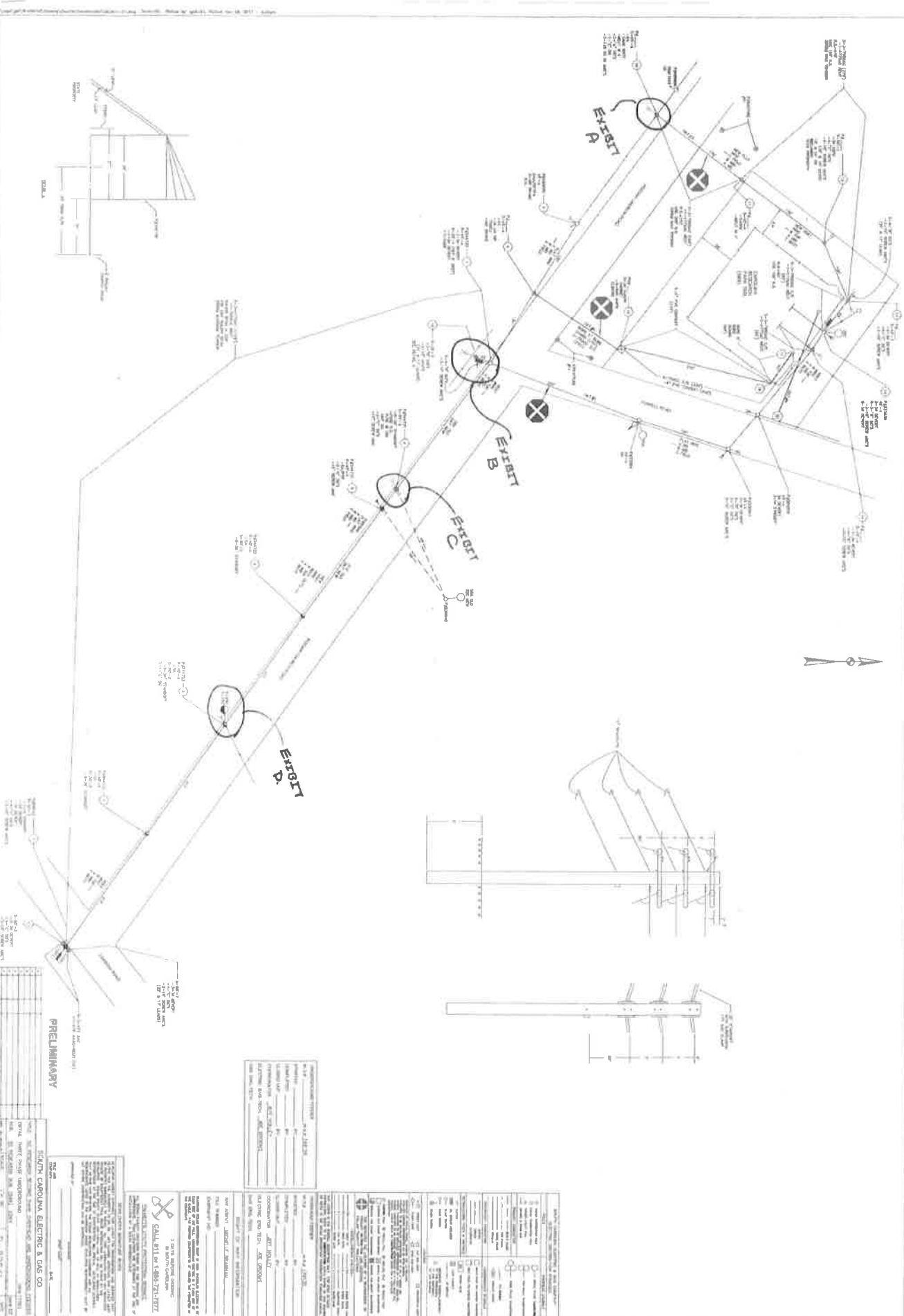
1 inch = 5 ft.



**Timothy L. Davis, P.L.S.**  
Land Surveyor  
843-756-2029

**Don R. Rice & Betty D. Rice**  
315 RICE CIRCLE  
NORTH MYRTLE BEACH, SC 29582

LOT: LOT 11	SHEET NO. 2 OF 2
TMS 145-02-09-014	DATE: 9/18/2017
PIN 351-13-01-0048	CITY: N. MYRTLE BEACH
315 RICE CIRCLE	JOB # 135-17



PLAN 'SAFETY' INTO EVERY JOB

SCANACAD DRAWING-DO NOT REVISE MANUALLY

PRELIMINARY

SOUTH CAROLINA ELECTRIC & GAS CO.

CALL 811 OR 1-800-271-7377

2" Ø Dv  
1" Ø Dv  
2-13550W AN/C  
31' + 27'  
LEAD

EXHIBIT A

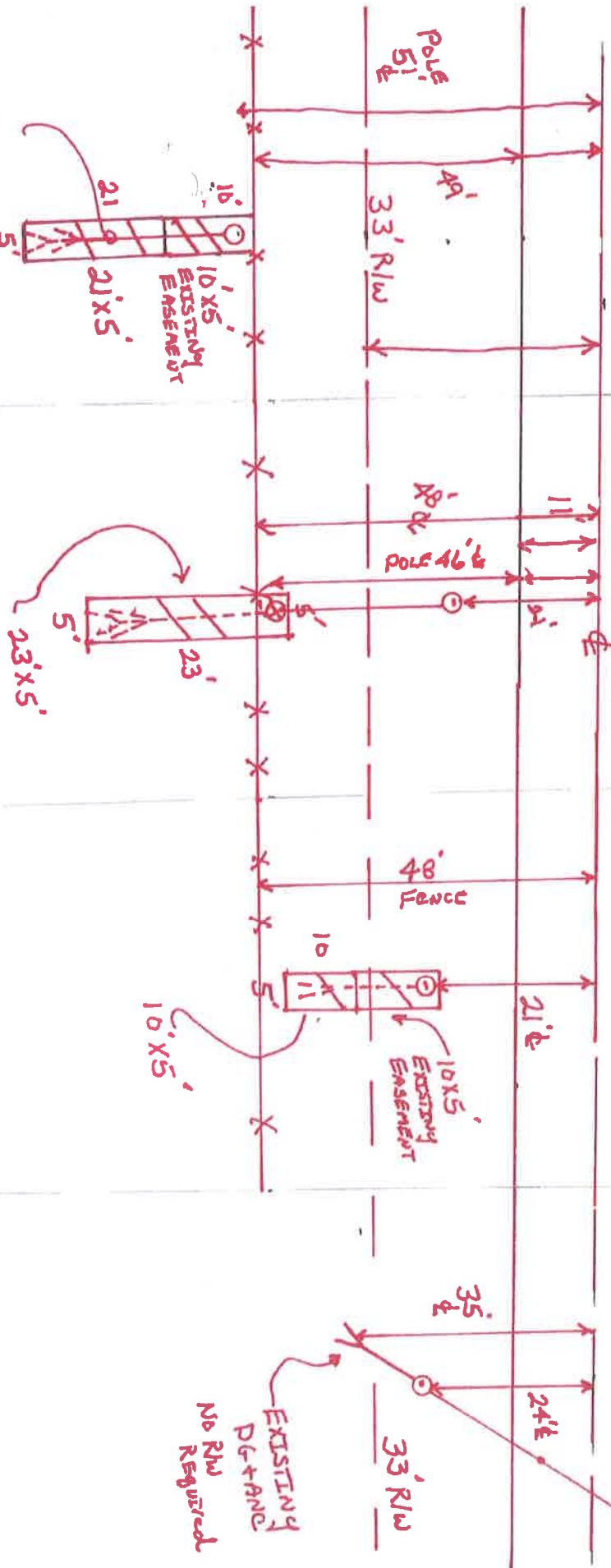


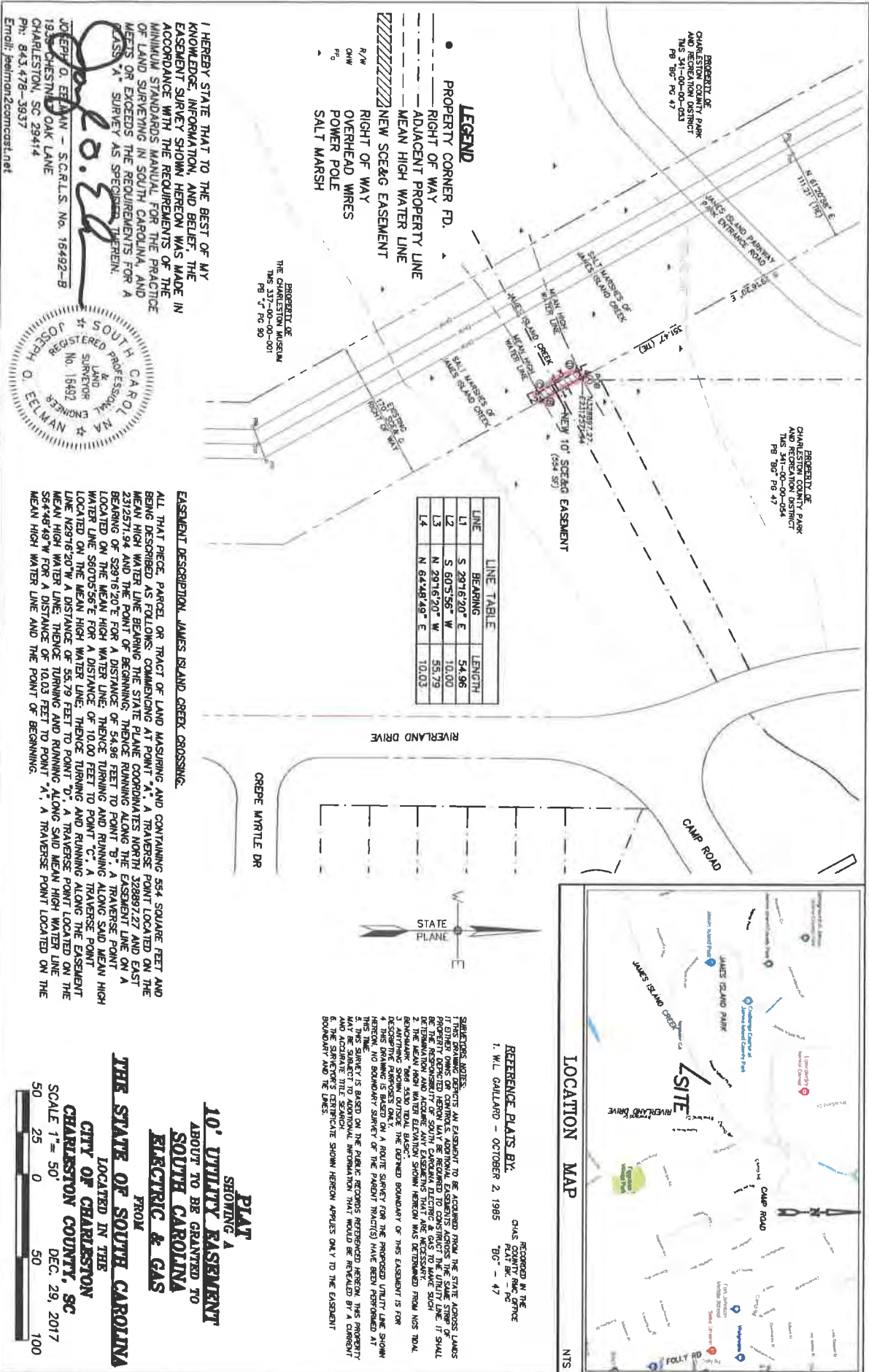
EXHIBIT B

EXHIBIT C

EXHIBIT D



(P)



I HEREBY STATE THAT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF, THE EASEMENT SURVEY SHOWN HEREON WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE MINIMUM STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS "A" SURVEY AS SPECIFIED THEREIN.

**JOSEPH O. EELMAN - S.C. R.L.S. No. 16492-B**  
1835 CHESTNUT OAK LANE  
CHARLESTON, SC 29414  
Ph: 843.478-3937  
Email: jeeleman2comcast.net

**REGISTERED PROFESSIONAL LAND SURVEYOR**  
SOUTH CAROLINA  
No. 16492-B  
NAME: JOSEPH O. EELMAN

**EASEMENT DESCRIPTION, JAMES ISLAND CREEK CROSSING.**

ALL THAT PIECE, PARCEL OR TRACT OF LAND MEASURING AND CONTAINING 554 SQUARE FEET AND BEING DESCRIBED AS FOLLOWS: COMMENCING AT POINT A, A TRAVERSE POINT LOCATED ON THE MEAN HIGH WATER LINE, BEARING THE STATE PLANE COORDINATES NORTH 32°08'12.7" AND EAST 23°25'10.4" AND THE BEARING OF BEGINNING, THENCE RUNNING ALONG THE EASEMENT LINE ON A BEARING OF S29°16'20" E FOR A DISTANCE OF 54.96 FEET TO POINT B, A TRAVERSE POINT LOCATED ON THE MEAN HIGH WATER LINE, BEARING THE STATE PLANE COORDINATES NORTH 29°16'20" W AND WEST 55°79'10.4" AND THE BEARING OF BEGINNING, THENCE RUNNING ALONG THE EASEMENT LINE ON A BEARING OF N29°16'20" W FOR A DISTANCE OF 55.79 FEET TO POINT C, A TRAVERSE POINT LOCATED ON THE MEAN HIGH WATER LINE, BEARING THE STATE PLANE COORDINATES NORTH 64°48'49" E AND WEST 10°03'10.0" AND THE BEARING OF BEGINNING, THENCE RUNNING ALONG THE EASEMENT LINE ON A BEARING OF N64°48'49" E FOR A DISTANCE OF 10.03 FEET TO POINT D, A TRAVERSE POINT LOCATED ON THE MEAN HIGH WATER LINE, BEARING THE STATE PLANE COORDINATES NORTH 29°16'20" E AND WEST 54°96'10.0" AND THE BEARING OF BEGINNING, THENCE RUNNING ALONG THE EASEMENT LINE ON A BEARING OF S29°16'20" E FOR A DISTANCE OF 54.96 FEET TO POINT A.

---

AGENCY: Port Royal

---

SUBJECT: Request for Net Proceeds from Sale of the Port of Port Royal

The Town of Port Royal is requesting five percent (5%) of the net proceeds from the sale of the Port of Port Royal to cover estimated construction improvement costs of more than \$20,000,000 for extensive infrastructure projects needing to be address by the Town and purchasers. South Carolina Code of Laws Section 54-3- 700(D) (Cessation of Marine Terminal Operation at Port Royal) provides:

*(D) Any real or personal property at Port Royal which is to be sold must be appraised prior to the sale. The real property appraiser must be a State Certified General Real Estate Appraiser, a member of the Appraisal Institute (MAI), and must be knowledgeable in appraisal and in appraising closed industrial sites. The appraisal of the real property should include its future development opportunities and those of the surrounding properties, and give due consideration to the possible existence of adverse environmental conditions and structurally unsound improvements. The sale of the real property shall comply with all state laws and procedures. All proceeds from the sale of real and personal property at Port Royal must be retained by the State Ports Authority, except as provided in subsection (C)(3), and except that the Town of Port Royal may petition the State Fiscal Accountability Authority, or its successor entity, for a portion of the net proceeds from a sale and may be allocated a portion of these net proceeds in an amount not to exceed five percent of the net proceeds upon showing the a/location is necessary to pay for infrastructure needs directly associated with and necessitated by the closing of the port as Port Royal. These funds must be expended at the direction of the Town Council of Port Royal with the approval of the State Fiscal Accountability Authority, or its successor entity, solely for infrastructure, and shall have priority over all other expenditures except usual and necessary closing costs attributable to a sales contract.*

The Town requests the Authority to approve an allocation in the amount of \$438,899.90. The Town has provided documentation to support the request.

---

AUTHORITY ACTION REQUESTED:

Approve the Town of Port Royal's request to receive five percent (5%) of the net proceeds, in the amount of \$438,899.90, from the sale of the Port of Port Royal to cover estimated construction improvement costs of more than \$20,000,000 for extensive infrastructure projects needing to be addressed by the Town and purchasers.

---

ATTACHMENTS:

Willis 12/19/17 letter with attachments; Campsen 1/12/18 letter; Willis 1/26/18 letter



## Council

Samuel E. Murray  
Mayor

Tom Klein  
Mayor Pro Tempore

Jerry Ashmore  
Vernon DeLoach  
Mary Beth Heyward



Van Willis  
Town Manager

T. Alan Beach  
Chief of Police

Jeffrey S. Coppinger  
Operations

Linda Bridges  
Planning

December 19, 2017

South Carolina State Fiscal Accountability Authority  
Mr. Grant Gillespie, Executive Director  
P.O. Box 12444  
Columbia, SC 29211

Re: Sale of the Port of Port Royal

Dear Mr. Gillespie:

On behalf of the Town of Port Royal, I am formally requesting five percent of the net proceeds from the sale of the Port of Port Royal. Citing the language from the South Carolina Code of Laws, Article 8, Cessation of Marine Terminal Operation at Port Royal, specifically Section 54-3-700(D):

*(D) Any real or personal property at Port Royal which is to be sold must be appraised prior to the sale. The real property appraiser must be a State Certified General Real Estate Appraiser, a member of the Appraisal Institute (MAI), and must be knowledgeable in appraisal and in appraising closed industrial sites. The appraisal of the real property should include its future development opportunities and those of the surrounding properties, and give due consideration to the possible existence of adverse environmental conditions and structurally unsound improvements. The sale of the real property shall comply with all state laws and procedures. All proceeds from the sale of real and personal property at Port Royal must be retained by the State Ports Authority, except as provided in subsection (C)(3), and except that the Town of Port Royal may petition the State Fiscal Accountability Authority, or its successor entity, for a portion of the net proceeds from a sale and may be allocated a portion of these net proceeds in an amount not to exceed five percent of the net proceeds upon showing the allocation is necessary to pay for infrastructure needs directly associated with and necessitated by the closing of the port as Port Royal. These funds must be expended at the direction of the Town Council of Port Royal with the approval of the State Fiscal Accountability Authority, or its successor entity, solely for infrastructure, and shall have priority over all other expenditures except usual and necessary closing costs attributable to a sales contract.*

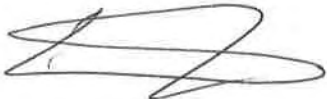
The Town and purchasers have extensive infrastructure projects that will need to be addressed, surpassing \$20,000,000 in eventual costs. I have attached the estimated cost of construction improvements and the capital project list from the tax increment financing district created to assist in the projects. The documents provided illustrate the Town's needs relative to infrastructure associated with the redevelopment of the port property.

Additionally, I have attached a spreadsheet produced by the Department of Administration summarizing the expenses incurred, which also includes a designation of the five percent net proceeds set aside.

The formal request the Town is making is in the amount of \$438,899.90 that is referenced in the spreadsheet as, **Town of Port Royal (Legislation) to petition SFAA to get up to 5% of the sale proceeds from Line 24.**

Town staff and elected officials will be available to attend an SFAA meeting when the request will be considered.

Sincerely,

A handwritten signature in black ink, appearing to read 'Van Willis', with a stylized, looping flourish at the end.

Van Willis  
Town Manager

Cc: Senator Chip Campsen  
Senator Tom Davis  
Representative Shannon Erickson  
Mayor and Town Council  
Delbert Singleton, Director, Procurement Services and Authority Secretary

Attachments

# Department of Admin Summary of Port Royal Transactions Septmeber 26, 2017

## Deposits

G/L	Fund	Document Number	Amount	Description
4536060000	38F20000	1200453181	270,000.00	ACH - GS - Escrow Port Royal
4536060000	38F20000	1200475528	15,706.40	ACH Levin, Gilley & Fisher - Prop Sale (Port Royal)
4536060000	38F20000	1200477082	8,492,291.57	Wire Transfer - Escrow Port Royal
Total Deposits			8,777,997.97	

## Expenditures

G/L	Fund	Document Number	Amount	Description
5021350000	30670000	3008241249	2,500.00	REAC - 16023 appraisal report
5071210000	39078010	3008421338	6,261.87	REAC - Appraisal REP
5021599107	30670000	3009019651	2,707.56	REAC - APPRAISAL SCOPE OF WORK
5021599107	30670000	3008934162	17,000.00	Sage Valuation Inc. - Port Royal Appraisal Report
5021599107	30670000	3008934289	4,400.00	Marion R Griffin - Port Royal Appraisal Review
Total Expenditures			32,869.43	

Beauford Co.	2,000.00	Contingent amount held for water assessments
Town of Port Royal	438,899.90	Town of Port Royal (Legislation) to petition SFAA to get up to 5% of the sale proceeds.
Total Contingencies held	440,899.90	

Cash available for transfer to Port Authority

8,304,228.64



## L. SETTLEMENT CHARGES

700. TOTAL COMMISSION Based on Price								\$	@	%	225,125.00			PAID FROM BORROWER'S FUNDS AT SETTLEMENT	PAID FROM SELLER'S FUNDS AT SETTLEMENT
Division of Commission (line 700) as Follows:															
701. \$ 225,125.00 to CBRE, Inc.															
702. \$ to															
703. Commission Paid at Settlement													225,125.00		
704. to															
800. ITEMS PAYABLE IN CONNECTION WITH LOAN															
801. Loan Origination Fee 2.0000 % to AFF II Port Royal, LLC, a Delaware limited liability												104,000.00			
802. Loan Discount % to															
803. Appraisal Reserve to AFF II Port Royal, LLC, a Delaware limited liability												3,500.00			
804. Entity Set-Up to AFF II Port Royal, LLC, a Delaware limited liability												1,000.00			
805. Public Record Searches to AFF II Port Royal, LLC, a Delaware limited liability												250.00			
806. Mortgage Ins. App. Fee to															
807. Lender's Attorney Fees, to Greenberg Traurig, LLP												17,500.00			
808. Interest Reserves to AFF II Port Royal, LLC, a Delaware limited liability												312,000.00			
809. Travel Fee to AFF II Port Royal, LLC, a Delaware limited liability												250.00			
810. Underwriting Fee to AFF II Port Royal, LLC, a Delaware limited liability												12,500.00			
811. Review Fee to Bell Oldow, Inc.												350.00			
900. ITEMS REQUIRED BY LENDER TO BE PAID IN ADVANCE															
901. Interest From to @ \$ /day ( days %)															
902. Mortgage Insurance Premium for months to															
903. Hazard Insurance Premium for years to POC by Borrowers															
904.															
905.															
1000. RESERVES DEPOSITED WITH LENDER															
1001. Hazard Insurance months @ \$ per month															
1002. Mortgage Insurance months @ \$ per month															
1003. City/Town Taxes months @ \$ per month															
1004. County Taxes months @ \$ per month															
1005. Assessments months @ \$ per month															
1006. months @ \$ per month															
1007. months @ \$ per month															
1008. months @ \$ per month															
1100. TITLE CHARGES															
1101. Settlement or Closing Fee to															
1102. Abstract or Title Search to Carolina Abstract Services/DLTPA												8,000.00			
1103. Title Examination to															
1104. Title Insurance Binder to David L. Tedder, P.A.												200.00			
1105. Document Preparation to															
1106. Partial Attorney's Fees POC to David L. Tedder, P.A.															
1107. Attorney's Fees to David L. Tedder, P.A.												20,000.00			
(includes above item numbers: )															
1108. Title Insurance to Professional Title, Inc.												14,176.00			
(includes above item numbers: )															
1109. Lender's Coverage \$ 5,200,000.00 100.00															
1110. Owner's Coverage \$ 9,005,000.00 14,076.00															
1111. Courier/copies/misc. to David L. Tedder, P.A.												200.00			
1112. Endorsements to Professional Title, Inc.												1,500.00			
1113.															
1200. GOVERNMENT RECORDING AND TRANSFER CHARGES															
1201. Recording Fees: Deed \$ 10.00; Mortgage \$ 22.00; Releases \$												32.00			
1202. City/County Tax/Stamps: Deed 33,318.50; Mortgage												33,318.50			
1203. State Tax/Stamps: Revenue Stamps ; Mortgage															
1204. Recording Plats to Register of Deeds												50.00			
1205. Rec. Ordinances to Register of Deeds												75.00			
1300. ADDITIONAL SETTLEMENT CHARGES															
1301. Survey to Beaufort Surveying, Inc. POC															
1302. Pest Inspection to															
1303.															
1304.															
1305.															
1400. TOTAL SETTLEMENT CHARGES (Enter on Lines 103, Section J and 502, Section K)												528,901.50	225,125.00		

# PURCHASER'S SETTLEMENT STATEMENT ACKNOWLEDGMENT

I have carefully reviewed this Settlement Statement, and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of this Settlement Statement.

GREY GHOST PROPERTIES, LLC

By: Ch AB manager  
Purchaser

\_\_\_\_\_  
Purchaser

To the best of my knowledge, the Settlement Statement which I have prepared for this transaction is a true and accurate account of funds which were received and have been disbursed or will be disbursed as part of the settlement of this transaction.

[Signature]  
Settlement Agent

SUBSTITUTE FOR 1099 SELLER STATEMENT: The information contained in this Settlement Statement is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction will be imposed if this item is required to be reported and the IRS determines that it has not been reported. The Contract Sales Price shown on the Settlement Statement constitutes the Gross Proceeds of this transaction.

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
BASIS FOR ESTIMATE	
X (No design completed-Master Plan)	
(Preliminary design)	
(Final design)	
(Other)	

**OPINION OF PROBABLE CONSTRUCTION COST**

Since the Engineer has no control over the cost of labor, materials, equipment, over the Contractor's methods of determining prices, or over competitive bidding or market conditions, the Opinions of Probable Construction Costs provided for herein are made on the basis of his experience and qualifications. These opinions represent his best judgment as a design professional familiar with the construction industry. However, the Engineer cannot and does not guarantee that proposals, bids, or the construction cost will not vary from Opinions of Probable Construction Costs prepared by him.

1. MAIN INFRASTRUCTURE		QUANTITY		COST	
ITEM	DESCRIPTION	NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Wet Tap 12" Main w/ Sleeve and Box	1	ea	\$ 2,500.00	\$ 2,500.00
2	12" DIP	6923	lf	\$ 39.00	\$ 269,997.00
3	12" Gate Valve & Box	23	ea	\$ 2,000.00	\$ 46,000.00
4	8" DIP	1827	lf	\$ 35.00	\$ 63,945.00
5	8" Gate Valve & Box	19	ea	\$ 2,000.00	\$ 38,000.00
6	6" Fire Hydrant Assembly w/ V&B	8	ea	\$ 3,000.00	\$ 24,000.00
7	Fittings	3	ea	\$ 4,000.00	\$ 12,000.00
		WATER DISTRIBUTION SYSTEM SUBTOTAL			\$ 456,442.00
SANITARY SEWER SYSTEM					
	Cut				
1	Connect to Existing Manhole	3	ea	\$ 6,000.00	\$ 18,000.00
2	8" SDR-35 PVC Sewer Main	8-10	lf	\$ 30.00	\$ 193,590.00
3	8" SDR-35 PVC Sewer Main	10-12	lf	\$ 40.00	\$ 30,360.00
4	8" SDR-26 PVC Sewer Main	12-14	lf	\$ 45.00	\$ 17,100.00
5	4 ft Manhole	8-10	ea	\$ 2,500.00	\$ 62,500.00
6	4 ft Manhole	10-12	ea	\$ 3,500.00	\$ 10,500.00
7	4 ft Manhole	12-14	ea	\$ 6,000.00	\$ 12,000.00
8	Single Service Connection	18	ea	\$ 150.00	\$ 2,700.00
9	6" Lateral	270	lf	\$ 7.00	\$ 1,890.00
10	Testing	1	ls	\$ 2,500.00	\$ 2,500.00
		SANITARY SEWER SYSTEM SUBTOTAL			\$ 351,140.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	7.41	ac	\$ 5,500.00	\$ 40,755.00
2	Earthwork	44521	sy	\$ 6.00	\$ 267,126.00
3	18" V. F. Curb & Gutter	15904	lf	\$ 12.00	\$ 190,848.00
4	Curb Inlet Type A (4'x4')	68	ea	\$ 3,000.00	\$ 204,000.00
5	Junction Box (4'x4')	4	ea	\$ 2,000.00	\$ 8,000.00
6	36" O-ring RCP	5150	lf	\$ 75.00	\$ 386,250.00
7	6" SGD	15904	lf	\$ 12.00	\$ 190,848.00
8	Gravel Construction Exit	1	ea	\$ 1,500.00	\$ 1,500.00
9	Temporary Gravel Cul-de-Sac	1	ea	\$ 4,500.00	\$ 4,500.00
10	6' Sidewalk	15004	lf	\$ 21.00	\$ 315,084.00
11	Detention	1	ls	\$ 1,000,000.00	\$ 1,000,000.00
12	Silt Fence	14510	lf	\$ 2.00	\$ 29,020.00
13	Bulkhead Along Promenade	1050	LF	\$ 500.00	\$ 525,000.00
		GRADING & DRAINAGE SUBTOTAL			\$ 3,181,831.00
PAVING - MAJOR ROADS (51' B/C)		TOTAL LENGTH 2421		H	
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	13719	sy	\$ 12.00	\$ 164,628.00
2	2" HLAC Surface Course - Type 1	13719	sy	\$ 10.00	\$ 137,190.00
3	2" Binder Course	13719	sy	\$ 8.00	\$ 109,752.00
4	Tack Coat	13719	sy	\$ 0.55	\$ 7,545.45
5	Prime Coat	13719	sy	\$ 0.55	\$ 7,545.45
		PAVING - MAJOR ROADS SUBTOTAL			\$ 428,660.90
PAVING - MAJOR ROADS (36' B/C)		TOTAL LENGTH 5531		H	
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	22124	sy	\$ 12.00	\$ 265,488.00
2	2" HLAC Surface Course - Type 1	22124	sy	\$ 10.00	\$ 221,240.00
3	2" Binder Course	22124	sy	\$ 8.00	\$ 176,992.00
4	Tack Coat	22124	sy	\$ 0.55	\$ 12,168.20
5	Prime Coat	22124	sy	\$ 0.55	\$ 12,168.20
6	Intersection w SC802		ls		\$ 150,000.00
7	Traffic Signal @ SC 802		ls		\$ 40,000.00
		PAVING - MAJOR ROADS SUBTOTAL			\$ 878,056.40
				SUBTOTAL	\$ 5,294,130.30
				10 % CONTINGENCY	\$ 529,413.03
				10 % DESIGN & SURVEYING	\$ 582,354.33
				SUBTOTAL	\$ 6,405,897.66
1. MAIN INFRASTRUCTURE				TOTAL	\$ 6,405,897.66

PROJECT : Port Royal J-20273  
LOCATION : Port Royal, Beaufort County  
ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
<b>BASIS FOR ESTIMATE</b>	
X	(No design completed-Master Plan)
	(Preliminary design)
	(Final design)
	(Other)

2. PHASE A					
		QUANTITY		COST	
ITEM	DESCRIPTION	NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	8" DIP	641	lf	\$ 35.00	\$ 22,435.00
2	8" Gate Valve & Box	2	ea	\$ 2,000.00	\$ 4,000.00
3	Single Service Connection	18	ea	\$ 150.00	\$ 2,700.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 29,135.00
SANITARY SEWER SYSTEM					
	Cul				
1	Connect to Existing Manhole	1	ea	\$ 6,000.00	\$ 6,000.00
2	8" SDR-35 PVC Sewer Main	8-10	453 lf	\$ 30.00	\$ 13,590.00
3	4 ft Manhole	8-10	2 ea	\$ 2,500.00	\$ 5,000.00
4	Single Service Connection	18	ea	\$ 150.00	\$ 2,700.00
5	6" Lateral	270	lf	\$ 7.00	\$ 1,890.00
6	Testing	1	ls	\$ 2,500.00	\$ 2,500.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 31,680.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	2.36	ac	\$ 5,500.00	\$ 12,925.00
2	Earthwork	2516	sy	\$ 6.00	\$ 15,096.00
3	18" V. F. Curb & Gutter	1374	lf	\$ 12.00	\$ 16,488.00
4	Curb Inlet Type A (4'x4')	6	ea	\$ 3,000.00	\$ 18,000.00
5	Junction Box (4'x4')	1	ea	\$ 2,000.00	\$ 2,000.00
6	36" O-ring RCP	500	lf	\$ 75.00	\$ 37,500.00
7	6" SGD	1374	lf	\$ 12.00	\$ 16,488.00
8	Gravel Construction Exit	1	ea	\$ 1,600.00	\$ 1,600.00
GRADING & DRAINAGE SUBTOTAL					\$ 119,997.00
PAVING - MINOR STREETS		TOTAL LENGTH		557	ft
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	2228	sy	\$ 12.00	\$ 26,736.00
2	2" HLAC Surface Course - Type 1	2228	sy	\$ 10.00	\$ 22,280.00
3	Prime Coat	2228	sy	\$ 0.65	\$ 1,225.40
				Subtotal	\$ 50,241.40
PAVING - ALLEYS		TOTAL LENGTH		130	ft
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	347	sy	\$ 12.00	\$ 4,160.00
2	2" HLAC Surface Course - Type 1	347	sy	\$ 10.00	\$ 3,468.67
3	Prime Coat	347	sy	\$ 0.55	\$ 190.67
				Subtotal	\$ 7,819.33
				SUBTOTAL	\$ 238,870.73
10 % CONTINGENCY				\$ 23,887.07	\$ 262,757.81
10 % DESIGN & SURVEYING				\$ 26,275.78	\$ 289,033.59
IMPACT FEES				\$ 60,000.00	\$ 349,033.59
				SUBTOTAL	\$ 349,033.59
2. PHASE A				TOTAL	\$ 349,033.59

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
BASIS FOR ESTIMATE	
<input checked="" type="checkbox"/> (No design completed-Master Plan)	
<input type="checkbox"/> (Preliminary design)	
<input type="checkbox"/> (Final design)	
<input type="checkbox"/> (Other)	

3. PHASE B					
ITEM	DESCRIPTION	QUANTITY		COST	
		UNITS	MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	8" DIP	792	lf	\$ 35.00	\$ 27,720.00
2	8" Gate Valve & Box	4	ea	\$ 2,000.00	\$ 8,000.00
3	Single Service Connection	22	ea	\$ 150.00	\$ 3,300.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 39,020.00
SANITARY SEWER SYSTEM					
	Cut				
1	Connect to Existing Manhole	2	ea	\$ 6,000.00	\$ 12,000.00
2	8" SDR-35 PVC Sewer Main	8-10	lf	\$ 30.00	\$ 31,590.00
3	4 ft Manhole	8-10	ea	\$ 2,500.00	\$ 10,000.00
4	Single Service Connection	22	ea	\$ 150.00	\$ 3,300.00
5	8" Lateral	330	lf	\$ 7.00	\$ 2,310.00
6	Testing	1	ls	\$ 2,500.00	\$ 2,500.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 61,700.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	4	ac	\$ 5,500.00	\$ 22,000.00
2	Earthwork	4268	sy	\$ 6.00	\$ 25,608.00
3	18" V. F. Curb & Gutter	2876	lf	\$ 12.00	\$ 32,112.00
4	Curb Inlet Type A (4'x4')	5	ea	\$ 3,000.00	\$ 15,000.00
5	36" O-ring RCP	300	lf	\$ 75.00	\$ 22,500.00
6	Gravel Construction Exit	1	ea	\$ 1,500.00	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL					\$ 118,720.00
PAVING - MINOR STREETS		TOTAL LENGTH		525	ft
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	2100	sy	\$ 12.00	\$ 25,200.00
2	2" HLAC Surface Course - Type 1	2100	sy	\$ 10.00	\$ 21,000.00
3	Prime Coat	2100	sy	\$ 0.55	\$ 1,155.00
Subtotal					\$ 47,355.00
PAVING - ALLEYS		TOTAL LENGTH		813	ft
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	2168	sy	\$ 12.00	\$ 26,016.00
2	2" HLAC Surface Course - Type 1	2168	sy	\$ 10.00	\$ 21,680.00
3	Prime Coat	2168	sy	\$ 0.55	\$ 1,192.40
Subtotal					\$ 48,888.40
SUBTOTAL				\$	\$ 315,683.40
10 % CONTINGENCY				\$	\$ 31,568.34
10 % DESIGN & SURVEYING				\$	\$ 34,725.17
IMPACT FEES				\$	\$ 78,000.00
SUBTOTAL				\$	\$ 459,976.91
3. PHASE B				TOTAL	\$ 459,976.91

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008		REVISED: 2/6/2008
BASIS FOR ESTIMATE		
<input checked="" type="checkbox"/>	(No design completed-Master Plan)	
<input type="checkbox"/>	(Preliminary design)	
<input type="checkbox"/>	(Final design)	
<input type="checkbox"/>	(Other)	

4. PHASE C					
ITEM	DESCRIPTION	QUANTITY		COST	
		UNITS	MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Single Service Connection	23	ea	\$ 150.00	\$ 3,450.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 3,450.00
SANITARY SEWER SYSTEM					
1	Single Service Connection	23	ea	\$ 150.00	\$ 3,450.00
2	6" Lateral	345	lf	\$ 7.00	\$ 2,415.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 5,865.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	3.5	ac	\$ 5,500.00	\$ 19,250.00
GRADING & DRAINAGE SUBTOTAL					\$ 19,250.00
SUBTOTAL					\$ 28,565.00
10 % CONTINGENCY					\$ 2,856.60
10 % DESIGN & SURVEYING					\$ 3,142.15
IMPACT FEES					\$ 160,000.00
SUBTOTAL					\$ 194,563.65
4. PHASE C					TOTAL \$ 194,563.65

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
BASIS FOR ESTIMATE	
<input checked="" type="checkbox"/> (No design completed-Master Plan)	
<input type="checkbox"/> (Preliminary design)	
<input type="checkbox"/> (Final design)	
<input type="checkbox"/> (Other)	

5. PHASE D					
ITEM	DESCRIPTION	QUANTITY		COST	
		UNITS	MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Single Service Connection	20	ea	\$ 150.00	\$ 3,000.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 3,000.00
SANITARY SEWER SYSTEM					
	Cut				
1	Connect to Existing Manhole	1	ea	\$ 6,000.00	\$ 6,000.00
2	8" SDR-35 PVC Sewer Main	8-10	422	lf	\$ 30.00
3	4 ft Manhole	8-10	2	ea	\$ 2,500.00
4	Single Service Connection		20	ea	\$ 150.00
5	6" Lateral		300	lf	\$ 7.00
6	Testing		1	ts	\$ 2,500.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 31,280.00
GRADING & DRAINAGE					
1	Clearing and Grubbing		2.83	ac	\$ 5,500.00
2	Earthwork		1875	sy	\$ 6.00
3	18" V. F. Curb & Gutter		1406	lf	\$ 12.00
4	Gravel Construction Exit		1	ea	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL					\$ 45,187.00
PAVING - ALLEYS					
		TOTAL LENGTH		703	ft
Item	Description		Quantity		Unit Cost
1	8" FLBC		1875	sy	\$ 12.00
2	2" HLC Surface Course - Type 1		1875	sy	\$ 10.00
3	Prime Coat		1875	sy	\$ 0.55
Subtotal					\$ 42,273.73
SUBTOTAL					\$ 121,720.73
10 % CONTINGENCY					\$ 12,172.07
10 % DESIGN & SURVEYING					\$ 13,389.28
IMPACT FEES					\$ 60,000.00
SUBTOTAL					\$ 207,282.09
5. PHASE D					TOTAL
					\$ 207,282.09

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
<b>BASIS FOR ESTIMATE</b>	
<input checked="" type="checkbox"/> (No design completed-Master Plan) <input type="checkbox"/> (Preliminary design) <input type="checkbox"/> (Final design) <input type="checkbox"/> (Other)	

6. PHASE E					
ITEM	DESCRIPTION	QUANTITY		COST	
		NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	8" DIP	200	lf	\$ 35.00	\$ 7,000.00
2	8" Gate Valve & Box	1	ea	\$ 2,000.00	\$ 2,000.00
3	Single Service Connection	11	ea	\$ 150.00	\$ 1,650.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 10,650.00
SANITARY SEWER SYSTEM					
		Cut			
1	Connect to Existing Manhole	1	ea	\$ 6,000.00	\$ 6,000.00
2	8" SDR-35 PVC Sewer Main	200	lf	\$ 30.00	\$ 6,000.00
3	4 ft Manhole	1	ea	\$ 2,500.00	\$ 2,500.00
4	Single Service Connection	11	ea	\$ 150.00	\$ 1,650.00
5	6" Lateral	165	lf	\$ 7.00	\$ 1,155.00
6	Testing	1	ls	\$ 2,500.00	\$ 2,500.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 19,805.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	2.15	ac	\$ 5,500.00	\$ 11,825.00
2	Earthwork	1727	sy	\$ 6.00	\$ 10,362.00
3	18" V. F. Curb & Gutter	1036	lf	\$ 12.00	\$ 12,432.00
4	Gravel Construction Extl	1	ea	\$ 1,500.00	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL					\$ 36,119.00
PAVING - MINOR STREETS		TOTAL LENGTH		259	ft
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	1036	sy	\$ 12.00	\$ 12,432.00
2	2" HLAC Surface Course - Type 1	1036	sy	\$ 10.00	\$ 10,360.00
3	Prime Coat	1036	sy	\$ 0.55	\$ 569.80
				Subtotal	\$ 23,361.80
PAVING - ALLEYS		TOTAL LENGTH		259	ft
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	691	sy	\$ 12.00	\$ 8,288.00
2	2" HLAC Surface Course - Type 1	691	sy	\$ 10.00	\$ 6,906.57
3	Prime Coat	691	sy	\$ 0.55	\$ 379.87
				Subtotal	\$ 15,574.53
				SUBTOTAL	\$ 105,510.33
10 % CONTINGENCY				\$ 10,551.03	\$ 116,061.37
10 % DESIGN & SURVEYING				\$ 11,606.14	\$ 127,667.50
IMPACT FEES				\$ 33,000.00	\$ 160,667.50
				SUBTOTAL	\$ 160,667.50
6. PHASE E				TOTAL	\$ 160,667.50

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
BASIS FOR ESTIMATE	
<input checked="" type="checkbox"/> (No design completed-Master Plan)	
<input type="checkbox"/> (Preliminary design)	
<input type="checkbox"/> (Final design)	
<input type="checkbox"/> (Other)	

7. PHASE F					
ITEM	DESCRIPTION	QUANTITY		COST	
		NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Single Service Connection	10	ea	\$ 150.00	\$ 1,500.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 1,500.00
SANITARY SEWER SYSTEM					
1	Single Service Connection	10	ea	\$ 150.00	\$ 1,500.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 1,500.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	0.69	ac	\$ 5,500.00	\$ 3,246.00
2	Earthwork	2854	sy	\$ 6.00	\$ 17,124.00
3	Gravel Construction Exit	1	ea	\$ 1,500.00	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL					\$ 21,869.00
SUBTOTAL				\$	24,869.00
10 % CONTINGENCY				\$	2,486.90
10 % DESIGN & SURVEYING				\$	2,735.59
IMPACT FEES				\$	30,000.00
SUBTOTAL					\$ 60,091.48
7. PHASE F				TOTAL	\$ 60,091.49

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



OPINION OF PROBABLE CONSTRUCTION COST

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
BASIS FOR ESTIMATE	
<input checked="" type="checkbox"/> (No design completed-Master Plan)	
<input type="checkbox"/> (Preliminary design)	
<input type="checkbox"/> (Final design)	
<input type="checkbox"/> (Other)	

8. PHASE G					
ITEM	DESCRIPTION	QUANTITY		COST	
		NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Single Service Connection	5	ea	\$ 150.00	\$ 750.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 750.00
SANITARY SEWER SYSTEM					
1	Single Service Connection	5	ea	\$ 150.00	\$ 750.00
2	6" Lateral	75	lf	\$ 7.00	\$ 525.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 1,275.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	0.53	ac	\$ 5,500.00	\$ 2,915.00
2	Earthwork	2040	sy	\$ 6.00	\$ 12,240.00
3	18" V. F. Curb & Gutter	1306	lf	\$ 12.00	\$ 15,672.00
4	Gravel Construction Exit	1	ea	\$ 1,500.00	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL					\$ 32,327.00
PAVING - MINOR STREETS		TOTAL LENGTH		224	ft
Item	Description	Quantity	Unit	Unit Cost	Total Cost
1	8" FLBC	886	sy	\$ 12.00	\$ 10,752.00
2	2" HLAC Surface Course - Type 1	896	sy	\$ 10.00	\$ 8,960.00
3	Prime Coat	896	sy	\$ 0.55	\$ 492.80
Subtotal					\$ 20,204.80
PAVING - ALLEYS		TOTAL LENGTH		420	ft
Item	Description	Quantity	Unit	Unit Cost	Total Cost
1	8" FLBC	1144	sy	\$ 12.00	\$ 13,728.00
2	2" HLAC Surface Course - Type 1	1144	sy	\$ 10.00	\$ 11,440.00
3	Prime Coat	1144	sy	\$ 0.55	\$ 629.20
Subtotal					\$ 25,797.20
				SUBTOTAL	\$ 80,354.00
10 % CONTINGENCY				\$ 8,035.40	\$ 88,389.40
10 % DESIGN & SURVEYING				\$ 8,838.94	\$ 97,228.34
IMPACT FEES				\$ 24,000.00	\$ 121,228.34
				SUBTOTAL	\$ 121,228.34
8. PHASE G				TOTAL	\$ 121,228.34

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED: 02/04/2000	REVISED: 2/6/2000
<b>BASIS FOR ESTIMATE</b>	
X (No design completed-Master Plan)	
(Preliminary design)	
(Final design)	
(Other)	

9. PHASE H					
ITEM	DESCRIPTION	QUANTITY		COST	
		NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Single Service Connection	10	ea	\$ 150.00	\$ 1,500.00
WATER DISTRIBUTION SYSTEM SUBTOTAL				\$	1,500.00
SANITARY SEWER SYSTEM					
1	Single Service Connection	10	ea	\$ 150.00	\$ 1,500.00
2	6" Lateral	150	lf	\$ 7.00	\$ 1,050.00
SANITARY SEWER SYSTEM SUBTOTAL				\$	2,550.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	3.25	ac	\$ 5,500.00	\$ 17,875.00
GRADING & DRAINAGE SUBTOTAL				\$	17,875.00
SUBTOTAL				\$	21,925.00
10 % CONTINGENCY				\$ 2,192.50	\$ 24,117.50
10 % DESIGN & SURVEYING				\$ 2,411.75	\$ 26,529.25
IMPACT FEES				\$ 297,000.00	\$ 323,529.25
SUBTOTAL				\$	323,529.25
9. PHASE H				TOTAL	\$ 323,529.25

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED : 2/6/2008
BASIS FOR ESTIMATE	
<input checked="" type="checkbox"/> (No design completed-Master Plan) <input type="checkbox"/> (Preliminary design) <input type="checkbox"/> (Final design) <input type="checkbox"/> (Other)	

10. PHASE I		QUANTITY		COST	
ITEM	DESCRIPTION	NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	8" DIP	502	lf	\$ 35.00	\$ 17,570.00
2	8" Gate Valve & Box	2	ea	\$ 2,000.00	\$ 4,000.00
3	Single Service Connection	27	ea	\$ 150.00	\$ 4,050.00
WATER DISTRIBUTION SYSTEM SUBTOTAL					\$ 25,620.00
SANITARY SEWER SYSTEM					
	Cut				
1	Connect to Existing Manhole	1	ea	\$ 6,000.00	\$ 6,000.00
2	8" SDR-35 PVC Sewer Main	8-10	lf	\$ 30.00	\$ 15,900.00
3	4 ft Manhole	8-10	ea	\$ 2,500.00	\$ 5,000.00
4	Single Service Connection	27	ea	\$ 150.00	\$ 4,050.00
5	6" Lateral	405	lf	\$ 7.00	\$ 2,835.00
6	Testing	1	ls	\$ 2,500.00	\$ 2,500.00
SANITARY SEWER SYSTEM SUBTOTAL					\$ 36,285.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	4.25	ac	\$ 5,500.00	\$ 23,375.00
2	Earthwork	3835	sy	\$ 6.00	\$ 23,010.00
3	18" V. F. Curb & Gutter	1144	lf	\$ 12.00	\$ 13,728.00
4	Curb Inlet Type A (4'x4')	9	ea	\$ 3,000.00	\$ 27,000.00
5	36" O-ring RCP	732	lf	\$ 75.00	\$ 54,900.00
6	6" SGD	1144	lf	\$ 12.00	\$ 13,728.00
7	Gravel Construction Exit	1	ea	\$ 1,500.00	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL					\$ 157,241.00
PAVING - MINOR STREETS		TOTAL LENGTH	572	ft	
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	2288	sy	\$ 12.00	\$ 27,456.00
2	2" HLAC Surface Course - Type 1	2288	sy	\$ 10.00	\$ 22,880.00
3	Prime Coat	2288	sy	\$ 0.55	\$ 1,258.40
Subtotal					\$ 51,594.40
PAVING - ALLEYS		TOTAL LENGTH	580	ft	
Item	Description	Quantity		Unit Cost	Total Cost
1	8" FLBC	1547	sy	\$ 12.00	\$ 18,560.00
2	2" HLAC Surface Course - Type 1	1547	sy	\$ 10.00	\$ 15,466.67
3	Prime Coat	1547	sy	\$ 0.55	\$ 850.67
Subtotal					\$ 34,877.33
				SUBTOTAL	\$ 305,617.73
10 % CONTINGENCY				\$ 30,561.77	\$ 336,179.51
10 % DESIGN & SURVEYING				\$ 33,617.95	\$ 369,797.46
IMPACT FEES				\$ 249,000.00	\$ 618,797.46
				SUBTOTAL	\$ 618,797.46
10. PHASE I				TOTAL	\$ 618,797.46

PROJECT : Port Royal J-20273  
 LOCATION : Port Royal, Beaufort County  
 ESTIMATOR :



**OPINION OF PROBABLE CONSTRUCTION COST**

DATE PREPARED : 02/04/2008	REVISED: 2/6/2008
BASIS FOR ESTIMATE	
<input checked="" type="checkbox"/> (No design completed-Master Plan) <input type="checkbox"/> (Preliminary design) <input type="checkbox"/> (Final design) <input type="checkbox"/> (Other)	

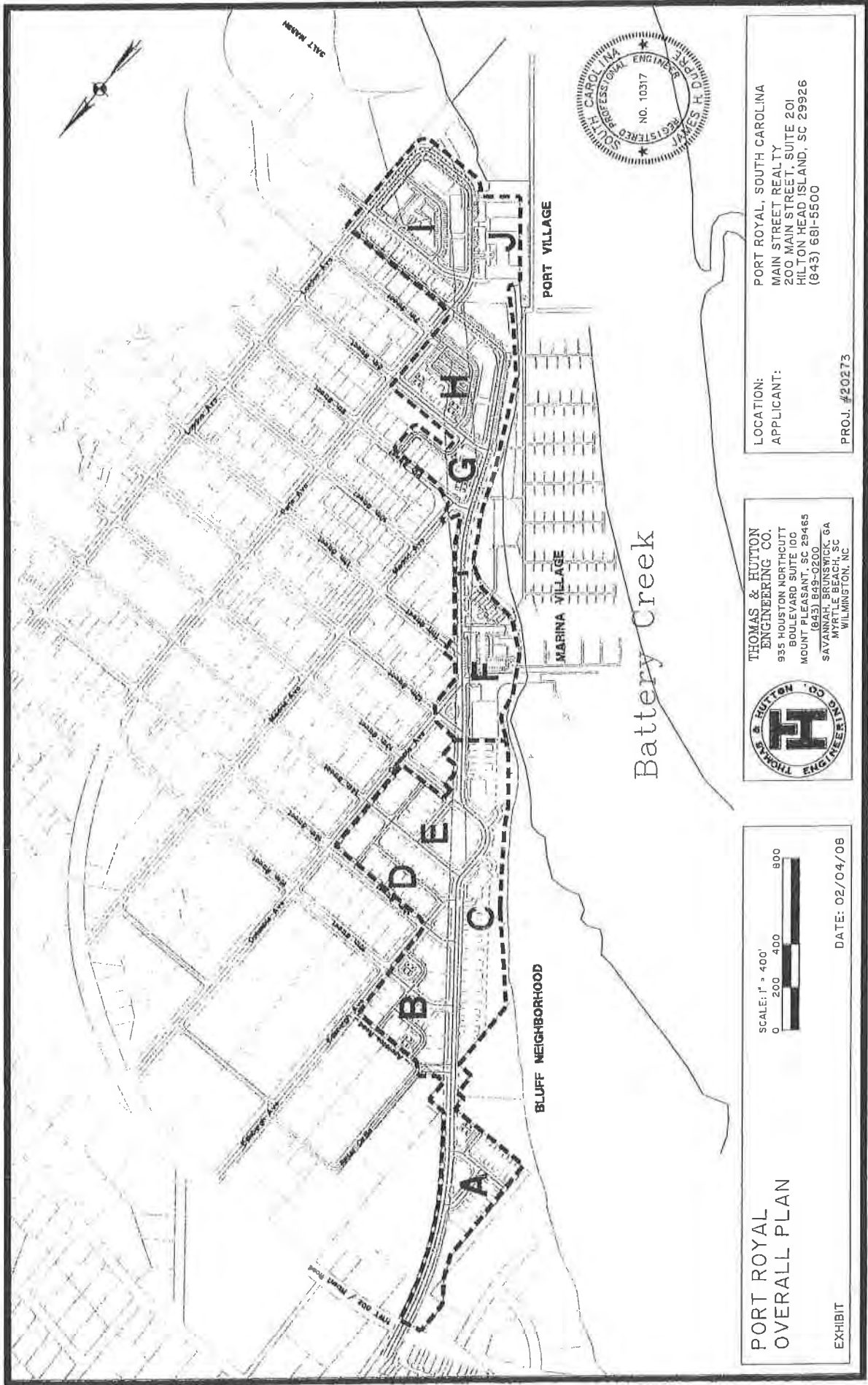
11. PHASE J		QUANTITY		COST	
ITEM	DESCRIPTION	NUMBER OF UNITS	UNIT MEASURE	PER UNIT	TOTAL COST
IDENTIFICATION					
WATER DISTRIBUTION SYSTEM					
1	Single Service Connection	2	ea	\$ 150.00	\$ 300.00
WATER DISTRIBUTION SYSTEM SUBTOTAL				\$	300.00
SANITARY SEWER SYSTEM					
1	Single Service Connection	2	ea	\$ 150.00	\$ 300.00
SANITARY SEWER SYSTEM SUBTOTAL				\$	300.00
GRADING & DRAINAGE					
1	Clearing and Grubbing	1.5	ac	\$ 5,500.00	\$ 8,250.00
2	Gravel Construction Exit	1	ea	\$ 1,500.00	\$ 1,500.00
GRADING & DRAINAGE SUBTOTAL				\$	9,750.00
SUBTOTAL				\$	10,350.00
10 % CONTINGENCY				\$	1,035.00
10 % DESIGN & SURVEYING				\$	1,138.50
IMPACT FEES				\$	132,000.00
SUBTOTAL				\$	144,523.50
11. PHASE J				TOTAL	\$ 144,523.50

12. MARINA					
Item	Description	Quantity	Unit	Unit Cost	Total Cost
1	Sewer Pump Station (Contingency)	1	ls	\$ 400,000.00	\$ 400,000.00
2	Marina	1	ls	\$ 10,788,096.00	\$ 10,788,096.00
<b>12. MARINA</b>				<b>TOTAL</b>	<b>\$ 11,188,096.00</b>

<b>GRAND TOTAL OPINION OF CONSTRUCTION COST</b>				<b>\$20,233,687</b>
---	--	--	--	---------------------

**Notes:**

- 1 No landscaping, demolition or irrigation included
- 2 No soft costs included
- 3 Marina costs based on Aluminum or concrete floats, lpe decking, and either square concrete or round steel piles
- 4 No street lighting costs included
- 5 No cost for power, communication, or cable included.
- 6 Buildings and building foundations (including pier renovation) are not included



# PORT ROYAL OVERALL PLAN

EXHIBIT

SCALE: 1" = 400'



DATE: 02/04/08

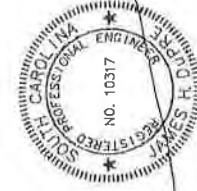
THOMAS & HUTTON  
ENGINEERING CO.  
935 HOUSTON NORTHCU  
BOULEVARD SUITE 100  
MOUNT PLEASANT, SC 29465  
(843) 669-0200  
SAVANNAH, GA  
MYRTLE BEACH, SC  
WILMINGTON, NC



LOCATION:  
APPLICANT:

PORT ROYAL, SOUTH CAROLINA  
MAIN STREET REALTY  
200 MAIN STREET, SUITE 201  
HILTON HEAD ISLAND, SC 29926  
(843) 681-5500

PROJ. #20273



Battery Creek

BLUFF NEIGHBORHOOD

PORT VILLAGE

MARINA VILLAGE

SAF. MAN

# **TOWN OF PORT ROYAL, SOUTH CAROLINA**

## **SEAPORT**

### **REDEVELOPMENT PLAN**

#### **I. Introduction**

The South Carolina State Ports Authority formerly operated a port facility on properties located in the Town of Port Royal, South Carolina (the "Town"). The port facility operations ceased on these properties in 2004. Since that time, the properties have lain dormant. The Town has studied these properties and some adjoining parcels, and has determined that a mixed-use development on these properties would spur economic growth in the Town and enhance the tax base of the taxing districts having jurisdiction over these properties. The Town is considering the use of tax increment financing, as authorized by S.C. Code §31-6-10, et seq (the "Act"), for certain infrastructure and other public improvements to encourage the redevelopment of these properties into a mixed-use community (the "Seaport Redevelopment Plan").

To utilize tax increment financing, the Act requires the delineation of a redevelopment project area that meets requirements of the Act and the creation of a redevelopment plan. This document is intended to serve as the Redevelopment Plan required by the Act.

#### **II. Statement of Objectives**

Through the implementation of this Seaport Redevelopment Plan, the Town intends to invest in public infrastructure so as to encourage private investment in the redevelopment of the property within the Redevelopment Project Area. The implementation of this Seaport Redevelopment Plan will provide the impetus for:

- Removing and alleviating conditions adverse to the redevelopment of the Redevelopment Project Area;
- Attracting jobs to the Town;
- Creating opportunities for commercial activity to locate within the Town;
- Controlling sprawl through successful master planning efforts;
- Embracing and strengthening adjacent neighborhoods;
- Promoting public access to and use of waterfront areas; and
- Enhancing the tax base of the Town and other taxing entities.

The duration of this Seaport Redevelopment Plan is for a period of twenty years beginning in calendar year 2012, with tax increment revenue generated from the taxes levied in 2032 to be included in this Seaport Redevelopment Plan, regardless of whenr such revenue is collected.

#### **III. Description of Boundaries of the Redevelopment Project Area**

The boundary of the Redevelopment Project Area is established by the current property lines of existing real estate parcels identified by the Beaufort County (the "County") parcel identification numbers shown in Table A below and the abutting publicly owned rights-of-way, whether open or closed, and the rail right-of-way.

**Exhibit A**, attached hereto, is a map generally delineating the Redevelopment Project Area. In the event of a conflict between Table A and Exhibit A, Table A shall control.

The Redevelopment Project Area is approximately 320 acres, including wetlands and publically owned rights-of-way and an abandoned railway. The entire Redevelopment Project Area is located within the Town.

**Table A**  
**Tax Parcels Comprising the Redevelopment Project Area**

<i>Parcel ID</i>	<i>Owner</i>
R110 011 000 084A 0000	South Carolina State Ports Authority
R110 011 000 082A 0000	South Carolina State Ports Authority
R110 011 000 081A 0000	South Carolina State Ports Authority
R110 011 000 080A 0000	South Carolina State Ports Authority
R110 011 000 078A 0000	South Carolina State Ports Authority
R110 011 000 075A 0000	South Carolina State Ports Authority
R110 011 000 0403 0000	South Carolina State Ports Authority
R110 011 000 0249 0000	South Carolina State Ports Authority
R110 011 000 0084 0000	South Carolina State Ports Authority
R110 011 000 0083 0000	South Carolina State Ports Authority
R110 011 000 0079 0000	South Carolina State Ports Authority
R110 011 000 0077 0000	South Carolina State Ports Authority
R110 011 000 0000 0000	South Carolina State Ports Authority
R110 010 000 182F 0000	South Carolina State Ports Authority
R110 010 000 182E 0000	South Carolina State Ports Authority
R110 010 000 182C 0000	South Carolina State Ports Authority
R110 010 000 182A 0000	South Carolina State Ports Authority
R110 010 000 079A 0000	South Carolina State Ports Authority
R110 010 000 0282 0000	South Carolina State Ports Authority
R110 010 000 0202 0000	South Carolina State Ports Authority
R110 010 000 0183 0000	South Carolina State Ports Authority
R110 010 000 0077 0000	South Carolina State Ports Authority
R110 010 000 0075 0000	South Carolina State Ports Authority
R110 011 000 249A 0000	Town of Port Royal
R110 011 000 0075 0000	Town of Port Royal
R110 011 000 067A 0000	Town of Port Royal
R110 011 000 0066 0000	Town of Port Royal
R110 010 000 0180 0000	Town of Port Royal
R110 010 000 0326 0000	Town of Port Royal
R110 010 000 0327 0000	Town of Port Royal
R110 010 000 0328 0000	Town of Port Royal
R110 010 000 0079 0000	Town of Port Royal
R110 011 000 0074 0000	Town of Port Royal
R110 011 000 0206 0000	Beaufort Jasper Water and Sewer Authority

Access to the Redevelopment Project Area is available from existing roadways, including 7<sup>th</sup> Street, 8<sup>th</sup> Street, 9<sup>th</sup> Street, 11<sup>th</sup> Street, 12<sup>th</sup> Street, 13<sup>th</sup> Street, 14<sup>th</sup> Street, 15<sup>th</sup> Street, Paris Avenue, Madrid Avenue, Edinburg Avenue, Ritter Circle, and Ribaut Road.

As of February 8, 2012, no one resides within the Redevelopment Project Area.

#### **IV. Qualification of the Redevelopment Project Area**

A review and study of the properties within the Redevelopment Project Area reveals the redevelopment potential of these properties is hampered and impaired by deleterious conditions affecting them and the improvements thereon, to include:

- Age
- Dilapidation
- Obsolescence
- Deterioration
- Excessive vacancies
- Deleterious land use or layout
- Depreciation of physical maintenance
- Lack of necessary transportation infrastructure
- Static or declining land values

A review and study of the properties in the Redevelopment Project Area reveal that the Redevelopment Project Area is blighted, as defined in the Act. Because of these conditions, private initiatives are unlikely without substantial public investment in the infrastructure as set out in this Seaport Redevelopment Plan. Without such investment, the redevelopment of the Redevelopment Project Area in a manner that the Town finds desirable will be stalled and property values within the Redevelopment Project Area will likely remain static or decline. The implementation of this Seaport Redevelopment Plan is in the interest of the health, safety, and general welfare of the citizens of the Town

#### **V. General Land Uses and Description of the Proposed Development**

Allowed land uses for the properties in the Redevelopment Project Area are varied, and include, but are not limited to:

- Single family detached homes
- Single family attached homes
- For sale condominium units
- For rent apartment units
- Retail
- Office
- Restaurant
- Hotel
- Marina, including dry stack, general dock facilities, and slips
- Government and institutional uses
- Parks and recreation

Port Royal Redevelopment Group, LLC, the contract purchaser of property owned by the S.C. State Ports Authority in the Redevelopment Project Area, estimates unit counts and square footage of development within the Redevelopment Project Area as shown below in Table B.

**Table B**  
**Estimated Development within the Redevelopment Project Area**

<i>General Land Uses</i>	<i>Estimated Units/Square Footage</i>
<b>Residential</b>	<i>(units)</i>
Single family homes, condominiums	325
Apartments	100
Sub-total residential	425
<b>Commercial</b>	<i>(square feet)</i>
Retail	74,500
Office	37,250
Restaurant	53,250
Hotel (200 rooms)	120,000
Marina	
Dock (1,200 linear feet)	
Dry stack	50,000
Slips	224
Sub-total commercial	335,000
All information provided by Port Royal Redevelopment Group, LLC, contract purchaser of property in the Redevelopment Project Area owned by the S.C. State Ports Authority.	

The anticipated development uses and estimated quantity of units and square footage are likely to adjust to market conditions.

## **VI. Redevelopment Projects**

The Town has identified certain projects that warrant public investment so as to enhance the opportunity of private investment in the Redevelopment Project Area (collectively the “Redevelopment Projects”) as listed and described below:

### **Road Improvements**

Roads improvements include the construction of new public roads, estimated at over 11,000 linear feet of new roads. Road improvements include all phases of road construction, including but not limited to clearing, grading and paving. Road improvements also include the refurbishment of existing roadways within the Redevelopment Project Area.

### **Water Improvements**

Water improvements include the construction of additional waterlines, estimated at over 9,000 feet, to serve the real property in the Redevelopment Project Area.

### **Sewer Improvements**

Sewer improvements include the construction of additional sewer lines, estimated at over 7,000 feet, to serve the real property in the Redevelopment Project Area.

**Storm water Improvements**

Storm water improvements include all aspects of standard storm water infrastructure, including but not limited to earth work, silt fences, clearing & grubbing, curb inlets, and sub grade drains.

**Curbing Improvements**

Curbing improvements include the construction of curb and gutter, estimated at over 15,000 linear feet of curb and gutter.

**Tree, Landscaping, and Pocket Park Improvements**

Tree improvements include the movement and replanting of existing trees and the acquisition and planting of additional trees on public property. Landscaping improvements include various landscaping materials, including but not limited to plants, grasses and fences, on public property. The Pocket Park improvements may include but are not limited to plazas, fountains, landscaping, pavilions, gazebos, shelters, boardwalks, promenades, open lawn and other recreational facilities.

**Sidewalks, Signs, and Light Improvements**

Sidewalks, signs and light improvements include sidewalks, signs and lights on public property throughout the Redevelopment Project Area.

**London Park Improvements**

The London Park improvements may include but are not limited to plazas, fountains, landscaping, pavilions, gazebos, shelters, boardwalks, promenades, open lawn, parking and other recreational facilities.

**Paris Park Improvements**

The Paris Park improvements may include but are not limited to plazas, fountains, landscaping, pavilions, gazebos, shelters, boardwalks, promenades, open lawn and other recreational facilities.

**Waterfront Promenade Improvements**

Waterfront promenade improvements include the construction of a public waterfront promenade.

**Existing Wooden Pier Repair Improvements**

Existing wooden pier repair improvements includes removing dilapidated portions of the pier and replacing the same with new timbers and hardware.

**Shrimp/Day Dock Improvements**

Shrimp/day dock improvements include the refurbishment of the existing shrimp docks and the construction of additional shrimp docks and or day dock facilities.

All Redevelopment Projects shall be publicly owned and sited in accordance with the requirements of the Act.

All Redevelopment Projects shall be constructed in accordance with applicable procurement policies of the Town.

It is anticipated that the Redevelopment Projects will be constructed in multiple phases. Phase I Redevelopment Projects are described herein (see VII (B)) and shall be constructed. For the Phase I Redevelopment Projects, the priority of construction will be developed by a representative of the initial purchaser(s) of the properties in the Redevelopment Project Area that are owned by the S.C. State Ports Authority and Town staff for review and approval of Town Council.

Projects in subsequent phases and their priority of construction will be developed by a representative of the initial purchaser(s) (or the then current owners) of the properties in the Redevelopment Project Area and Town staff for review and approval of Town Council. Provided that the maximum cost of

\$10,000,000 for all Redevelopment Projects, in the aggregate, is not exceeded, the Town may add other projects that meet the requirements of the Act to the list of Redevelopment Projects for phases subsequent to Phase I.

## **VII. Estimated Cost of the Redevelopment Projects**

### **A. Redevelopment Project Costs**

Redevelopment Project Costs as defined in the Act means and includes the total sum of all reasonable or necessary costs incurred or estimated to be incurred and any costs incidental to a redevelopment project. The Redevelopment Project Costs include, without limitation:

- (a) costs of studies and surveys, plans, and specifications; professional service costs including, but not limited to, architectural, engineering, legal, marketing, financial, planning, or special services.
- (b) property assembly costs including, but not limited to, acquisition of land and other property, real or personal, or rights or interest therein, demolition of buildings, and the clearing and grading of land.
- (c) costs of rehabilitation, reconstruction, repair, or remodeling of a redevelopment project.
- (d) costs of the construction and long-term maintenance of a redevelopment project.
- (e) financing costs including, but not limited to, all necessary and incidental expenses related to the issuance of obligations and which may include payment of interest on any obligations issued under the provisions of this chapter accruing during the estimated period of construction of any redevelopment project for which the obligations are issued and including reasonable reserves related thereto.
- (f) relocation costs, including relocation or removal costs of federal, state, or local government facilities or activities, to the extent that a municipality determines that relocation costs must be paid or required by federal or state law.

As used in this Seaport Redevelopment Plan, "Redevelopment Project Costs" do not include financing costs, relocation costs, and long-term maintenance as identified above. Financing costs and long-term maintenance costs will be incurred and will be paid from incremental tax revenues but are not included in the estimated costs in Table C below. Long-term maintenance is also excluded from the estimated costs in Table C below. The Town does not anticipate incurring any relocation costs.

**Table C**  
**Estimated Redevelopment Project Costs**

<i>Redevelopment Project</i>	<i>Estimated Costs</i>
Infrastructure:	
<i>Roads</i>	\$4,140,000
<i>Water</i>	\$865,000
<i>Sewer</i>	\$587,500
<i>Storm water</i>	\$1,130,000
Curbing	\$160,000
Trees, Landscaping, and Pocket Parks	\$1,085,000
Sidewalks, signs, and lights	\$500,000
London Park (9.7 acres)	\$27,500
Paris Park (1 acre)	\$500,000
Waterfront promenade	\$750,000
Existing wooden pier	\$70,000
Shrimp/day dock rehabilitation (Dockside Village)	\$185,000
<b>Total estimated cost of the Redevelopment Projects</b>	<b>\$10,000,000</b>

The actual costs of the Redevelopment Projects may vary from the estimated costs shown in Table C above because of general economic and design factors that cannot be known at this time. The estimated costs shown in Table C are not limits on the amount that may be spent on a specified Redevelopment Project. The expenditure on the Redevelopment Projects will be limited to \$10,000,000, in the aggregate, exclusive of financing costs including capitalized and general interest expense, debt service reserve funds, issuance costs and professional services related to the formulation and implementation of this Seaport Redevelopment Plan and the issuance of obligations under this Seaport Redevelopment Plan.

Responsibility for maintenance of the Redevelopment Projects, estimated at \$50,000 per year, will reside with the owner thereof. Tax increments generated from the Redevelopment Project Area may be utilized for maintenance costs to the extent available after payment of the Redevelopment Project Costs and the obligations issued to provide funding for the Redevelopment Projects.

**B. Phase I Redevelopment Projects**

From the Redevelopment Projects, the Town has identified those Redevelopment Projects which should be constructed in the first phase ("Phase I Redevelopment Projects"). Phase I Redevelopment Projects and the estimated Redevelopment Project Costs of the Phase I Redevelopment Projects, excluding maintenance, are delineated in Table D.

**Table D**  
**Estimated Redevelopment Project Costs of the Phase I Redevelopment Projects**

<i>Phase I Redevelopment Projects</i>	<i>Estimated Costs</i>
Infrastructure:	
<i>Roads</i>	\$2,200,000
<i>Water</i>	\$27,500
<i>Storm water</i>	\$181,000
Curbing	\$50,000
Trees, Landscaping, and Pocket Parks	\$220,000
Sidewalks, signs, and lights	\$149,000
London Park (9.7 acres)	\$27,500
Paris Park (1 acre)	\$480,000
Waterfront promenade	\$220,000
Existing wooden pier	\$70,000
<b>Total estimated cost of the Phase I Redevelopment Projects</b>	<b>\$3,625,000</b>

The actual costs of the Phase I Redevelopment Projects may vary from the estimated costs shown in Table D because of general economic and design factors that cannot be known at this time. The estimated costs shown in Table D are not limits on the amount that may be spent on a specified Phase I Redevelopment Project. The expenditure on the Phase I Redevelopment Projects will be limited to \$3,625,000, in the aggregate, exclusive of financing costs including capitalized and general interest expense, debt service reserve fund, issuance costs and professional services related to the formulation and implementation of this Seaport Redevelopment Plan and the issuance of obligations under this Seaport Redevelopment Plan.

The Town will monitor the progress of private investment in the Redevelopment Project Area to determine if funding of the Redevelopment Projects, including Phase I Redevelopment Projects, should continue.

### **VIII. Description of Financing**

#### **A. Anticipated Source of Funds to Pay the Costs of the Redevelopment Projects**

Pursuant to the Act, the Town may commit the incremental tax revenues as a source of payment for Redevelopment Projects and to support obligations issued to provide funds for the cost of the Redevelopment Projects. It is anticipated that the Town will issue obligations authorized by the Act to fund some or all of the Redevelopment Projects. It is further anticipated that the Town will utilize incremental tax revenues not used for the payment of obligations authorized by the Act to fund the costs of Redevelopment Projects through payment of: 1) the direct costs of Redevelopment Projects on a pay-as-you-go basis; 2) the reimbursement of payments made to fund Redevelopment Project Costs; 3) the reimbursement of payments made to fund debt service on tax increment obligations when tax increment revenues are insufficient to fully pay the debt service on tax increment finance obligations; and 4)

maintenance costs on the Redevelopment Projects. To these ends, the Town may establish one or more project accounts for the accumulation of funds to pay such costs.

#### B. Issuance of Tax Increment Finance Obligations

Tax increment obligations issued by the Town to fund or partially fund the Redevelopment Projects will be secured by the incremental tax revenues (as hereafter described). It is anticipated that the debt obligations will be issued in phases over the term of this Seaport Redevelopment Plan to correspond with the undertaking of different phases of the Redevelopment Projects. Projects in subsequent phases and their priority of construction will be developed by a representative of the initial purchaser(s) (or the then current owners) of the properties in the Redevelopment Project Area and Town staff for review and approval of Town Council. All debt obligations shall mature within twenty years of the date of the adoption of this Seaport Development Plan. The details of each debt obligation shall be prescribed by one or more separate ordinances of the Town Council. The estimated total amount of indebtedness to be incurred is \$15,000,000.

#### C. Sources for the Repayment of Tax Increment Finance Obligations

Pursuant to the Act, tax increment revenues resulting from increases in the assessed value of the properties within the Redevelopment Project Area may be utilized for the purpose of paying the Redevelopment Project Costs, which may include obligations incurred that support the Redevelopment Projects. The sources of funds available for the repayment of the proposed tax increment finance obligations include tax increment revenues and potentially other sources. The Town's obligation for the repayment of the tax increment finance obligations that it issues is limited to the committed tax increment revenues (detailed below) and any other revenues specifically pledged.

Pursuant to the Act, following the Town's approval of this Seaport Redevelopment Plan by ordinance, the County Auditor will determine and certify the most recently ascertained assessed value of all taxable real property within the Redevelopment Project Area, as of the date of the adoption of the ordinance. For each property, this value is the initial assessed value (herein "Initial Assessed Value"). The combined total of the Initial Assessed Value for all real property within the Redevelopment Project Area will equal the total initial assessed value (herein "Total Initial Assessed Value").

Pursuant to the Act, after the issuance of obligations or the incurrence of other obligations to construct the Redevelopment Projects, the increase in assessed value of property within the Redevelopment Project Area (herein "Incremental Assessed Value") will be calculated on an annual basis for twenty full years through and including tax year 2032. The Incremental Assessed Value will be calculated annually by subtracting the Total Initial Assessed Value from the total current assessed value of the property in the Redevelopment Project Area. Ad valorem property taxes collected that result from Incremental Assessed Value as applied to millages of tax entities participating in the tax increment financing plan to the extent consented to by such entities will be deposited into a special tax allocation fund (herein "Special Tax Allocation Fund"). Collected ad valorem property taxes attributable to the Total Initial Assessed Value, if any, will be paid by the County Treasurer to the respective taxing districts in the manner required by law in the absence of the adoption of this Seaport Redevelopment Plan.

The assessed value of the property in the Redevelopment Project Area, as of January 1, 2011, as reported by the County Assessor, is shown in Table E below.

**Table E**  
**Tax Year 2011 Redevelopment Project Area Assessed Value**

<i>Parcel ID</i>	<i>Current Owner</i>	<i>Assessed Value<sup>1</sup></i>
R110 011 000 084A 0000	South Carolina State Ports Authority	\$0
R110 011 000 082A 0000	South Carolina State Ports Authority	\$0
R110 011 000 081A 0000	South Carolina State Ports Authority	\$0
R110 011 000 080A 0000	South Carolina State Ports Authority	\$0
R110 011 000 078A 0000	South Carolina State Ports Authority	\$0
R110 011 000 075A 0000	South Carolina State Ports Authority	\$0
R110 011 000 0403 0000	South Carolina State Ports Authority	\$0
R110 011 000 0249 0000	South Carolina State Ports Authority	\$0
R110 011 000 0084 0000	South Carolina State Ports Authority	\$0
R110 011 000 0083 0000	South Carolina State Ports Authority	\$0
R110 011 000 0079 0000	South Carolina State Ports Authority	\$0
R110 011 000 0077 0000	South Carolina State Ports Authority	\$0
R110 011 000 0000 0000	South Carolina State Ports Authority	\$0
R110 010 000 182F 0000	South Carolina State Ports Authority	\$0
R110 010 000 182E 0000	South Carolina State Ports Authority	\$0
R110 010 000 182C 0000	South Carolina State Ports Authority	\$0
R110 010 000 182A 0000	South Carolina State Ports Authority	\$0
R110 010 000 079A 0000	South Carolina State Ports Authority	\$0
R110 010 000 0282 0000	South Carolina State Ports Authority	\$0
R110 010 000 0202 0000	South Carolina State Ports Authority	\$0
R110 010 000 0183 0000	South Carolina State Ports Authority	\$0
R110 010 000 0077 0000	South Carolina State Ports Authority	\$0
R110 010 000 0075 0000	South Carolina State Ports Authority	\$0
R110 011 000 249A 0000	Town of Port Royal	\$0
R110 011 000 0075 0000	Town of Port Royal	\$0
R110 011 000 067A 0000	Town of Port Royal	\$0
R110 011 000 0066 0000	Town of Port Royal	\$0
R110 010 000 0180 0000	Town of Port Royal	\$0 <sup>2</sup>
R110 010 000 0326 0000	Town of Port Royal	\$0 <sup>2</sup>
R110 010 000 0327 0000	Town of Port Royal	\$0 <sup>2</sup>
R110 010 000 0328 0000	Town of Port Royal	\$0 <sup>2</sup>
R110 010 000 0079 0000	Town of Port Royal	\$0
R110 011 000 0074 0000	Town of Port Royal	\$0
	Beaufort Jasper Water and Sewer Authority	\$0 <sup>2</sup>
R110 011 000 0206 0000		
<b>Total</b>		<b>\$0</b>
<sup>1</sup> Source: County Assessor's office.		
<sup>2</sup> These assessed values have been adjusted to reflect \$0, based upon public ownership as of January 1, 2012		

Upon the approval of this Seaport Redevelopment Plan by ordinance, the County Auditor will determine and certify the current assessed value of the properties to establish the Initial Assessed Value for each of these real properties.

D. Financing Plan for Phase I Redevelopment Projects; Limitation upon School District of Beaufort County's (the "School District") Participation

The School District has agreed to participate in the financing plan for Phase I Redevelopment Projects on a limited basis upon terms and conditions set forth herein. The County has agreed to participate in the financing plan for Phase I Redevelopment Projects without limitation. The Town will also participate in the financing plan for Phase I Redevelopment Projects without limitation.

The amount of incremental tax revenues to be deposited into the Special Tax Allocation Fund for the Phase I Redevelopment Projects shall include:

(1) taxes collected after applying the annual Incremental Assessed Value to all of the Town's combined millages; and

(2) taxes collected after applying the annual Incremental Assessed Value to all of the County's combined millages.

There shall also be deposited into the Special Tax Allocation Fund for the Phase I Redevelopment Projects amounts derived from applying the annual Incremental Assessed Value to the School District's millage for debt service levied on all properties in the Redevelopment Project Area and millage for operations on all properties in the Redevelopment Project Area other than owner-occurred properties assessed at 4% ("School District Increment"). No amounts related to the School District's operations millage on legal residence properties qualifying for the property tax exemption granted by South Carolina Code Section 12-37-220(B) shall be deposited into the Special Tax Allocation Fund. The amount of the School District Increment deposited into the Special Tax Allocation Fund shall not exceed \$300,000 per year and shall be calculated as follows:

(1) During the first five years of this Seaport Redevelopment Plan (including taxes levied through tax year 2017), the School District's Increment shall be a maximum of \$300,000 per year (the "Maximum School District Increment");

(2) For taxes levied beginning in tax year 2018 and for each tax year thereafter, the School District's Increment shall be the lesser of: (i) the Maximum School District Increment; or (ii) one-half of an amount consisting of the debt service on obligations issued for Phase I Redevelopment Projects, any remaining Redevelopment Project Costs of Phase I Redevelopment Projects, and maintenance of Phase I Redevelopment Projects (the "Pro Rata School District Increment"); and

(3) The Maximum School District Increment will be reduced to the Pro Rata School District Increment prior to tax year 2018 if the Town Council authorizes the implementation of a subsequent phase of Redevelopment Projects. Such reduction will become effective for the tax year during which Town Council enacts an ordinance authorizing such subsequent phase.

The Town acknowledges that Section 11-11-156(D) of the Code of Laws of South Carolina, 1976, as amended (the "Code"), provides:

Notwithstanding another provision of this section, in the case of a redevelopment project area created pursuant to Chapter 6, 7, or 12 of Title 31, the reimbursements provided pursuant to this section for the property tax exemption allowed by Section 12-37-220(B)(47) must include full payment to the city or county creating the redevelopment project area for amounts that would have been payable to the special tax allocation fund credited pursuant to that chapter if no such exemption existed.

The Town disclaims all Incremental Assessed Value resulting from on legal residence properties qualifying for the property tax exemption granted by South Carolina Code § 12-37-220 (B)(47). It is the expressed intent of the Town that no amount of the reimbursement to the School District provided in Section 11-11-156 will under any circumstances be paid to the Town, and such funds are not allocated to the Special Tax Allocation Fund, nor are such funds pledged for any obligation or project cost.

The Town disclaims interest in any tax collections in excess of the applicable School District Increment, and such excess funds are not allocated to the Special Tax Allocation Fund, nor are such excess funds pledged for any obligation or project cost.

The Town acknowledges that the financing plan associated with Phase I Redevelopment Projects does not and will not include any revenue that would have been associated with the imposition of the School District's operations millage as levied upon owner-occupied property within the TIF District/Redevelopment Project Area. If any such revenue is ever paid to the Town, the Town will transfer the amount of such revenue to the School District within 30 days of the Town's becoming aware of such payment. If for any reason the contemplated transfer provided by this paragraph cannot be carried out, the Town must reduce the applicable School District Increment by an amount equal to the amount of Section 11-11-156 funds that were, contrary to the intent of this Seaport Redevelopment Plan for Phase I Redevelopment Projects, deposited into and remaining in the Special Tax Allocation Fund.

The Town acknowledges that the School District's contribution to the financing plan associated with the Phase I Redevelopment Projects will only include revenue associated with the imposition of the School District's operations millage as levied upon non-owner-occupied property within the Redevelopment Project Area and revenue associated with the imposition of the School District's debt service millage as levied upon all real property within the Redevelopment Project Area, in an amount not to exceed \$300,000 per year.

The Town acknowledges that the incremental tax revenue from the School Districts operations millage described above should be included in the calculation of the School District's operating millage rates following reassessment in order for the millage rates after reassessment to include the incremental tax revenue.

The actual costs of the Phase I Redevelopment Projects may vary from the estimated costs set out in Section VII(B) of this Seaport Redevelopment Plan. The total amount to be spent on Phase I Redevelopment Projects shall not exceed \$3,625,000. The total amount of tax increment financing obligations to be issued for Phase I Redevelopment Projects shall not exceed \$4,500,000, and may be issued in one or more series. The difference in the amount deposited into the project fund (resulting from the initial tax increment finance borrowing) to pay the cost of Phase I Redevelopment Projects and the total amount of tax increment financing obligations to be issued may only be used to pay capitalized interest, to fund a debt service reserve fund, to pay costs of issuance, and to pay for professional services related to the formulation and implementation of this Seaport Redevelopment Plan and the issuance of obligations under this Seaport Redevelopment Plan.

The Town may spend more on an individual Phase I Redevelopment Project than the amount estimated in Table D above. The Town may transfer amounts or portions of the amount estimated to fund individual Phase I Redevelopment Projects and may eliminate one or more Phase I Redevelopment Projects with the amounts estimated to fund the eliminated Phase I Redevelopment Projects being used on remaining Phase I Redevelopment Projects. The Town may not add projects to the Phase I Redevelopment Project list without written approval from the School District.

As a portion of its annual fiscal year audited financial statements, the Town will provide to the School District an accounting of the revenues deposited in the Special Tax Allocation Fund including sources and uses. The Town will provide a certification to the School District that no amounts payable to the School District, pursuant to Section 11-11-156 of the South Carolina Code, were deposited into or remain in the Special Tax Allocation Fund.

#### E. Financing Plan for Subsequent Phases

The Town acknowledges that the School District's participation in the funding of Redevelopment Projects of this Redevelopment Plan is limited to the Phase I Redevelopment Projects as set out herein. The Town reserves the right to request the School District to participate in funding subsequent phases of the Redevelopment Plan and Redevelopment Projects, but without the express consent of the School District, the participation of the School District in this Seaport Redevelopment Plan is limited to the Phase I Redevelopment Projects as set out herein.

The County and the Town have agreed to participate in the financing plan for subsequent phases including all Redevelopment Projects without limitation.

The amount of tax increment revenue to be deposited into the Special Tax Allocation Fund to be available for funding subsequent phases of Redevelopment Projects shall include:

- (1) taxes collected after applying the annual Incremental Assessed Value to all of the Town's combined millages; and
- (2) taxes collected after applying the annual Incremental Assessed Value to all of the County's combined millages.

#### F. Projected Assessed Value; Projected Available Tax Increment

Based upon a projected development schedule and appraised value estimates provided by the Port Royal Redevelopment Group, LLC, the projected annual incremental assessed value and annual tax increment revenue, assuming inflation and the applicable School District Increment described above, to be available for the purpose of paying the costs of Phase I Redevelopment Projects and subsequent phases of Redevelopment Projects, including the payment of the obligations incurred that support the Redevelopment Project Costs, are shown in Table F below. The applicable School District's Increment is limited to payment of Redevelopment Project Costs associated with Phase I Redevelopment Projects.

**Table F**  
**Projected Incremental Assessed Value & Projected Available Tax Increment**

<i>Fiscal Year Ending</i>	<i>School</i>				
	<i>Total Incremental Assessed Value</i>	<i>District Incremental Tax Revenues</i>	<i>County Incremental Tax Revenues</i>	<i>Town Incremental Tax Revenues</i>	<i>Total Incremental Tax Revenues</i>
30-Jun-13	\$0	\$0	\$0	\$0	\$0
30-Jun-14	\$1,165,500	\$135,198	\$54,779	\$80,420	\$270,396
30-Jun-15	\$1,568,260	\$159,305	\$73,708	\$108,210	\$341,223
30-Jun-16	\$2,396,560	\$236,921	\$114,891	\$168,670	\$520,482
30-Jun-17	\$3,155,860	\$300,000	\$154,318	\$226,552	\$680,869
30-Jun-18	\$5,509,760	\$300,000	\$274,809	\$403,443	\$978,252
30-Jun-19	\$5,894,760	\$300,000	\$299,892	\$440,267	\$1,040,159
30-Jun-20	\$7,369,036	\$300,000	\$346,345	\$508,463	\$1,154,808
30-Jun-21	\$8,633,268	\$300,000	\$413,879	\$607,609	\$1,321,488
30-Jun-22	\$9,821,592	\$300,000	\$480,264	\$705,069	\$1,485,333
30-Jun-23	\$10,366,947	\$300,000	\$517,070	\$759,103	\$1,576,173
30-Jun-24	\$10,366,947	\$300,000	\$527,411	\$774,285	\$1,601,696
30-Jun-25	\$11,449,330	\$300,000	\$538,119	\$790,004	\$1,628,122
30-Jun-26	\$11,449,330	\$300,000	\$548,881	\$805,804	\$1,654,685
30-Jun-27	\$11,449,330	\$300,000	\$559,859	\$821,920	\$1,681,778
30-Jun-28	\$11,449,330	\$300,000	\$571,056	\$838,358	\$1,709,414
30-Jun-29	\$11,449,330	\$300,000	\$582,477	\$855,126	\$1,737,602
30-Jun-30	\$12,644,368	\$300,000	\$594,285	\$872,461	\$1,766,747
30-Jun-31	\$12,644,368	\$300,000	\$606,171	\$889,911	\$1,796,082
30-Jun-32	\$12,644,368	\$300,000	\$618,294	\$907,709	\$1,826,003
30-Jun-33	\$12,644,368	\$300,000	\$630,660	\$925,863	\$1,856,523

#### **IX. Estimate of Economic Impact**

Assuming the Redevelopment Projects are completed through implementation of Phase I and subsequent phases, and based on current development and appraised value estimates provided by the Port Royal Redevelopment Group, LLC, the projected appraised value of the real property in the Redevelopment Project Area, after the completion of the anticipated private development, is projected to equal \$190,935,000, excluding inflation. Based on current development and appraised value estimates provided by the Port Royal Redevelopment Group, LLC, the projected assessed value of the real property in the Redevelopment Project Area, after the completion of the anticipated private development, is projected to equal \$9,419,400, excluding inflation.

This Seaport Redevelopment Plan and the resulting private investment are expected to result in a positive impact upon the tax revenues of all taxing districts having jurisdiction within the Redevelopment Project Area both during the term of this Seaport Redevelopment Plan by virtue of increased personal property tax revenues, and after, when these districts will receive the full benefit of tax revenues from properties whose assessed values will have been substantially increased because of the private investment resulting from the construction of the Redevelopment Projects. This Seaport Redevelopment Plan and the resulting private investment are expected to result in new businesses, growth opportunities for existing businesses, a revitalized tourist economy and increased job opportunities in the Town and northern portion of the County.

## Fish, Game and Forestry Committee

GEORGE E. "CHIP" CAMPSER III  
CHAIRMAN

THE SENATE OF SOUTH CAROLINA  
305 GRESSETTE OFFICE BUILDING  
P.O. BOX 142  
COLUMBIA, SOUTH CAROLINA 29202



BRIAN COHL  
DIRECTOR OF RESEARCH  
BRIANCOHL@SCSENATE.GOV

JULIE BOWERS  
ADMINISTRATIVE ASSISTANT

TEL (803) 212-6340  
FAX (803) 212-6356  
EMAIL: SFG@SCSENATE.GOV

January 12, 2018

South Carolina State Fiscal Accountability Authority  
Mr. Grant Gillespie, Executive Director  
P.O. Box 12444  
Columbia, SC 29211

Re: Sale of the Port of Port Royal

Dear Mr. Gillespie:

I am writing on the Town of Port Royal's behalf concerning the request for five percent of the net proceeds from the sale of the Port of Port Royal. The Town will be undertaking a considerable amount of infrastructure work related to the redevelopment of the property that will require a financial commitment exceeding more than \$10 million over the next five to seven years.

Complicating implementation of the infrastructure work is the final sales price for the Port of Port Royal. The Town initially anticipated a sale price in the neighborhood of \$17 million, which was conservative at the time; however, due to the new appraisal and changing economic conditions, the property sold for only \$9.1 million. The tax collections to be used to service the debt will be significantly lower than anticipated. Any additional funds to offset that impact would be a tremendous help to the Town.

The Town made a commitment, based upon input from former Governor Mark Sanford, that a significant amount of open space be included in the redevelopment of the property. The Town will be tasked with the construction and maintenance of the public spaces, including parks, pathways, promenades, and roads, and other significant public infrastructure. It is of the utmost importance to the public to ensure perpetual public access to these facilities. The receipt of five percent of the net proceeds from the sale will assist the Town in constructing and maintaining public access.

Finally, the Town has waited over a decade for the sale to be consummated through no fault of its own. The failure of the project to move forward quickly has unfortunately stymied downtown development and redevelopment. The Town has lost revenue that cannot be replaced.

Thank you for your careful consideration of the Town's request.

Respectfully submitted,

A handwritten signature in cursive script that reads "Chip Campsen".

Senator Chip Campsen

**Council**

Samuel E. Murray  
*Mayor*

Mary Beth Heyward  
*Mayor Pro Tempore*

Jerry Ashmore  
Daryl Owens  
Robert Landrum



Van Willis  
*Town Manager*

T. Alan Beach  
*Chief of Police*

Jeffrey S. Coppinger  
*Operations*

Linda Bridges  
*Planning*

January 26, 2018

Grant Gillespie, Executive Director  
South Carolina State Fiscal Accountability Authority  
Post Office Box 12444  
Columbia, South Carolina 29211

RE: Sale of the Port of Port Royal

Dear Mr. Gillespie:

As I am sure you aware, South Carolina Code of Laws Section 54-3-700(D) provides in part:

All proceeds from the sale of real and personal property at Port Royal must be retained by the State Ports Authority, except as provided in subsection (C)(3), and except that the Town of Port Royal may petition the State Fiscal Accountability Authority, or its successor entity, for a portion of the net proceeds from a sale and may be allocated a portion of these net proceeds in an amount not to exceed five percent of the net proceeds upon showing the allocation is necessary to pay for infrastructure needs directly associated with and necessitated by the closing of the port as (of) Port Royal.

The purpose of this correspondence is to provide documentation of the investment in infrastructure by the Town of Port Royal (the "Town") necessitated by the closing of the Port of Port Royal (the "Port").

Upon the cessation of marine operations at Port Royal by the State Ports Authority the Town was presented with an opportunity to guide the redevelopment of the former Port property. It was quickly apparent and continues to be the case that the opportunity for redevelopment of the Port property would require significant public investment in critical infrastructure. While there was marginal ingress and egress to and throughout the property, the roadway system was

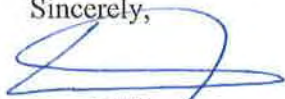
PO Drawer 9 • Port Royal, SC 29935-0009 • Telephone (843) 986-2211 • Fax (843)  
986-2210  
[www.portroyal.org](http://www.portroyal.org)

totally inadequate to support any meaningful redevelopment. Also, the available water, sewer, and stormwater infrastructure was and is totally inadequate for any productive use for the property. Other infrastructure for redevelopment projects including sidewalks, curbing, signs and lighting were totally absent from the Port property.

By Ordinance enacted on February 8, 2012, the Town of Port Royal (the "Town") adopted the Seaport Redevelopment Plan relating to the establishment of a tax increment financing district as authorized by 31-6-10 *et. seq.* to provide for the financing of infrastructure costs and other public improvements needed to encourage the redevelopment of the former Port Property. The Town was advised that any sale of the property to a private developer would be contingent upon investment by the Town of substantial funds in public infrastructure. At that time, the total cost for basic infrastructure including roads, water, sewer, stormwater, sidewalks, curbing, signs and lighting was estimated to be \$7,382,500. See Seaport Redevelopment Plan Table C. Since these estimates were made in 2011/2012, it is very likely that the costs would be substantially higher at this time.

After you have reviewed the information contained herein, please contact me if you need any additional documentation regarding the necessity to pay for this infrastructure as a direct result of the closing of the Port.

Sincerely,



Van Willis  
Town Manager

Cc: Mayor and Town Council

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**AGENCY:** Department of Administration, Facilities Management and Property Services

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**SUBJECT:** Patriots Point Development Authority (PPDA) First Amendment Lease Out to the Medal of Honor Museum Foundation

In May of 2013, the SC Budget and Control Board approved a lease from PPDA to the Medal of Honor Museum Foundation (under a lease agreement for the Museum Parcel and a Lease and Option Agreement for the Commercial Parcel) approximately 14 acres of waterfront property at Patriots Point, of which approximately 7 acres ("Museum Parcel") will be used for the Medal of Honor Museum and approximately 7 acres ("Commercial Parcel") will be subleased for commercial mixed use development to provide funds to support the Medal of Honor Museum and the Medal of Honor Museum Foundation.

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

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

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**AUTHORITY ACTION REQUESTED:**

Approve the proposed Amendment to the Lease and Option Agreement for the Commercial Parcel between PPDA and the Medal of Honor Museum Foundation as requested by the Patriots Point Development Authority.

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**ATTACHMENTS:**

Agenda item worksheet; SC Code of Laws Sections 1-11-55 and 1-11-56; Resolution of the Board of PPDA dated October 20, 2017; PPDA Letter Dated November 22, 2017; PPDA Summary of the First Amendment dated November 21, 2017



## STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

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Meeting Scheduled for: January 30, 2018

Regular Agenda

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**1. Submitted by:**

- (a) Agency: Department of Administration
- (b) Authorized Official Signature:



Ashlie Lancaster, Director  
Facilities Management and Property Services

**2. Subject:** Patriots Point Development Authority (PPDA) First Amendment Lease Out to the Medal of Honor Museum Foundation

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**3. Summary Background Information:**

In May of 2013, the SC Budget and Control Board approved a lease from PPDA to the Medal of Honor Museum Foundation (under a lease agreement for the Museum Parcel and a Lease and Option Agreement for the Commercial Parcel) approximately 14 acres of waterfront property at Patriots Point, of which approximately 7 acres ("Museum Parcel") will be used for the Medal of Honor Museum and approximately 7 acres ("Commercial Parcel") will be subleased for commercial mixed use development to provide funds to support the Medal of Honor Museum and the Medal of Honor Museum Foundation.

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

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

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**4. What is SFAA asked to do?** Consider approval of the proposed Amendment to the Lease and Option Agreement for the Commercial Parcel between PPDA and the Medal of Honor Museum Foundation.

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- 5. What is recommendation of the Department of Administration?** Consider approval of the proposed Amendment to the Lease and Option Agreement for the Commercial Parcel between PPDA and the Medal of Honor Museum Foundation.
- 

**6. List of Supporting Documents:**

- SC Code of Laws Sections 1-11-55 and 1-11-56
- Resolution of the Board of PPDA dated October 20, 2017
- PPDA Letter Dated November 22, 2017
- PPDA Summary of the First Amendment dated November 21, 2017
- Department of Administration Summary of Changes

**SECTION 1-11-55. Leasing of real property for governmental bodies.**

(1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, agency, government corporation, or other establishment or official of the executive branch of this State. Governmental body excludes the General Assembly, Legislative Council, the Legislative Services Agency, the judicial department and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.

(2) The Division of General Services of the Department of Administration is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section. However, a technical college, with the approval by the State Board for Technical and Comprehensive Education, and a public institution of higher learning, may enter into any lease agreement or renew any lease agreement up to one hundred thousand dollars annually for each property or facility.

(3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Division of General Services of its requirement on rental request forms prepared by the division. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the division agree meets necessary requirements and standards for state leasing as prescribed in procedures of the department as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.

(4) The department shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.

(5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Division of General Services of the Department of Administration or his designee.

HISTORY: 1997 Act No. 153, Section 2; 2002 Act No. 333, Section 1; 2002 Act No. 356, Section 1, Pt VI.P(1); 2011 Act No. 74, Pt VI, Section 13, eff August 1, 2011; 2013 Act No. 31, Section 1, eff May 21, 2013; 2014 Act No. 121 (S.22), Pt V, Section 7.A, eff July 1, 2015.

Code Commissioner's Note

The last sentence in subsection (2), which was added by 2011 Act No. 74, was inadvertently omitted from 2014 Act No. 121 due to a scrivener's error. At the direction of the Code Commissioner, this sentence has been retained in subsection (2).

#### **Effect of Amendment**

The 2011 amendment, in subsection (2), added the third sentence relating to technical colleges.

The 2013 amendment, in subsection (1), substituted "Legislative Services Agency" for "Office of Legislative Printing, Information and Technology Systems".

2014 Act No. 121, Section 7.A, in subsection (1), substituted "agency, government corporation, or other establishment or official of the executive branch" for "legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches"; in subsection (2), substituted "Division of General Services of the Department of Administration" for "Budget and Control Board"; in subsection (3) substituted "division" for "office" in three instances, and substituted "department" for "board"; in subsection (4), substituted "department" for "board"; and in subsection (5), substituted "Division of General Services of the Department of Administration" for "Office of General Services".

#### **SECTION 1-11-56. Program to manage leasing; procedures.**

(A) The Division of General Services of the Department of Administration, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of a governmental body. The department must submit regulations for the implementation of this section to the General Assembly as provided in the Administrative Procedures Act, Chapter 23, Title 1. The department's regulations, upon General Assembly approval, shall include procedures for:

(1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;

(2) establishing standards for the quality and quantity of space to be leased by a requesting agency;

(3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of:

(a) a nonappropriation for the renting agency;

(b) a dissolution of the agency; and

- (c) the availability of public space in substitution for private space being leased by the agency;
- (4) rejecting an agency's request for additional space or space at a specific location, or both;
- (5) directing agencies to be located in public space, when available, before private space can be leased;
- (6) requiring the agency to submit a multiyear financial plan for review by the department with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and
- (7) requiring prior review by the Joint Bond Review Committee and the requirement of State Fiscal Accountability Authority approval before the adoption of any new or renewal lease that commits more than two hundred thousand dollars annually in rental or lease payments or more than one million dollars in such payments in a five-year period.

(B) Leases or rental agreements involving amounts below the thresholds provided in subsection (A)(7) may be executed by the Department of Administration without this prior review by the Joint Bond Review Committee and approval by the State Fiscal Accountability Authority.

(C) The threshold requirements requiring review by the Joint Bond Review Committee and approval by the State Fiscal Accountability Authority as contained in subsection (A)(7) also apply to leases or rental agreements with nonstate entities whether or not the state or its agencies or departments is the lessee or lessor.

HISTORY: 1997 Act No. 153, Section 2; 2014 Act No. 121 (S.22), Pt V, Section 7.B, eff July 1, 2015.

#### Effect of Amendment

2014 Act No. 121, Section 7.B, added subsection designator (A); in subsection (A), substituted "Division of General Services of the Department of Administration" for "State Budget and Control Board", substituted "a governmental body" for "state agencies", and added the second sentence relating to regulations; in subsection (A)(6), substituted "department" for "board's budget office", and deleted text relating to prior review by the Joint Bond Review Committee; rewrote subsection (A)(7); and added subsections (B) and (C) .

**RESOLUTION OF THE BOARD OF  
THE PATRIOTS POINT  
DEVELOPMENT AUTHORITY**

First Amendment to Lease and Option Agreement  
Mt. Pleasant, South Carolina

A resolution by the Patriots Point Development Authority (1) approving the First Amendment to Lease and Option Agreement amending the Lease and Option Agreement dated July 1, 2013 by and between Patriots Point Development Authority and The Medal of Honor Museum Foundation (the "Document"), a copy of which Document has been presented to the Board of the Patriots Point Development Authority, amending such Lease and Option Agreement to allow The Medal of Honor Museum Foundation to exercise its option to lease a portion of the premises under such Lease and Option Agreement without exercising its option as to the remainder of such premises, and (2) authorizing the Chairman or Vice Chairman and the Secretary to execute the Document on behalf of the Patriots Point Development Authority with such changes therein as shall be approved by the Chairman or Vice Chairman, the Chairman=s or Vice Chairman=s and Secretary=s execution thereof to constitute conclusive evidence of approval of any and all changes or revisions therein from the form of the Document now before this meeting

Enacted October 20, 2017.

**THE PATRIOTS POINT DEVELOPMENT AUTHORITY**

BY: \_\_\_\_\_

Ray E. Chandler, Chairman

ATTEST: \_\_\_\_\_

R. Mac Burdette, Secretary

# PATRIOTS POINT

★ HOME OF THE USS YORKTOWN ★

November 22, 2017

**Via Email:**

Ashlie Lancaster, Director  
SC Department of Administration  
Wade Hampton Building, Suite 460  
1200 Senate Street  
Columbia, SC 29201  
ashlie.lancaster@admin.sc.gov

Re: Submission of Request for Approvals - First Amendment to Lease and Option Agreement between Patriots Point Development Authority as Landlord and The Medal of Honor Museum Foundation as Tenant, dated October 25, 2017

Dear Ms. Lancaster:

I am writing this letter to request approval by the South Carolina State Fiscal Accountability Authority ("SFAA") of the First Amendment to Lease and Option Agreement between Patriots Point Development Authority as Landlord and The Medal of Honor Museum Foundation (the "Foundation") as Tenant, dated October 25, 2017 (the "Amendment") at SFAA's meeting on January 30, 2017.

Patriots Point and the Foundation entered a Lease and Option Agreement dated July 1, 2013 (the "Commercial Lease and Option Agreement"). The Amendment is the first amendment to the Commercial Lease and Option Agreement. The Commercial Lease and Option Agreement was executed concurrently with the Lease Agreement by and between Patriots Point and the Foundation dated July 1, 2013 (the "Museum Lease Agreement"), which Museum Lease Agreement contemplates the construction and operation of a National Medal of Honor Museum on the premises by the Foundation.

The Amendment subdivides the premises under the Commercial Lease and Option Agreement into two subparcels (the Entrance Parcel and the Remainder Parcel) and allows the Foundation to exercise its option to lease the Entrance Parcel without exercising its option to Lease the Remainder Parcel. The Entrance Parcel is 1.057 acres. Both the Commercial Lease and Option Agreement and the Museum Lease Agreement contemplate a portion of Patriots Point Road being

## Patriots Point Development Authority

Ashlie Lancaster  
November 22, 2017  
Page 2

relocated east of its current location with part of the old roadbed being added to the premises under the Commercial Lease and Option Agreement and another part of the old roadbed being added to the premises under the Museum Lease Agreement. When the road relocation is complete, the premises under the Museum Lease Agreement will not have access to the new section of Patriots Point Road. By allowing the Foundation to exercise the option to lease the Entrance Parcel without exercising the option to lease the Remainder Parcel, the Foundation will have access from the relocated Patriots Point Road through the Entrance Parcel to the premises under the Museum Lease Agreement.

Enclosed with this letter are (i) a copy of the Amendment, (ii) a copy of the Commercial Lease and Option Agreement, (iii) a copy of the Patriots Point resolution approving the Amendment, and (iv) a summary of the Amendment prepared by our attorneys.

We look forward to working with you in obtaining the necessary approvals. Please do not hesitate to contact me or our attorneys if you have any questions or need any additional information.

Sincerely,



R. Mac Burdette, Executive Director  
Patriots Point Development Authority

cc: Grant Gillespie, Executive Director, SFAA (by e-mail)  
Ray E. Chandler, Chairman, Patriots Point Development Authority (by e-mail)  
Wayne Adams, Vice Chairman, Patriots Point Development Authority (by e-mail)  
Bob Howard, Property Manager, Patriots Point Development Authority (by e-mail)  
William E. Craver, III, Esquire (by e-mail)  
Philip G. Wagoner, Esquire (by e-mail)  
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**Summary of the  
First Amendment to Lease and Option Agreement  
between  
Patriots Point Development Authority and The Medal of Honor Museum Foundation**

**November 21, 2017**

On July 1, 2013, Patriots Point Development Authority ("PPDA") and The Medal of Honor Museum Foundation (the "Foundation") entered two agreements: (i) a Lease Agreement (the "Museum Lease Agreement") for the Foundation to construct the National Medal of Honor Museum (the "MOH Museum"), and (ii) a Lease and Option Agreement (the "Commercial Lease and Option Agreement") giving the Foundation the option to lease additional land for the construction of a mixed-use development.

The premises governed by each agreement are located between Charleston Harbor on the west and Patriots Point Road on the east. Both the Commercial Lease and Option Agreement and the Museum Lease Agreement contemplate that a portion of Patriots Point Road (the "Old Roadbed") will be relocated to PPDA property (the "New Roadbed") to the east of its current location between the Cold War Submarine Memorial and property leased to the College of Charleston. After Patriots Point Road is relocated, part of the Old Roadbed will added to the premises under the Commercial Lease and Option Agreement, and another part of the Old Roadbed will be added to the premises under the Museum Lease Agreement. Patriots Point Road must be relocated for the Foundation to be able to construct the museum. However, after the road relocation is complete and part of the Old Roadbed has been added to the premises under the Museum Lease Agreement, the premises under the Museum Lease Agreement will not have access to the new section of Patriots Point Road located on the New Roadbed. The best solution is for the Foundation to have access from the relocated Patriots Point Road through a portion of the premises under the Commercial Lease and Option Agreement to the premises under the Museum Lease Agreement. However, it is not practical for the Foundation to exercise its option as to the entire premises under the Commercial Lease and Option Agreement in order to use only a small portion of that premises for the required access.

PPDA and the Foundation executed a First Amendment to Lease and Option Agreement dated October 25, 2017 (the "Amendment"). The Amendment subdivides the premises under the Commercial Lease and Option Agreement into two subparcels: (i) the Entrance Parcel consisting of 1.057 acres after the road is relocated, and (ii) the Remainder Parcel consisting of 6.928 acres after the road is relocated. The Amendment allows the Foundation to exercise its option to lease the Entrance Parcel without exercising its option to lease the Remainder Parcel (however, the Foundation cannot exercise its option to lease the Remainder Parcel without also exercising its option to lease the Entrance Parcel). By allowing the Foundation to exercise the option to lease the Entrance Parcel without exercising the option to lease the Remainder Parcel, the Foundation will have access from the relocated Patriots Point Road through the Entrance Parcel to the premises under the Museum Lease Agreement without incurring the obligation to pay rent for the entire premises under the Commercial Lease and Option Agreement.

The original Commercial Lease and Option Agreement contemplates that after the Foundation exercises its option to lease the property, the Foundation must begin to pay a minimum of Base Rent (an amount calculated from the Foundation's annual projected rent revenues from the property) until July 1, 2023, and after that date the Foundation must pay a minimum of Fair Market Rent. Under the Amendment, if the Foundation exercises its option to lease the Remainder Parcel (and therefore must also exercise its option to lease the Entrance Parcel), then the original rent structure continues to apply to both the Entrance Parcel and the Remainder Parcel. However, if the Foundation only exercises its option to lease the Entrance Parcel, then a modified rent structure applies for the Entrance Parcel. PPDA did not want the Foundation's obligation to pay rent on the Entrance Parcel to hinder the Foundation's ability to raise money. As a result, if the Foundation only exercises its option to lease the Entrance Parcel, then the Foundation must begin paying Fair Market Rent for the Entrance Parcel as of the date a certificate of occupancy is awarded for the National Medal of Honor Museum on the premises under the Museum Lease Agreement. If the Foundation exercises its option to lease the Entrance Parcel and then later exercises its option to lease the Remainder Parcel, then the original rent structure applies to both the Entrance Parcel and the Remainder Parcel, and the date of the certificate of occupancy is no longer relevant.

The Amendment establishes Fair Market Rent to be \$44,400 per acre as of July 1, 2017, which was the amount determined for waterfront property by the appraisals that were commissioned for the Amended and Restated Master Lease Agreement between PPDA and Patriots Annex, LLC. Fair Market Rent for the Entrance Parcel will be \$46,930.80 (1.057 acres at \$44,400 per acre). Fair Market Rent will increase each year by the percentage change in the Consumer Price Index, except that it cannot increase less than 2.5% and cannot increase more than 5% in a given year. The Fair Market Rent will increase each year regardless of whether the Foundation has exercised its options to lease the Entrance Parcel or the Remainder Parcel.

The Amendment allows the Foundation to apply for zoning for the Entrance Parcel before exercising the option to lease the Entrance Parcel so the Foundation can obtain zoning on the Museum Parcel and the entrance to the Museum Parcel.

Department of Administration Summary of Changes - PPDA/Medal of Honor Museum  
Amendment to Commercial Parcel Lease and Option Agreement

**I. Section 2.1, Option to Lease MOH Commercial Parcel – Deleted and Replaced**

Overview:

Section 2.1 of the Lease has been changed to include language subdividing the Premises into the Entrance Parcel and Remainder Parcel and providing Tenant two options for leasing. This subdivision will allow Tenant the right to exercise The Entrance Parcel Option leasing only the Entrance Parcel without having to also lease the Remainder Parcel. In the event Tenant exercises the Remainder Parcel Option to lease the Remainder Parcel, the Entrance Parcel must have already been leased or Tenant must concurrently enter into an agreement to lease the Entrance Parcel. In contrast, the only option contained in the original Lease was for Tenant to lease the entire Premises from Landlord.

Section 2.1 of both the original Lease and the First Amendment provides that until Tenant successfully exercises the option(s) granted to it by the Lease/Amendment, no Rent shall be due from Tenant. The original lease provided in Section 2.1.5 that if Tenant had exercised the option but not completed all phases of development by July 1, 2023, then Rent for the Premises was to commence July 1, 2023. This Section has been deleted in the First Amendment by Section 2.1.9.

Specifically:

- a. Section 2.1.2 of the Amendment has been added to provide that after Patriots Point Road has been relocated, the Premises will be subdivided into the Entrance Parcel and the Remainder Parcel.
- b. Section 2.1.3 of the Amendment has been added to provide that a new plat is to be prepared to show the location of the relocated Patriots Point Road and the new boundaries of the Premises, including the new boundaries of the Entrance and Remainder parcels.
- c. Section 2.1.4 of the Amendment includes language that an entrance to the MOH Museum Parcel is the only improvement Tenant is required to construct on the Entrance Parcel and that Tenant's Commencement of Construction of the improvements on the Entrance Parcel will not have any effect on the requirements for Tenant to Commence Construction of improvements on the Remainder Parcel.
- d. Section 2.1.5 of the Amendment provides that if as of the date Tenant exercises the Remainder Parcel Option, the Entrance Parcel Option has not been exercised, then Tenant must also exercise the Entrance Parcel Option.
- e. Section 2.1.6.1 of the Amendment (Section 2.1.2 in the original Lease) adds language that the two options are independent options. This added language reiterates that to exercise the Remainder Parcel Option, Tenant must have previously exercised the Entrance Parcel Option or must simultaneously exercise it with the exercise of the Remainder Parcel Option.

- f. Section 2.1.9 of the Amendment deletes Section 2.1.5 of the original Lease. Section 2.1.5 of the original Lease provided that if Tenant exercised the Option (to lease the entire Premises) and all phases of development of the Premises had not been completed by July 1, 2023, then Rent for the entire Premises was to commence on July 1, 2023.
- g. Section 2.1.10 of the Amendment (Section 2.1.6 in the original Lease) adds “and” to the list of circumstances necessary for Landlord to be able to use and develop the Premises compatible with the MOH Museum and design of the MOH Museum. Makes the section clearer that it is an inclusive list of circumstances that must exist.
- h. Changes are made throughout Section 2.1 of the Amendment to reflect the new names of the Parcels, the existence of the two options, and to reflect changes in the paragraph numbering.

**II. Section 5.2.1.3 regarding *Covenants and Conditions Precedent* – NEW**

Overview:

The First Amendment added a new Section 5.2.1.3 that provides for Landlord’s need to construct a new road (“New Landlord Entrance Road”) in the event the transactions contemplated by the “Right of Way Swap Agreement” are consummated.

Per the Amendment, Tenant shall reimburse Landlord for Landlord’s costs associated with the New Landlord Entrance Road, provided Tenant will not be responsible for reimbursing Landlord for costs in excess of 110% of the SeamonWhiteside estimate to be obtained after SFAA approval of the Amendment.

Specifically:

- a. Section 5.2.1.3 provides that if the “Right of Way Swap Agreement” transactions between Landlord and the Town of Mount Pleasant as set forth in Section 5.2.1.1 of the original Lease are consummated, then Landlord will need to construct the “New Landlord Entrance Road” to connect the New Right of Way with the north end of Landlord’s visitor parking lot.
- b. Tenant shall reimburse Landlord for Landlord’s costs associated with design and construction of New Landlord Entrance Road within 30 days of Landlord presenting documentation satisfactory to Tenant of such costs; provided Tenant will not be responsible for reimbursing Landlord for any cost in excess of 110% of the SeamonWhiteside estimate.
- c. The SeamonWhiteside estimate of the cost to design and construct the New Landlord Entrance Road is to be requested within 30 days of SFAA approval of the First Amendment.

**III. Section 5.2.1.4 regarding *Covenants and Conditions Precedent* – NEW**

- a. This new section provides that Landlord and invitees, etc. shall continue to have access along and across Old Right of Way until Tenant’s activities on the Premises or MOH Museum Parcel necessitate obstruction of the Old Right of Way

**IV. Section 9, Rent – Deleted and Replaced**

**Overview:**

In the original Lease, Tenant was to pay the sum of Base Rent and Percentage Rent along with any other required amounts beginning in the first Lease Year through June 30, 2023. Beginning July 1, 2023, Tenant was then to pay the greater of the sum of Base Rent and Percentage Rent or Fair Market Rent along with any other required amounts.

Under the First Amendment, after Tenant has exercised the Entrance Parcel Option and after a certificate of occupancy has been awarded to the MOH Museum constructed on the MOH Museum Parcel, Tenant is to pay Fair Market Rent, as well as any other amounts due on the Entrance Parcel. However, PPDA anticipates that the Tenant will not exercise the option for the Entrance Parcel until the new road is completed.

In the event Tenant exercises the Remainder Parcel Option, the rent structure will be the same as the original rent structure in the Lease. I.e., after Tenant has exercised the Remainder Parcel Option, Tenant is to pay the sum of Base Rent and Percentage Rent for the entire Premises and any other required amounts for each Lease Year through June 30, 2023; beginning July 1, 2023, Tenant is to pay the greater of the sum of Base Rent and Percentage Rent or Fair Market Rent for the entire Premises along with any other required amounts.

**Specifically:**

**a. Section 9.1 General**

- i. Section 9.1.1 of the Amendment was added to provide that after Tenant exercises the Entrance Parcel Option, Tenant is responsible for all additional rent due with respect to the Entrance Parcel and that after Tenant exercises the Remainder Parcel Option, Tenant is responsible for all additional rent due with respect to the Premises
- ii. Section 9.1.2 of the Amendment was added to provide for the payment of rent for each lease year after Tenant has exercised the Entrance Parcel Option (i.e., after a certificate of occupancy has been awarded to the MOH Museum constructed on the MOH Museum Parcel, Tenant is to pay Fair Market Rent, as well as any other amounts due on the Entrance Parcel).
- iii. Section 9.1.3 of the Amendment addresses payment of rent for the Premises as a whole after Tenant exercises the Remainder Parcel Option. As indicated above, the language in this Section 9.1.3 mirrors Section 9.1 of the original Lease covering the payment of rent for the entire Premises.

**b. Section 9.2 Base Rent**

- i. Section 9.2.1 of the Amendment added the phrase “When required by the terms of this Lease”
- ii. Sections 9.2.1.1 and 9.2.1.2 of the Amendment added language to clarify the section is addressing First Lease Years and subsequent Lease Years “in which Base Rent is due”

- iii. Section 9.2.4 of the Amendment is altered to reflect that Base Rent will not necessarily be due on Commencement Date of the Lease
  - c. Section 9.3 Percentage Rent
    - i. Section 9.3.1 of the Amendment provides that "When required by the terms of this Lease," Tenant will pay Percentage Rent as specified. The original Lease provided that "During the Term hereto," Tenant is to pay Percentage Rent as specified.
    - ii. Section 9.3.1.12 of the Amendment changed "first Lease Year" and "second Lease Year" to "a given Lease Year" and "the subsequent Lease Year" as Percentage Rent will not necessarily be paid the first Lease Year
  - d. Section 9.4 Fair Market Rent
    - i. Section 9.4.1 of the Amendment was added to provide that when required by the terms of the Lease, Tenant will pay Fair Market Rent
    - ii. Section 9.4.2 of the Amendment provides that Fair Market Rent is to increase each year by the CPI Percentage Change (between 2.5% and 5%) whereas Section 9.4.1 of the original Lease provided that the Fair Market Rent was to increase by 3%. The Amendment also removed language from the original Lease referencing the Fair Market Rent for the 11<sup>th</sup> Lease Year
    - iii. Section 9.4.3 of the Amendment (Section 9.4.2 of the original Lease) was altered to state the Fair Market Rent that has been determined by agreement as \$44,400/acre. (Section 9.4.2 of the original Lease set forth the process for determining Fair Market Rent by either agreement or appraisal.) Section 9.4.3 of the Amendment also provides that either party can request that the Fair Market Rent (of the raw land and not of any improvements) be redetermined for the 51<sup>st</sup> Lease Year.

**V. Section 13, Permits, Zoning and Land Acquisition – Deleted and Replaced**

- a. This Section was altered to reflect the division of the Premises into the Entrance Parcel and the Remainder Parcel
- b. Language was added to this Section to reflect that Landlord authorizes Tenant to apply for and obtain zoning on the Entrance Parcel prior to exercise of the Entrance Parcel Option

**VI. Section 23.9, Assignments – NEW**

- a. The new Section provides that if Tenant subleases to a third party, then Tenant will retain the right of ingress, egress, and parking over and upon the Entrance Parcel.

AGENCY: Department of Administration, Capital Budget OfficeSUBJECT: Permanent Improvement Projects

State Fiscal Accountability Authority approval is requested for the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

**Establish Project for A&E Design**

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

CHE Recommended Approval: 12/7/17

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Other, Private Citizen Donation	0.00	0.00	0.00	37,500.00	37,500.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>37,500.00</u>	<u>37,500.00</u>

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

Request: Establish project and budget for \$37,500 (Other, Private Citizen Donation Funds) to establish Phase I to prepare the schematic design and preliminary cost estimate to construct an amphitheater and student plaza on approximately 4 acres, in an outside lawn area between buildings 301 and 302, alongside Building 301 and the main entrance drive on Benson Campus. The facility will include tiered natural and bench seating, a stage, audio/visual, wireless internet, stage lighting, electrical panel service, band-shell pavilion, restroom facilities, native plant landscaping, and canopy trees. Nature trails, landscaping, and a small parking area along the main driveway into campus will also be a part of the project. The college states that an aesthetically pleasing outdoor learning environment without walls or a ceiling in the fresh air, sunshine and relaxed setting will foster an environment to enhance creative thought processes by students. The college further states that the outdoor learning experience will be valuable to artists, theatrics, language arts, humanities, and various science programs, and community activities. The area will be utilized by an estimated 900 students, 50 faculty, 30 staff and 1,000 outside visitors. The agency estimates that the completed project will cost approximately \$2,500,000. (See attachment 1 for additional annual operating costs.)

AGENCY: Department of Administration, Capital Budget Office

SUBJECT: Permanent Improvement Projects

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

Project: 9810, Statewide Armory Standalone Kitchens

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

JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: N/A

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Appropriated State	0.00	0.00	0.00	43,780.00	43,780.00
Federal, National Guard Bureau	0.00	0.00	0.00	131,340.00	131,340.00
All Sources	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>175,120.00</u>	<u>175,120.00</u>

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

Request: Establish project and budget for \$175,120 (Appropriated State and Federal, National Guard Bureau Funds) to construct a new 1,200 square foot kitchen addition at various readiness centers across the state. These readiness centers include facilities in Hemingway, Myrtle Beach, Batesburg, Edgefield, Saluda, Dillon, Conway and Walterboro. The existing kitchens at these readiness centers do not meet current building code requirements, are not in compliance with occupation, safety and health organizations and are not adequate to meet the needs of the assigned units. Adding the kitchen additions to the readiness centers will rectify these issues. The Phase I pre-design budget is requested at 10.9% of the estimated project cost and the additional amount will cover additional costs to be incurred while adapting utilities and grading requirements for each individual location. Each of these facilities are utilized by over 150 Army National Guard soldiers. The agency estimates that the completed project will cost approximately \$1,600,000. (See attachment 2 for additional annual operating costs.)

AGENCY: Department of Administration, Capital Budget Office

SUBJECT: Permanent Improvement Projects

### Phase II Increase

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

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

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>		<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Federal, USDA Facilities Grant	26,250.00	2,173,750.00	2,200,000.00	1,100,000.00	3,300,000.00	
All Sources	<u>26,250.00</u>	<u>2,173,750.00</u>	<u>2,200,000.00</u>	<u>1,100,000.00</u>	<u>3,300,000.00</u>	

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

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

AGENCY: Department of Administration, Capital Budget Office

SUBJECT: Permanent Improvement Projects

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

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

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

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

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

Request: Increase budget to \$4,200,274 (add \$600,000 Federal, USDA Facilities Grant Funds) to construct a 12,500 square foot Public Service Activity Center in the city of Charleston. In October 2013, SC State received approval from the B&CB to begin design work to construct a facility on donated property, for SC State's 1890 Research and Extension Program that would include classrooms,

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AGENCY: Department of Administration, Capital Budget Office

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SUBJECT: Permanent Improvement Projects

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

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

CHE Recommended Approval: N/A

AGENCY: Department of Administration, Capital Budget OfficeSUBJECT: Permanent Improvement Projects

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Federal, National Guard Bureau	300,366.00	14,959,784.00	15,260,150.00	136,117.54	15,396,267.54
Other, Greenville Technical College	0.00	6,000,000.00	6,000,000.00	0.00	6,000,000.00
All Sources	<u>300,366.00</u>	<u>20,959,784.00</u>	<u>21,260,150.00</u>	<u>136,117.54</u>	<u>21,396,267.54</u>

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

Request: Increase budget to \$21,396,267.54 (add \$136,117.54 Federal, National Guard Bureau Funds) to construct a new 94,000 square foot Readiness Center on South Carolina Technology and Aviation Center land leased from the City of Greenville and the County of Greenville located on Perimeter Road across from the Army Aviation Support Facility. The new Readiness Center will be a joint use building between the South Carolina Army National Guard and Greenville Technical College. Phase I was established in December 2012 and Phase II was established in October 2013 with a total projected cost of \$21,260,150. This facility will house the South Carolina Army National Guard and the Aviation School of Greenville Technical College. The Readiness Center is required to house the two units that will be using the new Army Aviation Support Facility (AASF) under construction at South Carolina Technology and Aviation Center (SCTAC). These units consist of the helicopters pilots and all the support personnel for the new Army Aviation Support Facility. The units to be housed in the Readiness Center are currently located at McEntire Joint National Guard Base. Greenville Tech's Aviation School will co-locate in the Readiness Center. The school teaches mechanics to repair various types of aircrafts. The National Guard's mechanics are now required to be trained by outside schools so with the school being co-located the mechanics can be trained on site. Additionally, it will be possible to offer other states the same training, therefore making the facility a Center of Excellence for the National Guard. The center will be utilized by 151 National Guard soldiers, 18 Greenville Tech faculty and 130 Greenville Tech students.

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

#### **Phase II Increase & Revise Scope**

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

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

<u>Source of Funding Detail</u>	<u>Original Budget Amount</u>	<u>Cumulative Changes Since Original Budget</u>	<u>Current Budget</u>	<u>Current Budget Adjustment Requested</u>	<u>Total Budget After Current Adjustment</u>
Federal, USDA Facilities Grant	20,250.00	3,079,750.00	3,100,000.00	500,000.00	3,600,000.00
All Sources	<u>20,250.00</u>	<u>3,079,750.00</u>	<u>3,100,000.00</u>	<u>500,000.00</u>	<u>3,600,000.00</u>

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

Request: Revise the scope and increase budget to \$3,600,000 (add \$500,000 Federal, USDA Facilities Grant Funds) to construct a new 1890 Extension facility at Camp Harry Daniels in Elloree for SC State. In October 2012, SC State received approval from the B&CB to begin design work to construct a facility that would include classrooms, labs, offices, a wellness room, and multi-purpose rooms. In October 2013, SC State received approval from the B&CB

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AGENCY: Department of Administration, Capital Budget Office

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SUBJECT: Permanent Improvement Projects

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

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AUTHORITY ACTION REQUESTED:

Approve permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Capital Budget Office. All items have been reviewed favorably by the Joint Bond Review Committee.

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ATTACHMENTS: Agenda item worksheet and attachments

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**ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS**  
**RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY Code H59 Name Greenville Technical College

2. PROJECT Project # 6136 Name Greenville - Benson Campus Amphitheater and Student Plaza

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS

☐ SAVINGS

☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 18-19	\$ 3,000.00	\$	\$	\$ 3,000.00
2) 19-20	\$ 3,000.00	\$	\$	\$ 3,000.00
3) 20-21	\$ 3,000.00	\$	\$	\$ 3,000.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).  
 N/A

6. Will the additional costs be absorbed into your existing budget? ☒ YES ☐ NO  
 If no, how will additional funds be provided?  
 N/A

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>		<u>AMOUNT</u>
1. Utilities, grounds maintenance		\$3,000.00
2. _____		
3. _____		
4. _____		
5. _____		
6. _____		
7. _____		
8. _____		
TOTAL		\$3,000.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. 0

9. Submitted By: Bill Tripp Bill Tripp, Project Manager October 31, 2017  
 Signature of Authorized Official and Title Date

**ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS**  
**RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY Code E24 Name Office of the Adjutant General

2. PROJECT Project # 9810 Name Statewide Armory Standalone Kitchens

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS ☐ SAVINGS ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2017	\$ 3,500.00	\$ 3,500.00	\$ 0.00	\$ 7,000.00
2) 2018	\$ 3,500.00	\$ 3,500.00	\$ 0.00	\$ 7,000.00
3) 2019	\$ 3,500.00	\$ 3,500.00	\$ 0.00	\$ 7,000.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).  
 NA

6. Will the additional costs be absorbed into your existing budget? ☒ YES ☐ NO  
 If no, how will additional funds be provided?  
 NA

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>		<u>AMOUNT</u>
1. Utilities (per facility)		\$5,000.00
2. Maintenance & Repairs (per facility)		2,000.00
3.		
4.		
5.		
6.		
7.		
8.		
TOTAL		\$7,000.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. NA

9. Submitted By: Michael J. Young Mr. Michael J. Young, State Contracting  30 Nov 2017  
 Signature of Authorized Official and Title Date

**ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS**  
**RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY Code H24 Name South Carolina State University

2. PROJECT Project # 9648 Name 1890 Extension Annex Construction - Phase II

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS      ☐ SAVINGS      ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2020	\$	\$ 73,400.00	\$	\$ 73,400.00
2) 2021	\$	\$ 73,400.00	\$	\$ 73,400.00
3) 2022	\$	\$ 73,400.00	\$	\$ 73,400.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? ☒ YES      ☐ NO  
 If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS		AMOUNT
1. Utilities		\$37,400.00
2. Operation and Maintenance		36,000.00
3. _____		
4. _____		
5. _____		
6. _____		
7. _____		
8. _____		
TOTAL		\$73,400.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By: *James Brumby, VP of Finance* 11/27/17  
 Signature of Authorized Official and Title Date

**ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS**  
**RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY Code H24 Name South Carolina State University

2. PROJECT Project # 9651 Name Charleston 1890 Extension Center Construction - Phase II

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS

☐ SAVINGS

☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2021	\$	\$ 54,285.00	\$	\$ 54,285.00
2) 2022	\$	\$ 54,285.00	\$	\$ 54,285.00
3) 2023	\$	\$ 54,285.00	\$	\$ 54,285.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget?  
 If no, how will additional funds be provided?

☒ YES

☐ NO

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>		<u>AMOUNT</u>
1. Building Maintenance, Labor & Materials		\$25,437.50
2. Custodial Labor		12,512.50
3. Custodial Materials		5,500.00
4. Building Operations:		
5. Electricity		8,580.00
6. Water		1,320.00
7. Sewer		935.00
8.		
TOTAL		\$54,285.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By:

*Jade Brumby*  
 Signature of Authorized Official and Title

11/27/17  
 Date

**ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS**  
**RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY Code E24 Name Office of the Adjutant General
2. PROJECT Project # 9770 Name Greenville Readiness Center Construction

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS      ☐ SAVINGS      ☐ NO CHANGE

- 4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2016	\$ 36,000.00	\$ 36,000.00	\$ 0.00	\$ 72,000.00
2) 2017	\$ 38,000.00	\$ 38,000.00	\$ 0.00	\$ 76,000.00
3) 2018	\$ 40,000.00	\$ 40,000.00	\$ 0.00	\$ 80,000.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).  
 N/A

6. Will the additional costs be absorbed into your existing budget? ☒ YES      ☐ NO  
 If no, how will additional funds be provided?  
 No additional federal funds will be requested to support this new facility.

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

<u>COST FACTORS</u>		<u>AMOUNT</u>
1. Electric/ Gas		\$65,000.00
2. Water/Sewer		7,000.00
3.		
4.		
5.		
6.		
7.		
8.		
TOTAL		\$72,000.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By: Michael J Young Michael J Young, State Contracting Officer 15 Dec 2017  
 Signature of Authorized Official and Title Date

**ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS**  
**RESULTING FROM PERMANENT IMPROVEMENT PROJECT**

1. AGENCY Code H24 Name South Carolina State University

2. PROJECT Project # 9649 Name Camp Harry E. Daniels 1890 Extension Facility Construction - Phase II

3. ADDITIONAL ANNUAL OPERATING COSTS / SAVINGS. (Check whether reporting costs or savings.)

☒ COSTS      ☐ SAVINGS      ☐ NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS / SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2020	\$	\$ 85,680.00	\$	\$ 85,680.00
2) 2021	\$	\$ 85,680.00	\$	\$ 85,680.00
3) 2022	\$	\$ 85,680.00	\$	\$ 85,680.00

5. If "Other" sources are reported in Column 4 above, itemize and specify what the other sources are (revenues, fees, etc.).

6. Will the additional costs be absorbed into your existing budget? ☒ YES      ☐ NO  
 If no, how will additional funds be provided?

7. Itemize below the cost factors that contribute to the total costs or savings reported above in Column 5 for the first fiscal year.

COST FACTORS		AMOUNT
1. Utilities		\$43,680.00
2. Operations and Maintenance		42,000.00
3. _____		_____
4. _____		_____
5. _____		_____
6. _____		_____
7. _____		_____
8. _____		_____
TOTAL		\$85,680.00

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. N/A

9. Submitted By: Shane Bowington, VPA of Finance      11/27/17  
 Signature of Authorized Official and Title      Date

# Permanent Improvement Project Information for January 30, 2018 SFAA Meeting

Agency/ Project No.	Agency/Project Name	Original	Date of		Phase I	Date of		Total Projected Project Cost
		Approved Budget	Approval	Amount	Approval	in CIP		
H59-6136	Greenville - Benson Campus Amphitheater and Student Plaza	N/A	N/A	N/A	\$37,500.00	N/A	Yes	\$2,500,000.00
E24-9810	Statewide Armory Standalone Kitchens	N/A	N/A	N/A	\$175,120.00	N/A	Yes	\$1,600,000.00
H24-9648	1890 Extension Annex Construction	\$26,250.00	10/30/12	\$26,250.00	10/30/12	No	\$3,300,000.00	
H24-9651	Charleston 1890 Extension Center Construction	\$37,590.00	10/31/13	\$37,590.00	10/31/13	No	\$4,200,274.00	
E24-9770	Greenville Readiness Center Construction	\$300,366.00	12/12/12	\$300,366.00	12/12/12	Yes	\$21,396,267.54	
H24-9649	Camp Harry E. Daniels 1890 Extension Facility Construction	\$20,250.00	10/30/12	\$20,250.00	10/30/12	No	\$3,100,000.00	

**Additional Information on Funding Sources for  
Higher Education Permanent Improvement Projects**

**Item (a) – Greenville Technical College – Benson Campus Amphitheater and Student Plaza**

The source of funds for pre-design is Other, Private Citizen Donation Funds, which have been received specifically for the development and construction of this project.

The source of funds for construction is anticipated to be Other, Private Citizen Donation Funds, which have been received specifically for the development and construction of this project.

The University reports that no increase in any student fee or tuition will be required for this project.

**Item (c) – South Carolina State University – 1890 Extension Annex Construction**

The source of funds for construction is Federal, USDA/NIFA 1890 Facility Grant.

The University reports that no increase in any student fee or tuition will be required for this project.

**Item (d) – South Carolina State University – Charleston 1890 Extension Annex Construction**

The source of funds for construction is Federal, USDA/NIFA 1890 Facility Grant.

The University reports that no increase in any student fee or tuition will be required for this project.

**Item (f) – South Carolina State University – Camp Harry E. Daniels 1890 Extension Facility Construction**

The source of funds for construction is Federal, USDA/NIFA 1890 Facility Grant.

The University reports that no increase in any student fee or tuition will be required for this project.

STATE FISCAL ACCOUNTABILITY AUTHORITY  
MEETING OF January 30, 2018

REGULAR SESSION  
ITEM NUMBER 4

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AGENCY: Division of Procurement Services

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SUBJECT: Waiver to Extend the Maximum Time on a Multi-term Contract for the University of South Carolina

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The University of South Carolina has asked the Division of Procurement Services to assist in seeking Authority approval to authorize the University to solicit a contract for up to ten (10) years for Food Services at the USC Aiken Campus. University officials believe a contract term of ten years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including updating and improving existing dining facilities and equipment, and constructing a new multipurpose dining facility.

---

AUTHORITY ACTION REQUESTED:

Under authority of SC Consolidated Procurement Code Section 11-35-2030(4), approve the University of South Carolina's request for a multi-term contract for Food Services USC Aiken Campus and authorize the solicitation of proposals and award of a contract for up to ten (10) years.

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ATTACHMENTS:

Agenda item worksheet; Section 11-35-2030(4) of the SC Consolidated Procurement Code;  
Letter of request from the University of South Carolina

## STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

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For meeting scheduled for: **January 30, 2018**

**Regular Session**

---

**1. Submitted by:**

- (a) Agency: Division of Procurement Services
- (b) Authorized Official Signature

  
John St. C. White  
Materials Management Officer

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**2. Subject:**

Waiver to extend the maximum time on a multi-term contract for the University of South Carolina

---

**3. Summary Background Information:**

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The University of South Carolina has asked the Division of Procurement Services to assist in seeking Authority approval to authorize the University to solicit a contract for up to ten (10) years for Food Services at the USC Aiken Campus. University officials believe a contract term of ten years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including updating and improving existing dining facilities and equipment, and constructing a new multipurpose dining facility.

---

**4. What is Authority asked to do?**

Under authority of SC Consolidated Procurement Code Section 11-35-2030(4), approve the University of South Carolina's request for a multi-term contract for Food Services USC Aiken Campus and authorize the solicitation of proposals and award of a contract for up to ten (10) years.

---

**5. What is recommendation of Authority division involved?**

Consider the University of South Carolina's request as stated above.

---

**6. Recommendation of other office (as required)?**

- (a) Authorized Signature: \_\_\_\_\_
  - (b) Division/Agency Name: \_\_\_\_\_
- 

**7. Supporting Documents:**

- A- Section 11-35-2030(4) of the SC Consolidated Procurement Code
  - B-Letter of request from the University of South Carolina
-

**SECTION 11-35-2030. Multiterm contracts.**

(1) Specified Period. Unless otherwise provided by law, a contract for supplies, services, or information technology must not be entered into for any a period of more than one year unless approved in a manner prescribed by regulation of the board. The term of the contract and conditions of renewal or extension must be included in the solicitation and funds must be available for the first fiscal period at the time of contracting. Payment and performance obligations for succeeding fiscal periods must be subject to the availability and appropriation of funds for them.

(2) Determination Prior to Use. Before the utilization of a multi-term contract, it must be determined in writing by the appropriate governmental body that:

(a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and

(b) such a contract serves the best interests of the State by encouraging effective competition or otherwise promoting economies in state procurement.

(3) Cancellation Due to Unavailability of Funds in Succeeding Fiscal Periods. When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal period, the contract must be canceled.

(4) The maximum time for a multiterm contract is five years. Contract terms of up to seven years may be approved by the designated board officer. Contracts exceeding seven years must be approved by the board.

HISTORY: 1981 Act No. 148, Section 1; 1997 Act No. 153, Section 1; 2006 Act No. 376, Section 34.



ASSOCIATE VICE PRESIDENT FOR  
BUSINESS AFFAIRS

December 12, 2017

Mr. John White  
State Fiscal and Accountability Authority  
Materials Management Office  
1201 Main St. Suite 600  
Columbia, SC 29201

Dear Mr. White:

The University of South Carolina Aiken plans to issue a Request for Proposals to select a contractor to provide its Dining and Concessions Services. The current contract received approval from the Budget and Control Board for a ten-year term and will expire on May 31, 2018. We are requesting approval to solicit and award a new contract with a maximum ten-year term.

A longer period for investments to be amortized will attract better financial proposals enabling us to construct a new multipurpose dining facility and improve our existing facilities and equipment. It is anticipated that the successful contractor will be required to provide a minimum up-front investment of \$2.5M to \$3M. We will also require that the contractor make an additional \$500,000 investment to update smallwares, equipment and facilities and that will improve the overall offerings of foods and variety in the selections.

The new contract will be structured using a methodical approach to timing investments into the existing facilities and equipment so that continuous improvements will be made throughout the contract term. We believe that a longer contract period will provide the contractor the ability to amortize any substantial up-front costs as well as other investments required in the RFP and will significantly improve the quality of the services that can be provided to the University through this contract.

Due to the nature of this contract and the circumstances stated in this request, we believe it will be in the best interest of all parties involved to have a contract with a term not to exceed 10 years to meet our dining needs. I appreciate your consideration of this request and look forward to hearing from you.

Sincerely,



Helen Zeigler

c: Venis Manigo

STATE FISCAL ACCOUNTABILITY AUTHORITY  
MEETING OF January 30, 2018

REGULAR SESSION  
ITEM NUMBER 5

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AGENCY: Division of Procurement Services

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SUBJECT: Waiver to Extend the Maximum Time on a Multi-term Contract for the University of South Carolina

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The University of South Carolina has asked the Division of Procurement Services to assist in seeking Authority approval to authorize the University to solicit a contract for up to ten (10) years for Food Services at the USC Upstate Campus. University officials believe a contract term of ten years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including improving the existing dining facilities.

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AUTHORITY ACTION REQUESTED:

Under authority of SC Consolidated Procurement Code Section 11-35-2030(4), approve the University of South Carolina's request for a multi-term contract for Food Services at the USC Upstate Campus and authorize the solicitation of proposals and award of a contract for up to ten (10) years.

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ATTACHMENTS:

Agenda item worksheet; Section 11-35-2030(4) of the SC Consolidated Procurement Code;  
Letter of request from the University of South Carolina

## STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

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For meeting scheduled for: January 30, 2018

Regular Session

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**1. Submitted by:**

- (a) Agency: Division of Procurement Services
- (b) Authorized Official Signature

  
John St. C. White  
Materials Management Officer

---

**2. Subject:**

Waiver to extend the maximum time on a multi-term contract for the University of South Carolina

---

**3. Summary Background Information:**

Section 11-35-2030(4), of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to seven years unless otherwise approved by the Authority. The University of South Carolina has asked the Division of Procurement Services to assist in seeking Authority approval to authorize the University to solicit a contract for up to ten (10) years for Food Services at the USC Upstate Campus. University officials believe a contract term of ten years will attract better financial proposals and maximize its ability to attract proposals for improving its dining program including improving the existing dining facilities.

---

**4. What is Authority asked to do?**

Under authority of SC Consolidated Procurement Code Section 11-35-2030(4), approve the University of South Carolina's request for a multi-term contract for Food Services at the USC Upstate Campus and authorize the solicitation of proposals and award of a contract for up to ten (10) years.

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**5. What is recommendation of Authority division involved?**

Consider the University of South Carolina's request as stated above.

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**6. Recommendation of other office (as required)?**

- (a) Authorized Signature: \_\_\_\_\_
  - (b) Division/Agency Name: \_\_\_\_\_
- 

**7. Supporting Documents:**

- A- Section 11-35-2030(4) of the SC Consolidated Procurement Code
  - B-Letter of request from the University of South Carolina
-

**SECTION 11-35-2030. Multiterm contracts.**

(1) Specified Period. Unless otherwise provided by law, a contract for supplies, services, or information technology must not be entered into for any a period of more than one year unless approved in a manner prescribed by regulation of the board. The term of the contract and conditions of renewal or extension must be included in the solicitation and funds must be available for the first fiscal period at the time of contracting. Payment and performance obligations for succeeding fiscal periods must be subject to the availability and appropriation of funds for them.

(2) Determination Prior to Use. Before the utilization of a multi-term contract, it must be determined in writing by the appropriate governmental body that:

(a) estimated requirements cover the period of the contract and are reasonably firm and continuing; and

(b) such a contract serves the best interests of the State by encouraging effective competition or otherwise promoting economies in state procurement.

(3) Cancellation Due to Unavailability of Funds in Succeeding Fiscal Periods. When funds are not appropriated or otherwise made available to support continuation of performance in a subsequent fiscal period, the contract must be canceled.

(4) The maximum time for a multiterm contract is five years. Contract terms of up to seven years may be approved by the designated board officer. Contracts exceeding seven years must be approved by the board.

HISTORY: 1981 Act No. 148, Section 1; 1997 Act No. 153, Section 1; 2006 Act No. 376, Section 34.



ASSOCIATE VICE PRESIDENT FOR  
BUSINESS AFFAIRS

December 12, 2017

Mr. John White  
State Fiscal and Accountability Authority  
Materials Management Office  
1201 Main St. Suite 600  
Columbia, SC 29201

Dear Mr. White:

The University of South Carolina Upstate (Upstate) will be issuing a Request for Proposals to select a contractor to provide its Dining and Concessions Services. The current contract received approval from the Budget and Control Board for a ten-year term and will expire on June 30, 2018. We are requesting approval to solicit and award a new contract with a maximum ten-year term.

Upstate has a need for improvements to be made in the facilities that support its dining program under the new contract. A dining venue is needed in its School of Business to serve the students, faculty and staff in that location and general upgrades are needed in the existing locations to enable them to function successfully for the new contract term. Having a longer period for these investments to be amortized will attract better financial proposals from the vendors who will compete for this contract.

The new contract will be structured using a methodical approach to timing investments into the existing facilities and equipment so that continuous improvements will be made throughout the contract term. We believe that a longer contract period will provide the contractor the ability to amortize any substantial up-front costs and to offer a plan for other investments that will improve the food service to be provided under the new contract.

Due to the nature of this contract and the circumstances stated in this request, we believe it will be in the best interest of all parties involved to have a contract with a term not to exceed 10 years to meet our dining needs. I appreciate your consideration of this request and look forward to hearing from you.

Sincerely,

  
Helen Zeigler

c: Venis Manigo

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AGENCY: Division of Procurement Services

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SUBJECT: Update Current Exemptions for Advertising

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Section 11-35-710 authorizes the State Fiscal Accountability Authority (the "Authority") to "exempt specific supplies, services, information technology, or construction from the purchasing procedures" of the South Carolina Consolidated Procurement Code.

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

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

The Department of Corrections has asked for the Division of Procurement Services assistance to update the advertising exemptions to include advertising in magazines and online. The Division of Procurement Services recommends this request be expanded to exempt paid advertising regardless of medium provided that before advertising in mediums other than newspapers of general circulation, on radio or television, or professional journals, the agency head determines in writing that the advertising venue is appropriate for the placement of State advertisements. This exemption shall not extend to the acquisition of services regarding the placement of paid advertising or other related services (e.g., direct mail, consultants, publicist, media specialist, communications management, public relations, media services).

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AUTHORITY ACTION REQUESTED:

Under authority of S.C. Code Section 11-35-710, update the exemptions for advertising with the following new exemption:

Regardless of medium (e.g., radio, television, newspaper, magazine, online), the acquisition of paid announcements (e.g., advertising) is exempt from the Procurement Code's purchasing procedures. This exemption does not extend to the acquisition of services regarding the placement of paid advertising or other related services (e.g., direct mail, consultants, publicist, media specialist, communications management, public relations, media services). Before advertising in mediums other than newspapers of general circulation, on radio or television, or professional journals, the agency head shall determine in writing that the advertising venue is appropriate for the placement of State advertisements.

Agencies shall submit semi-annual reports of their acquisitions under this exemption to the Division of Procurement Services. This exemption shall sunset in five years unless reauthorized by the Authority.

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ATTACHMENTS: Agenda item worksheet; Sections 11-35-710; Department of Corrections Request

## STATE FISCAL ACCOUNTABILITY AUTHORITY AGENDA ITEM WORKSHEET

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For meeting scheduled for: January 30, 2018

Green Agenda

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**1. Submitted by:**

- (a) Agency: Division of Procurement Services
- (b) Authorized Official Signature

  
John St. C. White  
Materials Management Officer

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**2. Subject:**

Update current exemptions for advertising

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**3. Summary Background Information:**

Section 11-35-710 authorizes the State Fiscal Accountability Authority (the "Authority") to "exempt specific supplies, services, information technology, or construction from the purchasing procedures" of the South Carolina Consolidated Procurement Code.

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

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

The Department of Corrections has asked for the Division of Procurement Services assistance to update the advertising exemptions to include advertising in magazines and online. The Division of Procurement Services recommends this request be expanded to exempt paid advertising regardless of medium provided that before advertising in mediums other than newspapers of general circulation, on radio or television, or professional journals, the agency head determines in writing that the advertising venue is appropriate for the placement of State advertisements. This exemption shall not extend to the acquisition of services regarding the placement of paid advertising or other related services (e.g., direct mail, consultants, publicist, media specialist, communications management, public relations, media services).

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**4. What is Authority asked to do?**

Under authority of S.C. Code Section 11-35-710, update the exemptions for advertising with the following new exemption:

Regardless of medium (e.g., radio, television, newspaper, magazine, online), the acquisition of paid announcements (e.g., advertising) is exempt from the Procurement Code's purchasing procedures. This exemption does not extend to the acquisition of services regarding the placement of paid advertising or other related services (e.g., direct mail, consultants, publicist, media specialist, communications management, public relations, media services). Before advertising in mediums other than newspapers of general circulation, on radio or television, or professional journals, the agency head shall determine in writing that the advertising venue is appropriate for the placement of State advertisements.

Agencies shall submit semi-annual reports of their acquisitions under this exemption to the Division of Procurement Services. This exemption shall sunset in five years unless reauthorized by the Authority.

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**5. What is recommendation of Authority division involved?**

Approve the request for updating the advertising exemptions.

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**6. Recommendation of other office (as required)?**

(a) Authorized Signature: \_\_\_\_\_

(b) Division/Agency Name: \_\_\_\_\_

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**7. Supporting Documents:**

A - Sections 11-35-710

B - Department of Corrections Request

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**SECTION 11-35-710. Exemptions.**

The board, upon the recommendation of the designated board office, may exempt governmental bodies from purchasing certain items through the respective chief procurement officer's area of responsibility. The board may exempt specific supplies, services, information technology, or construction from the purchasing procedures required in this chapter and for just cause by unanimous written decision limit or may withdraw exemptions provided for in this section. The following exemptions are granted from this chapter:

(1) the construction, maintenance, and repair of bridges, highways, and roads; vehicle and road equipment maintenance and repair; and other emergency-type parts or equipment utilized by the Department of Transportation or the Department of Public Safety;

(2) the purchase of raw materials by the South Carolina Department of Corrections, Division of Prison Industries;

(3) South Carolina State Ports Authority;

(4) Division of Public Railways of the Department of Commerce;

(5) South Carolina Public Service Authority;

(6) expenditure of funds at state institutions of higher learning derived wholly from athletic or other student contests, from the activities of student organizations, and from the operation of canteens and bookstores, except as the funds are used for the procurement of construction, architect-engineer, construction-management, and land surveying services;

(7) livestock, feed, and veterinary supplies;

(8) articles for commercial sale by all governmental bodies;

(9) fresh fruits, vegetables, meats, fish, milk, and eggs;

(10) South Carolina Arts Commission and South Carolina Museum Commission for the purchase of one-of-a-kind items such as paintings, antiques, sculpture, and similar objects. Before a governmental body procures the objects, the head of the purchasing agency shall prepare a written determination specifying the need for the objects and the benefits to the State. The South Carolina Arts Commission shall review the determination and forward a recommendation to the board for approval;

(11) published books, periodicals, and technical pamphlets;

(12) South Carolina Research Authority;

(13) the purchase of supplies, services, or information technology by state offices, departments, institutions, agencies, boards, and commissions or the political subdivisions of this State from the South Carolina Department of Corrections, Division of Prison Industries;

(14) Medical University Hospital Authority, if the Medical University Hospital Authority has promulgated a procurement process in accordance with its enabling provision.

**HISTORY:** 1981 Act No. 148, Section 1; 1984 Act No. 309, Section 4; 1993 Act No. 181, Section 94; 1995 Act No. 7, Part II, Section 51; 1996 Act No. 459, Section 7; 1997 Act No. 153, Section 1; 2000 Act No. 264, Section 4; 2006 Act No. 376, Section 13.



HENRY McMASTER, Governor  
BRYAN P. STIRLING, Director

November 6, 2017

Mr. John White  
Materials Management Office  
1201 Main Street Suite 600  
Columbia, SC 29201

Dear Mr. White:

As I'm sure you are aware, the South Department of Corrections has been experiencing a shortage of Corrections Officers, Medical Practitioners, Teachers, Food Service Specialists, and Trades Specialists, just to name a few. In an effort to fill our open positions, we feel it is crucial to increase exposure to the agency by purchasing advertisements in many forms in order to maximize our recruiting efforts.

In the past, we have relied on more traditional forms of advertisements: newspapers, radio, television, and the like. And while we do experience some success with those outlets, we hope to expand our exposure even further by branching out to other avenues.

Today's society is more connected now than ever, and we have advertised in media that caters to that audience. However, there are other networking sites that we could benefit from as well, those such as LinkedIn. But comparing one networking website to another would be to compare apples to oranges.

It is the hopes of this Agency that you will carefully consider our request to update the existing Procurement Exemption 1986.04.22 to include the following advertising mediums: internet, radio, television, newspapers, magazines and streaming online.

Very Respectfully,

A handwritten signature in black ink that reads "Bryan P. Stirling". The signature is stylized with a large, sweeping 'S' at the end.

Bryan P. Stirling, Director

Cc: Tom Osmer  
Kimber Craig  
Ruthie Bishop



HENRY McMASTER, Governor  
BRYAN P. STIRLING, Director

October 25, 2017

Material Management Office  
1201 Main Street, Suite 600  
Columbia, SC 29201

Mr. White:

The South Carolina Department of Corrections uses an array of advertising mediums including newspapers, radio, television, billboards, and vehicle wraps.

Due to the enhancement in technology, most of our daily business is done utilizing on-line websites. SCDC Recruiting Office is responsible for placing employment ads with numerous resources in order to obtain Correctional Officer, Nurses, Doctors, Dentist, Teachers, and other professional jobs within SCDC. As with newspaper, radio, and television, these online may only attract various individuals. SCDC would like the flexibility to place ad in multiple outlets to cover all potential clientele. Websites such as [www.Linkedin.com](http://www.Linkedin.com), [www.BranchOut.com](http://www.BranchOut.com) (achieved through Facebook), [www.Gadball.com](http://www.Gadball.com), and [www.Beyond.com](http://www.Beyond.com). Since on-line advertising varies from one website to another it is impossible to make comparisons to properly bid out this type of service.

Please consider taking this request to the board and asking them to consider updating the existing procurement exemption 1986.04.22 to include the following advertising mediums: internet, radio, television, newspapers, magazines, and streaming.

Thank you in advance for your assistance.

Sincerely,

Ruthie H. Bishop, CPPB  
Division Director of Procurement Services  
For Procurement Services  
SC Department of Corrections

Cc: Bryan Stirling  
Tom Osmer  
Kimber Craig

STATE FISCAL ACCOUNTABILITY AUTHORITY  
MEETING OF January 30, 2018

REGULAR SESSION  
ITEM NUMBER 7

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AGENCY: State Fiscal Accountability Authority

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SUBJECT: Future Meeting

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The next regular meeting of the State Fiscal Accountability Authority will be held at 9:30 a.m. on Thursday, March 8, 2018, in Room 252, Edgar A. Brown Building.

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AUTHORITY ACTION REQUESTED:

Agree to meet at 9:30 a.m. on Thursday, March 8, 2018, in Room 252, Edgar A. Brown Building.

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ATTACHMENTS:

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