

## **MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING**

**June 18, 2013 -- 10:00 A. M.**

The Budget and Control Board (Board) met at 10:00 a.m. on Tuesday, June 18, 2013, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

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

Also attending were Budget and Control Board Executive Director Marcia Adams; Chief of Staff Steve Elliott; Division Directors Les Boles, Jimmy Earley, Dianne Poston, Nolan Wiggins, and Sam Wilkins; General Counsel Paul Koch; Governor's Deputy Chief of Staff for Policy, Budget, and Cabinet Affairs Ted Pitts; Treasurer's Chief of Staff Bill Leidinger; Comptroller General's Chief of Staff James M. Holly; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Committee Chief of Staff Beverly Smith; Board Secretary Delbert H. Singleton, Jr., and other Budget and Control Board staff.

[Secretary's Note: The Board met immediately following a meeting of the State Education Assistance Authority, the members of which are the Budget and Control Board members, ex officio.]

### ***Adoption of Agenda for Budget and Control Board***

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board adopted the Budget and Control Board agenda as amended to withdraw Regular Session Item #2 (f) relating to a Clemson University permanent improvement project.

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

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved the minutes of the May 8, 2013, Budget and Control Board meeting.

### ***Blue Agenda***

Upon a motion by Senator Leatherman seconded by Mr. Eckstrom, the Board approved the blue agenda items as noted herein.

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

The Board approved the following notification of the assignment of bond counsel for conduit issues and special assignment of bond counsel for which Board approval was requested:

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$400,000,000 SC JEDA	Palmetto Health	Jones Day	Howell, Linkous & Nettles
\$14,085,000 SC JEDA	FMU Student Housing, LLC	Haynsworth Sinkler Boyd	Nexsen Pruet
\$6,500,000 SC JEDA	Partners in Hope	Pope Zeigler	Haynsworth Sinkler Boyd

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel
Facilities Improvement Revenue Bonds	Parks, Recreation and Tourism	Pope Zeigler, LLC

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

***Division of General Services: Easements (Blue Agenda Item #2)***

The Board approved the following easement in accordance with the SC Code of Laws as requested by the Division of General Services:

- (a) County Location: Saluda  
 From: Budget and Control Board  
 To: SCE&G  
 Consideration: \$700  
 Description/Purpose: To grant a 0.038 acre easement for the installation, operation and maintenance of a gas main across the Little Saluda River. The easement is part of a project to construct a new natural gas pipeline for the expansion of service in Saluda County. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.

The Board concurred and acquiesced in granting the following easement in accordance with SC Code of Laws as requested by the Division of General Services:

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- (b) County Location: Marlboro  
From: Department of Natural Resources  
To: Marlboro Electric Cooperative  
Consideration: \$1  
Description/Purpose: To grant a 0.31 acre utility easement for the installation, operation and maintenance of an electric line from Beauty Spot Road to public dove fields within the Lake Wallace Wildlife Management Area. The easement is being sought by the Department of Natural Resources for the benefit of the property.

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

***Division of General Services: Real Property Conveyances (Blue Agenda Item #3)***

The Board approved the following property conveyances as recommended by the Division of General Services:

- (a) **Agency:** **Budget and Control Board** (Dept. of Parks, Recreation & Tourism)  
Acreage: 1.03± acres  
Location: Between Hammond Road and Redcliffe Road  
County: Aiken  
Purpose: To convey a 1.03-acre tract of land in exchange for a 5.72-acre conservation easement to expand the existing Hammond Family Cemetery located at the Redcliffe Plantation State Historic Site.  
Price/Transferred To: Property exchange between PRT and the Hammond Family with the conservation easement PRT will acquire having a greater appraised value (\$48,500) than the property the Hammond Family will acquire (\$2,500).
- (b) **Agency:** **Budget and Control Board** (Adjutant General)  
Acreage: 7.6± acres  
Location: 123 Gossett Drive in Williamston  
County: Anderson  
Purpose: To transfer a surplus National Guard Armory to a political subdivision pursuant to Joint Resolution R22, H3426.  
Price/Transferred To: N/A / Town of Williamston
- (c) **Agency:** **Budget and Control Board** (Adjutant General)  
Acreage: 5± acres

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Location: 843 Miller Road in Mullins  
County: Marion  
Purpose: To transfer a surplus National Guard Maintenance Shop to a political subdivision pursuant to Joint Resolution R25, H3586.  
Price/Transferred To: N/A / City of Mullins

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

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

The Board approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: Not Exceeding \$375,000,000 Hospital Refunding and Improvement Revenue Bonds (\$204,695,068 refunding involved)  
Allocation Needed: -0-  
Name of Project: Palmetto Health  
Employment Impact: maintain at least 7,562 jobs, create 251 jobs within 12 months of completing the project and create a total of 270 within 24 months of completing the project  
Project Description: Finance the cost of the acquisition, construction, renovation and equipping of certain health care facilities of Palmetto Health in Richland County, South Carolina including without limitation an approximately 186,000-square foot building to be used as an approximately 76-bed hospital and routine capital expenditures at Palmetto Health's hospitals in Richland County, South Carolina; current refund all or a portion of the outstanding amount of the (A) \$84,950,000 South Carolina Jobs-Economic Development Authority Hospital Refunding Revenue Bonds (Palmetto Health Alliance), Series 2003A (the "Series 2003A Bonds"), (B) \$120,000,000 South Carolina Jobs-Economic Development Authority Hospital Improvement Revenue Bonds (Palmetto Health), Series 2007 (the "Series 2007 Bonds"), (C) \$67,500,000 maximum principal amount South Carolina Jobs-Economic Development Authority Hospital Improvement Revenue Bonds (Palmetto Health), Series 2010A (the "Series 2010A Bonds"), (D) \$47,500,000 maximum principal amount South Carolina Jobs-Economic Development Authority Hospital Improvement Revenue Bonds (Palmetto Health), Series 2010B (the "Series 2010B Bonds"), (E) \$10,000,000 maximum principal amount South Carolina Jobs-Economic Development Authority Hospital Improvement Revenue Bonds (Palmetto Health), Series 2010C (the "Series 2010C Bonds"), and (F) \$90,000,000

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maximum principal amount South Carolina Jobs-Economic Development Authority Hospital Improvement Revenue Bonds (Palmetto Health), Series 2010D (the “Series 2010D Bonds” and, together with the Series 2003A Bonds, the Series 2007 Bonds, the Series 2010A Bonds, the Series 2010B Bonds and the Series 2010C Bonds, the “Prior Bonds”); fund one or more debt service reserve funds; pay a portion of interest on the Bonds; provide working capital; and pay certain costs of issuance with respect to the Bonds and the refunding of the Prior Bonds.

*Note:*

*private sale, for public reoffering thereafter*

Bond Counsel:  
(Exhibit 4)

David J. Kates, Jones Day

- b. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: Not Exceeding \$6,500,000 Healthcare Facilities Revenue Bond Anticipation Notes  
Allocation Needed: -0-  
Name of Project: Partners in Hope, Inc.  
Employment Impact: expected to provide employment for approximately 23 people within 12 months and a total of 33 people within 24 months when the project is placed in full operation  
Project Description: acquisition of land and construction, furnishing, and equipping of a 38,986 square-foot 60-bed assisted living facility and senior center to be located on an 11.12 acre site on Watson-Heritage Road in Loris  
*Note:* *underwriting by a financial institution for public distribution thereafter*  
Bond Counsel: Josiah C. T. Lucas, Pope Zeigler, LLC  
(Exhibit 5)

***Executive Director: Economic Development (2013 Ceiling Allocation)(Blue Item #5)***

The initial balance of the 2013 state ceiling allocation is \$448,753,685. In accord with Code Section 1-11-520, \$179,501,474 (40% of the total) was designated as the state pool and \$269,252,211 (60% of the total) was designated as the local pool. There is presently a state ceiling balance of \$448,753,685 remaining for 2013. Allocation requests for 2013 totaling \$36,000,000 have been received thus far.

The recommendation for allocations for this cycle total \$30,000,000. The following recommendation is for allocation from the state pool:

SEAA Student Loan Revenue Bonds, \$30,000,000.

Approval of the recommended request, this will leave an unexpended state ceiling balance of \$418,753,685 (state pool - \$149,501,474 local pool - \$269,252,211) to be allocated later in the calendar year.

In accord with Code Section 1-11-500 et seq., the Board granted the following tentative ceiling allocation from the state pool prior to July 1 because the positive impact upon the State is of such significance that approval of the allocation prior to July 1 is warranted:

SEAA Student Loan Revenue Bonds, \$30,000,000.

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

***Executive Director: Update – Identity Theft RFP (Regular Session Item #1)***

The Board received as information an update on the Identity Theft Request for Proposal. Ms. Adams provided the Board with an update on the Identity Theft RFP. She advised the Board that a Request for Information (RFI) was issued on May 20, 2013, to survey available products and services in the market place concerning identity theft protection. She said responses from 14 vendors were received and, as a result, staff had additional questions for the vendors and have received responses to those questions. She stated that a working group comprised of representation from the Board's Divisions of Procurement Services and State Information Technology, the Department of Consumer Affairs, the Department of Revenue, the Governor's Office, and subject matter experts from the FTC has begun drafting the RFP. Ms. Adams noted that the RFP will consider products for identity theft protection services and identity theft resolution services. She stated that consideration is also being given to the level of customer service that will be asked for to ensure that the State's citizens are served effectively. She commented that the goal is to have the final draft of the RFP by July 1st. She noted that the services are subject to an appropriation in the budget. She stated that the RFP will not be issued until it is approved by the Board and the Board gives direction to issue it. Ms. Adams advised the Board that the RFP should be issued by mid-July if a contract is to be in place to assist the first citizens who will roll off of the existing contract on October 25th.

Governor Haley asked if assurance will be given that there is no lapse of coverage. Ms. Adams reiterated that the RFP needed to be issued by mid-July to ensure there is no lapse of coverage. She stated that staff is on target to have the RFP drafted by July 1st and it will need to be reviewed. She said depending on the appropriation and the proviso relating to identity theft protection the RFP would be issued with the Department of Revenue administering the resulting contract if the proviso is approved.

Senator Leatherman asked whether the timeframe for coverage included time for a potential protest. Ms. Adams responded that time for protest of the RFP has been built into the solicitation process. She said in working with the Division of Procurement Services staff took the date of October 25th and worked backwards to allow time for a protest period and an evaluation period. Mr. Eckstrom asked for an explanation of the significance of the October date. Ms. Adams said that October 25th is the date that the first enrollees enrolled under the present contract with Experian will have services lapse. She said a contract would have to be in place by that time to avoid a lapse in coverage. Information relating to this matter has been retained in these files and is identified as Exhibit 7.

***Division of State Budget: Permanent Improvement Projects (Regular Session Item #2)***

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved (except as otherwise noted herein) 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 7-2013: JBRC Item 1. College of Charleston  
Project: 9652, Addlestone Library Adaptation  
Funding Source: \$75,000 Other, Capital Improvement Project Funds which are revenues generated by the \$744 per semester Capital Improvement Fee that are in excess of the current annual debt service related to Academic and Administrative Facilities Bonds.  
Request: Establish project and budget for \$75,000 (Other, Capital Improvement Project Funds) to begin design work to make adaptations to the interior of the Addlestone Library at the College of Charleston. The eight-year old library was designed with the flexibility to use compact shelving in order to make

adaptations to the floor space as space needs change. The work will include installing 35,000 linear feet of compact shelving for the general book collection, adding 168 general purpose seats, three new group study rooms and a new 50-seat modular lecture/classroom, and expanding seating in the Special Collections reading room. These adaptations are needed to increase space for rare books and manuscripts provided by the SC Historical Society, to provide students and faculty with space to more effectively collaborate on digital projects, and to meet library seating needs, which currently can only accommodate 13% of the student body at one time. The agency's internal estimated cost of this project, prior to A&E pre-design being done, is \$5 million. The proposed sources of funds for construction are Other, Capital Improvement Project Funds and Other, Private funds.

- (b) Summary 7-2013: JBRC Item 2. Clemson University  
Project: 9911, CU-ICAR Advanced Powertrain Lab Upgrade  
Funding Source: \$75,000 Other, Maintenance and Stewardship Funds which are comprised of tuition, matriculation and other debt retirement and plant transfer revenues that are restricted to support capital investments and that are not formally obligated to fund debt service in the current period.  
Request: Establish project and budget for \$75,000 (Other, Maintenance and Stewardship Funds) to begin design work to upgrade the Advanced Powertrain Lab at the Campbell Graduate Engineering Center on Clemson's ICAR campus. The work in the 1,900 square foot lab will include replacing the lab floor to provide additional foundations to support new equipment, upfitting the interior to create three testing chambers or cells, and upgrading electrical power, transformer, HVAC, and information technology systems to support the space. The center currently has only one test cell which has become a bottleneck. The upgrade to provide three new test cells will enable work on the integration of alternative powertrains and investigations of advanced internal combustion engine technologies, energy storage and vehicle electrification. It will prepare the Campbell Graduate Engineering Center for expected further expansion of activities in powertrain research. The agency's internal estimated cost of this project, prior to A&E pre-design being done, is \$2.3 million. The proposed source of funds for construction is Other, Maintenance and Stewardship Funds.
- (c) Summary 7-2013: JBRC Item 3. Coastal Carolina University  
Project: 9599, Williams Brice Renovation  
Funding Source: \$34,500 Other, Renovation Reserve/Plant Expansion funds which derive from a \$150 per fulltime student per semester fee to be used for renovations, repairs, additions to existing facilities and for acquisitions for plant expansion.  
Request: Establish project and budget for \$34,500 (Other, Renovation Reserve/Plant Expansion funds) to begin design work to renovate portions of the Williams Brice Building at Coastal Carolina. The work on the recreation and academic facility will include replacing a portion of the roof, replacing the HVAC

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system, main switchgear and floor and wall tiles at the pool, and upfitting the interior to include painting, installing new carpet and replacing ceiling tiles. The building is 41 years old and the renovations will address maintenance needs of the facility. The agency's internal estimated cost of this project, prior to A&E pre-design being done, is \$2.3 million. The proposed source of funds for construction is Other, Renovation Reserve/Plant Expansion funds.

(d) Summary 7-2013: JBRC Item 4. Vocational Rehabilitation Department

Project: 9597, Walterboro VR Center Reroofing

Funding Source: \$11,000 Other, Work Training Center Program Income which is revenue generated by production contracts in work training centers, offset by client wages and other production costs.

Request: Establish project and budget for \$11,000 (Other, Work Training Center Program Income funds) to begin design work to reroof the Walterboro VR Center for the Department of Vocational Rehabilitation (VR). The work will include removing the existing roof, applying a new vented built-up roofing system with associated flashings and metal work, and removing asbestos-containing soffit material. The roof is approximately 24 years old, well past its life expectancy, and has developed leaks that have been repaired. It needs to be replaced before water deteriorates the roof decking, ceiling and building contents. The agency's internal estimated cost of this project, prior to A&E pre-design being done, is \$410,000. The proposed source of funds for construction is Other, Work Training Center Program Income funds.

(e) Summary 7-2013: JBRC Item 5. Department of Mental Health

Project: 9727, Roddey Nursing Home Roof Replacement

Funding Source: \$50,000 Other, Legal Settlement funds which are one time funds received from legal settlements with the chemical providers in the Fire Retardant Treated Wood mediation settlement agreements for Roddey, Morris Village and Bryan Psychiatric Hospital.

Request: Establish project and budget for \$50,000 (Other, Legal Settlement funds) to begin design work to replace the roof on the Department of Mental Health's Roddey Nursing Home in Columbia. The work will include replacing the purlins, plywood decking, fascia framing, metal fascia and shingles. The existing roof is 22 years old, leaking, and in poor condition. When it was reroofed in 1991, plywood deck and shingles were installed over existing fire retardant treated wood (FRTW) decking. The FRTW purlins and deck are splitting and cracking at numerous locations and need to be replaced or the FRTW materials will continue to deteriorate over time, creating a safety issue. The agency's internal estimated cost of this project, prior to A&E pre-design being done, is \$4 million. The proposed source of funds for construction is Other, Legal Settlement funds.

**Establish Construction Budget**

- (f) Summary 7-2013: JBRC Item 6. Clemson University **CARRIED OVER**  
Project: 9903, Watt Innovation Center Construction  
Funding Source: \$30,543,000, which includes \$27,043,000 Institution Bond that is general obligation debt of the State backed by a pledge of University tuition and fees and \$3,500,000 Other, Private Gift funds which are amounts received from individuals, corporations and other entities that are to be expended for their restricted purposes.  
Request: Increase budget to \$30,543,000 (add \$30,300,000: \$27,043,000 Institution Bond and \$3,257,000 Other, Private Gift funds) to construct an approximately 70,000 square foot cutting edge facility at Clemson. The project was established in June 2012 for pre-design work which is now complete. The work will include constructing a new facility for teaching and research in science, technology and engineering that will include studios, smart classrooms and project areas with flexible infrastructure to serve the needs of an increasingly diverse student community and to accommodate current and emerging technologies with minimal cost and effort. The new facility is needed to address key University goals of providing for student leadership and related opportunities, to leverage the university's information technology investments and assets, and to introduce teaching and research modules based on the university's core competencies and marketplace relevance. It also addresses the campus's less than adequate classroom space. The facility will be constructed to LEED Silver certification and will include sustainable sites, energy and atmosphere, indoor environmental quality and other measures. The LEED cost benefit analysis shows a negative cost benefit of \$320,000 based on preliminary figures, but Clemson staff anticipate the negative benefit will be negligible once the design nears completion. The agency reports the total projected cost of this project is \$30,543,000 and additional annual operating costs ranging from \$240,000 to \$254,616 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is August 2013 and for completion of construction is December 2015. (See Attachment 1 for this agenda item for additional annual operating costs.)
- (g) Summary 7-2013: JBRC Item 7. University of South Carolina  
Project: 9905, Hamilton College Renovation  
Funding Source: \$15,000,000, which includes \$14,700,000 Other, Institutional Capital Project Funds which are generated from a portion of tuition and fees designated for Bond and Renovation Reserve and \$300,000 Capital Improvement Bond funds authorized in 1997 and previously approved for use in this project.  
Request: Increase budget to \$15,000,000 (add \$14,700,000 Other, Institutional Capital Project Funds) to renovate the two wings of Hamilton College at USC. The project was established in April 2001 for design work but has been delayed

because of lack of funding for a comprehensive renovation. The full renovation of the Pendleton Street wing will include reconfiguring interior space, installing an intermediate floor within existing space and adding an elevator and, in the Pendleton and Pickens Street wings, additional work will include upgrading the HVAC system, connecting to the central steam and chilled water systems, installing a fire sprinkler system, upgrading the fire alarm system, and restoring windows. The renovation will create a three-story comprehensive unit to consolidate departmental offices, classrooms and programs for the College of Social Work, currently located in five buildings across campus, and will address deferred maintenance needs. The renovation will be constructed to LEED Silver certification and will include sustainable sites, energy and atmosphere, indoor air quality and other measures. The LEED cost benefit analysis shows a positive cost benefit of \$751,623 over 30 years. The agency reports the total projected cost of this project is \$15 million and additional annual operating costs ranging from \$94,865 to \$109,865 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is April 2014 and for completion of construction is August 2015. (See Attachment 2 for this agenda item for additional annual operating costs.)

(h) Summary 7-2013: JBRC Item 8. University of South Carolina

**Project:** 6090, Indoor Practice Facility Construction

**Funding Source:** \$14,550,000, which includes \$12,100,000 Athletic Revenue Bond funds which are bonds authorized to raise money to provide permanent financing for the costs of construction, enlargement of, and improvements to Williams-Brice Stadium and other athletic facilities and \$2,450,000 Athletic Operating funds which are generated from athletic revenues consisting of ticket sales, SEC Conference distributions, Gamecock Club contributions, seat premiums, and corporate sponsorships.

**Request:** Increase budget to \$14,550,000 (add \$14,340,000: \$12,100,000 Athletic Revenue Bond and \$2,240,000 Athletic Operating funds) to construct an indoor football practice facility for USC. The project was established in November 2011 for pre-design work which is now complete. The work will include constructing a 100,280 square foot building large enough to contain a regulation size football field and tall enough to accommodate field goal kicking with support facilities including restrooms, storage and training rooms, and parking. The building will provide a safe environment for student-athletes to practice during inclement weather including storms or extreme heat and humidity when heat exhaustion is possible and will also occasionally serve as a practice facility for soccer, baseball and softball. The facility will be constructed to LEED Silver certification and will include sustainable sites, energy and atmosphere, indoor environmental quality and other measures. The LEED cost benefit analysis shows a positive cost benefit of \$1,516,704 over 30 years. The agency reports the total projected cost of this project is \$14,550,000 and additional annual operating costs of \$387,683 will result in the three years

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following project completion. The agency also reports the projected date for execution of the construction contract is March 2014 and for completion of construction is February 2015. (See Attachment 3 for this agenda item for additional annual operating costs.)

- (i) Summary 7-2013: JBRC Item 9. University of South Carolina  
Project: 6098, Sumwalt Laboratory Renovations  
Funding Source: \$1,934,000 Other, Institutional funds which are funds available to the University from a variety of sources including tuition and fees, sales and services activities, and other miscellaneous sources.  
Request: Increase budget to \$1,934,000 (add \$1,905,500 Other, Institutional funds) to renovate approximately 5,070 square feet in the Sumwalt Building at USC to provide three additional teaching labs. The project was established in January 2013 for pre-design work which is now complete. The work will include demolishing existing partitions and fixtures, installing new partitions, ceilings, finishes, lab equipment and furniture, and reconfiguring the mechanical, electrical and plumbing systems to accommodate the new lab functions. Additional lab space is needed to meet current student demand for introductory and intermediate science lab courses in the College of Arts and Sciences. Energy savings and conservation measures will include installing mechanical supply and exhaust systems with variable volume technology to reduce airflow when space load requirements are satisfied. The agency reports the total projected cost of this project is \$1,934,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is December 2013 and for completion of construction is July 2014.
- (j) Summary 7-2013: JBRC Item 10. University of South Carolina  
Project: 6099, Broadcast Studio Construction  
Funding Source: \$1,500,000, which includes \$1,200,000 Other, Institutional funds which are funds available to the University from a variety of sources including tuition and fees, sales and services activities and other miscellaneous sources and \$300,000 Other, Private funds which are donations and gifts to the University.  
Request: Increase budget to \$1,500,000 (add \$1,477,500: \$1,177,500 Other, Institutional and \$300,000 Other, Private funds) to construct a broadcast studio adjacent to the Health Sciences Building that will be renovated to house the College of Mass Communications and Information Studies at USC. The project was established in January 2013 for pre-design work which is now complete. The work will include demolishing an existing greenhouse and constructing a 1,315 square foot facility with an open studio, an office/green room, restrooms and storage areas. The existing single studio is used by the capstone senior program and broadcast classes that require studio production time which creates scheduling challenges and results in studio time not being available for other uses. The new studio will act as a communications hub that will serve the university as a whole while enhancing the curriculum and student

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experience by creating additional opportunities to practice live reporting techniques. Energy savings and conservation measures will include the installation of energy efficient lighting, occupancy sensors, and mechanical systems, tinted window glass, rigid insulation, and low flow plumbing fixtures. The agency reports the total projected cost of this project is \$1,500,000 and additional annual operating costs of \$15,966 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is September 2014 and for completion of construction is July 2015. (See Attachment 4 for this agenda item for additional annual operating costs.)

- (k) Summary 7-2013: JBRC Item 11. University of South Carolina  
Project: 6103, Carolina Stadium Repairs  
Funding Source: \$4,965,000 Athletic Operating funds which are generated from athletic revenues consisting of ticket sales, SEC Conference distributions, Gamecock Club contributions, seat premiums and corporate sponsorships.  
Request: Establish project and budget for \$4,965,000 (Athletic Operating funds) to stabilize, replace and repair construction in the left field corner at USC's Carolina Stadium which has been subject to cracking and settlement. The project is being established for design and construction in response to an emergency procurement which was recently bid. The work will include removing existing concourse slab seating and associated fixtures in the left field concourse area, installing a micropile system for structural support and sub-soil stabilization, installing new concrete slabs, metal pipe and grout infill, and expanding the dewatering system. Extensive investigations have been conducted since water infiltration in the left field grounds area and cracking and settlement in the left field concourse area were observed. Repairs are required to stabilize sub-surface voids with grout injection, stabilize the structure, and control groundwater movements throughout the left field area. Energy savings and conservation measures are not applicable to this repair project. The agency reports the total projected cost of this project is \$4,965,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the first construction contract is June 2013 and for completion of all construction is February 2014.
- (l) Summary 7-2013: JBRC Item 12. Governor's Office - Veterans Affairs  
Project: 9522, MJ Dolly Cooper Veterans Cemetery Areas I and J Expansion  
Funding Source: \$2,452,465 Federal funds which come from a grant from the Federal Department of Veterans Affairs specifically for this project.  
Request: Increase budget to \$2,452,465 (add \$2,201,941 Federal funds) to add additional crypts at the MJ Dolly Cooper Veterans Cemetery in Anderson for the Governor's Office Department of Veterans Affairs. The project was established in May 2011 for pre-design work, increased to do additional design work during 2012, and was recently bid to meet federal VA requirements for

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funding. The work will include constructing an additional 1,995 double depth, in-ground crypts in existing Areas I and J and installing in-ground irrigation systems in Areas H, I and J, a drainage system, and a retaining wall. The work is needed because all in-ground crypts have been exhausted. The additional crypts will provide for burial of up to 3,990 veterans and eligible dependents. Energy savings and conservation measures are not applicable to this site development project. The agency reports the total projected cost of this project is \$2,452,465 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is June 2013 and for completion of construction is January 2014.

- (m) Summary 7-2013: JBRC Item 13. Governor's School for the Arts and Humanities  
Project: 9513, SCGSAH Administration Building Construction  
Funding Source: \$2,250,000 which includes \$1,250,000 Appropriated State funds previously approved for this project from FY 12-13 Proviso 90.20, \$600,000 Appropriated State funds carried forward to FY 12-13 and \$400,000 Other, Foundation Gift funds from the Governor's School for the Arts Foundation.  
Request: Increase budget to \$2,250,000 (Add \$1,000,000: \$600,000 Appropriated State and \$400,000 Other, Foundation Gift funds) to construct a welcome center and administration building for the Governor's School for the Arts and Humanities in Greenville. The project was established in October 2012 for pre-design work which is now complete. The 11,413 square foot facility will be the welcome center for prospective students and donors and will include enrollment and outreach spaces, administrative offices, the print shop, and programmatic and presentation space for the dance and drama programs. Currently, visitors must walk through campus with no supervision to find the admissions and outreach offices. The new facility will allow visitors to access these offices without entering the main part of campus. It will strengthen the dance and drama programs and free up space in existing buildings for the new film and animation programs. Energy savings and conservation measures will include the installation of energy efficient building envelope, lighting and mechanical systems. The agency reports the total projected cost of this project is \$2,250,000 and additional annual operating costs of \$9,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is September 2013 and for completion of construction is July 2014. (See Attachment 5 for this agenda item for additional annual operating costs.)
- (n) Summary 7-2013: JBRC Item 14. Department of Mental Health  
Project: 9703, Bryan Hospital C&A Renovation and Addition  
Funding Source: \$13,759,850 Other, Operating Revenue funds which are Medicaid fee-for-service earned revenues from DMH contracts with Health and Human Services to provide Medicaid clinical services.  
Request: Increase budget to \$13,759,850 (add \$12,953,850 Other, Operating Revenue

funds) to renovate and construct new space at the Bryan Psychiatric Hospital for the Department of Mental Health's Child and Adolescent (C&A) programs. The project was established in September 2006 to originally construct a new facility and revised in October 2012 to begin pre-design work to renovate Bryan Hospital instead, which is now complete. The work will include constructing approximately 21,000 square feet of new space to house C&A admissions and administration and reconfiguring, renovating and improving building systems in five existing buildings to provide housing, classrooms, dining and activity spaces for the C&A programs. The work is needed to relocate the C&A programs from the Bull Street campus because of excessive costs to renovate Hall Institute buildings and to make available 18 additional acres on the Bull Street campus to be sold. Energy savings and conservation measures will include the installation of energy efficient roof, wall, and window insulation, energy efficient HVAC components, lighting and power systems, and low flow plumbing fixtures. The agency reports the total projected cost of this project is \$13,759,850 and annual operating cost savings of \$335,057 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is March 2014 and for completion of construction is April 2015. (See Attachment 6 for this agenda item for annual operating cost savings.)

### **Increase Budget**

- (o) Summary 7-2013: JBRC Item 15. State Museum  
Project: 9501, Observatory/Planetarium/Theater Construction  
Funding Source: \$21,034,478, which includes \$20,534,478 Capital Improvement Bond, Capital Reserve Fund, Appropriated State and Other, Foundation funds previously approved for the project and \$500,000 Other, Foundation Cash funds provided by the State Museum Foundation from funds raised during its comprehensive capital campaign for construction and operational needs for this project.  
Request: Increase budget to \$21,034,478 (add \$500,000 Other, Foundation Cash funds) to provide additional funding to complete the observatory, planetarium and theater at the State Museum. The project construction budget was established in June 2010 and the project is under construction. Since that time, additional design and project bids have determined additional funds are needed due to four factors, underestimated scope in theatrical and exhibit lighting, sound quality requirements in the 4D theater and planetarium, the complexity of construction in the outer dome of the planetarium, and changes in fire protection requirements. The additional funds will be provided from donations to the State Museum Foundation that are restricted by donors to support the construction and operational needs of the project. Energy savings and conservation measures will include the installation of energy efficient HVAC and lighting systems and low flow plumbing fixtures. The agency reports the total projected cost of this project is \$21,034,478 and additional annual

operating costs of \$1.6 million will result in the three years following project completion. The agency also reports the project is currently under construction and the projected date for completion of the construction contract is May 2014. (See Attachment 7 for this agenda item for additional annual operating costs.)

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

***Division of General Services: College of Charleston Lease – Fitness Center (Regular Item #3)***

The College requested approval to lease 17,764 SF of space on the first floor of the building located at 50 George Street in downtown Charleston from Charleston College Housing LLC. The facility will be used for a Fitness Center.

Improved fitness facilities are important to the College of Charleston's strategic goal of educating the whole student. There are currently two small fitness areas located in the Stern Student and Silcox Centers, and the College has a contract with East Shore Athletic Club (ESAC) ending August 14, 2013, that provides students non-exclusive access to its 5,000 SF facility located about a half mile from campus. These facilities are inadequate to meet the needs of the student body, and they are not centrally located. Additionally, the Stern Student Center and Silcox both have core space needs, and the fitness areas occupy valuable space that prevents them from growing in place.

The College's 2012 Campus Master Plan identified the need for an adequately sized student fitness center located near the core of campus. To that end, the College has identified a 17,764 square foot fitness facility located in a privately-owned building that is being constructed adjacent to the center of campus at 50 George Street. The size of this space and its proximity to campus make it an ideal solution to their fitness facility needs. The space will be available August 30, 2013, and will be ready for immediate occupancy.

There are no other fitness facilities or suitable spaces with a comparable number of square feet located adjacent to the campus.

The initial term of the lease is for ten (10) years beginning on August 30, 2013, with two potential ten (10) year renewal periods. The cost per square foot during the first year of the initial term is \$27.31/RSF, for an annual aggregate amount of \$485,134.84. For the remainder of the initial term, basic rent shall be adjusted annually for any change in the U.S. City Average

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Consumer Price Index for all Urban Consumers (CPI-U) based on the percent change in the monthly index for June of each year, subject, however, to a 3% cap on annual increases over the immediately preceding year, regardless of whether the percent change in the CPI-U is higher than said cap. Basic Rent at the beginning of each renewal term shall be increased to fair market value as determined by three MAI designated appraisers doing business in Charleston, South Carolina, one of which is chosen by each of Landlord and Tenant, and the third of whom is chosen by the two appraisers so designated, and thereafter increased by the same CPI-U, not to exceed a three (3%) percent increase each lease year.

Lease payments will be funded with College fees. No fee increase will be associated with this lease. For the purpose of this request, the College estimates a three percent escalation per year.

Based on the NTE (Not to Exceed) data, the total estimated lease cost over the ten (10) year term is \$5,561,527 with an average annual cost of \$556,153 as follows:

Year	Basic Rent PSF (Rounded)	Maximum Basic Annual Rent	Monthly Maximum Basic Rent
1	\$27.31	\$485,134.84	\$40,427.90
2	\$28.13	\$499,688.89	\$41,640.74
3	\$28.97	\$514,679.55	\$42,889.96
4	\$29.84	\$530,119.94	\$44,176.66
5	\$30.74	\$546,023.54	\$45,501.96
6	\$31.66	\$562,404.24	\$46,867.02
7	\$32.61	\$579,276.37	\$48,273.03
8	\$33.59	\$596,654.66	\$49,721.22
9	\$34.60	\$614,554.30	\$51,212.86
10	\$35.63	\$632,990.93	\$52,749.24
<b>Total</b>		<b>\$5,561,527.26</b>	
<b>AVG</b>	<b>\$31.31</b>	<b>\$556,152.73</b>	<b>\$46,346.06</b>

The College will purchase fitness equipment with an estimated cost of less than \$500,000. Parking is not included as part of the lease. The requested lease does not include maintenance or utilities, and the College estimates an additional \$124,348 will be incurred per year.

The College of Charleston has adequate funds for the lease according to a Budget Approval

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Form, which also includes a multi-year plan.

The lease was approved by the Commission on Higher Education at its meeting on May 2, 2013.

Appearing before the Board on behalf of the College of Charleston was Steve Osborne, Executive Vice President for Business Affairs. Mr. Eckstrom asked how the College knows that it is entering into this lease, or the lease in regular session item #4, at market rates. He asked if there was a competitive process the College pursued in arranging the lease. Mr. Osborne said that a little more than a year ago the College of Charleston put out an RFP for a residence hall and a fitness center. Mr. Eckstrom asked if the RFP was for a lease or construction to which Mr. Osborne replied it was for construction. He said that they received two responses and that one was nonresponsive because the proposed site was on the peninsula and the second response was at the present site. He said the RFP had an opening date of August 2014 and the developer responded with a proposed date of August 2013. He said the College did not feel that would give them time to get everything done and the developer time for construction. He said as a result they did not go forward with the RFP, but the developer decided to go forward with the project privately and has constructed an eight story building that is virtually on the campus. Mr. Eckstrom asked if this is college property. Mr. Osborne said that it was not college property, but is parking lot space they once leased. He said the developer purchased the parking lot space and built a residence hall with a fitness center on the first floor. He said with regard to the fitness center the College thought it was in its best interest to lease a fitness center rather than build one.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the proposed lease of 17,764 SF of space for the College of Charleston at 50 George Street in Charleston from Charleston College Housing, LLC, for ten (10) years beginning on August 30, 2013, with two potential ten (10) year renewal periods. The exercise of the renewal periods must be approved by the Board. Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

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

*Division of General Services: College of Charleston Lease – Fountain Walk (Regular #4)*

The College requested approval to lease 41,000 SF of space at Fountain Walk located at 360 Concord Street in downtown Charleston from R. E. R. Investments, Limited Company. The facility will be used for offices, classrooms, art studios and science labs.

This is a prime location as the property is adjacent to a parking garage already used by the College as well as a public transportation stop. The site is also within walking distance of the main campus. The College will begin the renovation of the Rita Hollings Science Center and Simons Center for the Arts (two major academic buildings) within the next 12 months. This will require the relocation of occupants for the duration of the renovations. There is also the need to complete renovations and reconfigurations of existing space to meet the programmatic needs of academic and administrative units. The College does not have available space on campus to accommodate the shifts of these departments. Therefore, the College is seeking a long-term lease solution in the immediate downtown Charleston area.

The initial term of the lease is for seven years beginning on January 1, 2014 and ending on December 31, 2020, with one renewal period of seven additional years. The cost per square foot during the first year of the initial term is \$29/RSF, for an annual aggregate amount of \$1,189,000. For the remainder of the initial term and for the extended term, basic rent shall be adjusted annually for any change in the U.S. Consumer Price Index for all Urban Consumers (CPI-U) based on the percent change in the monthly index for April of each year, subject, however, to a 3% cap on annual increases over the immediately preceding year, regardless of whether the percent change in the CPI-U is higher than said cap. The rate includes all expenses with the exception of utilities, which will be the responsibility of the College. The utility expense estimate is \$3.50/SF. Additionally, the landlord has agreed to provide \$30/SF in upfit costs.

Lease payments will be funded with College fees. No fee increase will be associated with this lease. Based on the NTE (Not to Exceed) data, the total estimated lease cost over the seven year term is \$9,110,667.53.

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Year	Basic Rent PSF (Rounded)	Maximum Basic Annual Rent	Monthly Maximum Basic Rent
1	\$29.00	\$1,189,000.00	\$99,083.33
2	\$29.87	\$1,224,670.00	\$102,055.83
3	\$30.77	\$1,261,410.10	\$105,117.51
4	\$31.69	\$1,299,252.40	\$108,271.03
5	\$32.64	\$1,338,229.98	\$111,519.16
6	\$33.62	\$1,378,376.87	\$114,864.74
7	\$34.63	\$1,419,728.18	\$118,310.68
<b>Total</b>		<b>\$9,110,667.53</b>	
<b>AVG</b>	<b>\$31.74</b>		<b>\$108,460.33</b>

There will be an additional 14,000 SF available for lease in mid to late 2014. The College anticipates a need to lease this space as well. The requested action amount does not account for this additional square footage. Separate approval of this space will be sought through a lease amendment.

Comparables of similar state agency space and other commercial property lease rates in the Charleston area are as follows:

Agency/Location	Rate/SF
SC Department of Revenue 1 South Park Circle	\$27.32
Vacant 25 Calhoun Street	\$35.00
Vacant 40 Calhoun Street	\$32.50

The College of Charleston has adequate funds for the lease according to a Budget Approval Form, which also includes a multi-year plan.

The lease was approved by the Commission on Higher Education at its meeting on May 2, 2013.

Appearing before the Board on behalf of the College of Charleston was Steve Osborne, Executive Vice President for Business Affairs. Mr. Eckstrom said his question is the same as before and asked how the College knows that it is entering into this lease at market rate. He noted that there is a different base rent and that the building is configured as a classroom building. Mr. Osborne stated the building will be configured for classrooms and that there will

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be some upfitting costs. He said the space will be converted into classrooms, labs, and academic office space. He noted that the College will renovate the Hollings Science Center and this space will be used as swing space to set up classrooms and labs for the transition and will be followed with an art center. Mr. Eckstrom asked what assurance is there that the College is getting the best rent rate. Mr. Osborne said they have worked with General Services on this matter and the market rate on this space is \$28 to \$35 per square foot. He said for this lease the base rate is \$29 per square foot plus utilities, but does not include taxes and insurance. He said the estimated cost for utilities is \$3.50 per square foot which would make the rate \$32.50 per square foot and put the rent rate within the \$28 to \$35 per square foot range.

Mr. Eckstrom further asked whether there was an RFP for the lease. Mr. Osborne responded that there was not, but noted that they worked with General Services to find space. He stated that the College looked at several spaces over time and that General Services reviewed their work. He said that this was the only option available to them for 40,000 square feet during the time period they looked. Governor Haley asked if there should have been an RFP for this matter. Mr. Osborne said the statute does not require an RFP, noting that they were required to work with General Services and look at available space. He said that if the space fits the need there is no requirement for an RFP.

Mr. Loftis asked what is in the rest of the building. Mr. Osborne said the building is primarily an office building. Mr. Loftis clarified by asking about the gymnasium being built. Mr. Osborne said that it is new construction and there is nothing presently there. Mr. Loftis asked when it would be ready to which Mr. Osborne responded it would be ready in August. Mr. Loftis commented that it is effectively available for rent to which Mr. Osborne said that was correct. Mr. Loftis asked if the price for that space was lower than the space in question. Mr. Osborne responded that it was lower with rental rate of \$27.31 per square feet.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board was asked to approve the proposed lease of 41,000 SF of space for the College of Charleston at Fountain Walk at 360 Concord Street in Charleston from R. E. R. Investors, Limited Company. The Board denied the proposed lease. Mr. White and Senator Leatherman voted to approve the lease. Governor Haley, Mr. Loftis, and Mr. Eckstrom voted to deny the lease.

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

***Division of General Services: Department of Health and Human Services Lease (Reg. #5)***

The SC Department of Health and Human Services (HHS) requested approval to continue leasing from AMOMMARC I, LLC, and AAC Columbia Limited Partnership (Landlord) 141,031 rentable square feet in the basement and mezzanine areas and all 14 floors of the Tower building and 7,200 rentable square feet of receiving space in the Theatre building located at 1801 Main Street in Columbia, commonly known as Jefferson Square. The leased space will house all administrative offices of HHS. HHS' current lease at the location expires June 30, 2013. As a result of negotiations and termination and consolidation of two other leases at 1813 Main Street, HHS will save over \$9.4M over the 10 year term of the new lease as compared with the current leases.

The lease term will be for ten (10) years commencing on July 1, 2013. Rent will be \$2,031,588.60 per year (\$14.15/RSF for the Tower and \$5.00/RSF for the Theatre annually) plus parking for the first five (5) years of the lease. Thereafter, basic rent increases by 1.5% annually for the Tower space only. Comparables of similar state agency office space in the Columbia area are as follows:

Agency/Location	Rate
SC Department of Commerce	\$16.00
SC Department of Insurance	\$15.62
SC Retirement System Investment Commission	\$14.65

HHS will continue to lease parking spaces for its employees in the parking garage located adjacent to the leased building. The rate under the new lease remains at \$34/space per month for 475 spaces. The annual cost for parking is \$193,800; however, HHS will recoup \$57,000 of this cost annually from its employees.

Landlord will provide up to \$250,000 in renovations over the term of the lease. There is an option to purchase the building within the first two (2) years of the lease term with Board approval at the time of purchase. Should tenant exercise the option, Landlord will credit \$1/RSF per year

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from the commencement of the lease term up to the date of purchase toward the purchase price.

No operating cost increases are applicable to the Theatre space. For the Tower, operating cost increases are capped at three (3%) percent (down from five (5%) percent in the current lease), beginning with the first year of the lease. Assuming operating expenses increase at three (3%) percent per year, the maximum rent over the term of the lease is as follows:

YR	Annual Basic Office Rent	Annual Basic Receiving Rent	Annual Parking Rent less Credit	Annual Total (Office, Receiving, Parking)	Monthly Amount Total	Basic Rent Office PSF (Rounded)	Basic Rent Receiving PSF
1	\$1,995,588.60	\$36,000	\$136,800	\$2,168,388.60	\$180,699.05	\$14.15	\$5.00
2	\$1,995,588.60	\$36,000	\$136,800	\$2,168,388.60	\$180,699.05	\$14.15	\$5.00
3	\$1,995,588.60	\$36,000	\$136,800	\$2,168,388.60	\$180,699.05	\$14.15	\$5.00
4	\$1,995,588.60	\$36,000	\$136,800	\$2,168,388.60	\$180,699.05	\$14.15	\$5.00
5	\$1,995,588.60	\$36,000	\$136,800	\$2,168,388.60	\$180,699.05	\$14.15	\$5.00
6	\$2,149,312.44	\$36,000	\$136,800	\$2,322,112.44	\$193,509.37	\$15.24	\$5.00
7	\$2,181,552.12	\$36,000	\$136,800	\$2,354,352.12	\$196,196.01	\$15.47	\$5.00
8	\$2,214,275.40	\$36,000	\$136,800	\$2,387,075.40	\$198,922.95	\$15.70	\$5.00
9	\$2,247,489.60	\$36,000	\$136,800	\$2,420,289.60	\$201,690.80	\$15.94	\$5.00
10	\$2,281,201.92	\$36,000	\$136,800	\$2,454,001.92	\$204,500.16	\$16.18	\$5.00
<b>Total</b>	<b>\$21,051,774.48</b>	<b>\$360,000</b>	<b>\$1,368,000</b>	<b>\$22,779,774.48</b>			
<b>Avg</b>	<b>\$2,105,177.45</b>	<b>\$36,000</b>	<b>\$193,800</b>	<b>\$2,277,977.45</b>	<b>\$189,831.45</b>	<b>\$14.93 PSF</b>	<b>\$5.00 PSF</b>

HHS has adequate funds for the lease according to a Budget Approval Form, which also includes a multi-year plan. Lease payments will be made from state appropriations, federal funding from the US Department of Health and Human Services, funds collected from overpayments, fraud and abuse, and third party liability used to offset administrative costs as authorized by legislative provisos.

The space allocation for the new lease is 86,970 square feet for staff. Space is allocated for 666 employees. The remaining 61,620 square feet is to be utilized for storage, conference rooms, reception area, work areas, library, break room, computer server area, receiving space and common areas.

Mr. Eckstrom asked if an RFP was issued for this lease. Ashlie Lancaster with General Services responded that a solicitation was conducted for this lease. Mr. Eckstrom asked if there were other respondents. Ms. Lancaster said there were four respondents and one was eliminated based on the condition of the property. She said site visits were done for the other two properties

and noted both properties were not in the downtown area. She said that they looked to find appropriate space within an appropriate location.

Mr. Eckstrom also asked how this rate compared with the rates of the other two satisfactory respondents. Ms. Lancaster said General Services negotiated with the current landlord for them to lower their rate to the rate of the lowest bidder with acceptable property. She noted that the other properties, taking into account moving costs, were more expensive than the current landlord's property. Governor Haley commented that she wanted to praise the Board staff and DHHS and Director Tony Keck for savings of \$9.4 million that will be realized through this lease over 10 years. She said it is really impressive how everyone worked together to save nearly a million dollars per year on the lease.

In further discussion, Mr. Eckstrom asked why DHHS needed so much receiving space. Beth Hutto and Mike Cannon both with DHHS responded on behalf of DHHS. Ms. Hutto said they use the space for receiving furniture and computers and for their mail operation center. Ms. Lancaster indicated that DHHS was paying \$13 per square foot for the space, but General Services was able to negotiate the cost down to \$5 per square foot for the term with no increase in operating costs. Mr. Cannon said they consolidated offices from the Klondike Building and they have furniture that is not going to be used and they needed the space as a holding area to change out furniture that would be sent to State Surplus Property. Mr. Eckstrom commented that it does not seem to be an efficient use of the space as a storage area. Ms. Lancaster stated that the area is not just for storage but will also be utilized for DHHS's mail processing and receiving. She said use of the area as a storage space is temporary and it will also be used to relocate other operations that are currently in the Klondike building. Ms. Lancaster noted that the lease provides for DHHS to relinquish the space if it determines that it no longer needs it. Mr. Eckstrom further asked why there was a need to have the agency uptown. Ms. Hutto stated that the location is close to the legislature and sister agencies, but the cost of the lease is what is important. Ms. Lancaster stated DHHS realized that if an appropriate lease could not be negotiated with the current landlord they would have to move.

Mr. Loftis asked how many employees were in the building. Ms. Lancaster said there were 483 employees in the building, but over the next 1½ years as other DHHS agency leases expire they will house 666 employees in the building.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved the proposed ten year (10) year lease for Health and Human Services from AMOMMARC I, LLC, and AAC Columbia Limited Partnership 141,031 rentable square feet in the basement and mezzanine areas and all 14 floors of the Tower building and 7,200 rentable square feet of receiving space in the Theatre building located at 1801 Main Street in Columbia, commonly known as Jefferson Square.

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

***University of South Carolina: Not Exceeding \$14,000,000 Principal Amount Athletic Facilities Revenue Bonds, Series 2014A of the University of South Carolina, and Athletic Facilities Revenue Bond Anticipation Notes (Regular Session Item #6)***

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$14,000,000 Principal Amount Athletic Facilities Revenue Bonds, Series 2014A of the University of South Carolina, and Athletic Facilities Revenue Bond Anticipation Notes.

The proceeds from the sale of the bonds will be used for the purposes of (i) reimbursing the University for capital expenditures previously made in connection with, and paying the costs to construct and equip a new football indoor practice facility, including capitalized interest on the Series 2014A bonds, if any; (ii) funding the Series 2014A Debt Service Reserve Fund or purchasing a debt service reserve fund substitute, if any; and (iii) paying certain costs and expenses relating to the issuance of the Series 2014A bonds, including a municipal bond insurance premium.

Governor Haley commented that the funds involved in this matter are private funds. She stated the fact that any university has to come to the Board for private funds that are dollars generated from their athletic revenues is a waste of time and money. She said she questions why the Board needs to approve this item when it does not involve tax dollars. She noted that going through this process adds months to the process while construction costs continue to rise. Governor Haley indicated that she wanted to see the process streamlined. She said that certain projects should be scrutinized, but when the funds are private funds going through this process it slows down the universities. Senator Leatherman commented the funds were generated using taxpayer facilities. He said the Board needs to look at these projects to make sure the

universities are not getting out of line.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board adopted a resolution making provision for the issuance and sale of not exceeding \$14,000,000 Principal Amount Athletic Facilities Revenue Bonds, Series 2014A of the University of South Carolina, and Athletic Facilities Revenue Bond Anticipation Notes.

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

### ***Future Meeting***

Governor Haley stated that her only concern about scheduling a future meeting was that the Board would need to meet to approve the cyber-security RFP. Ms. Adams stated that the Board would need to meet prior to the next regularly scheduled meeting to approve the RFP. She stated that the Board would need to have a special call meeting. Governor Haley asked when the meeting would be held. Ms. Adams responded by mid-July if everyone is available.

Upon a motion by Senator Leatherman, seconded Mr. Eckstrom, the Board agreed to meet at 10:00 a.m. on Tuesday, August 13, 2013.

### ***Department of Commerce: Approval of Not Exceeding \$120,000,000 General Obligation State Economic Development Bonds; Bridge Financing and Inter-Agency Agreement; and Acquisition and Lease of Real Property (Regular Session Item 8)***

The Board was asked to adopt a resolution making provision for the issuance of not to exceed \$120,000,000 in General Obligation State Economic Development bonds pursuant to the General Obligation State Economic Development Act, as amended. The bonds will be used to finance qualifying infrastructure to support significant new job creation and investment by The Boeing Company associated with Boeing's Phase II expansion in Charleston County and in this state. The bonds will be charged against the State's general available 5% general obligation debt limit.

The qualifying infrastructure to be financed with bond proceeds is the acquisition of real property by the South Carolina Department of Commerce, Division of Public Railways ("Public Railways") and the development and mitigation of that real property to support Boeing's expansion. After acquiring the property with bond proceeds, Public Railways intends to lease the

property to Boeing for nominal consideration pursuant to a ground lease with initial and extension terms not to exceed 50 years collectively. It is anticipated that the ground lease will give Boeing an option to purchase the property and that the option may be exercised by Boeing upon or after expiration of the initial term which will not exceed 15 years. The lease and option to purchase will be on terms mutually agreed to by the Department of Commerce and Boeing and subject to review and approval by the Division of General Services. The Division will notify Board members of receipt of the lease and option to purchase. The Board was also asked to approve a bridge financing loan by and between the South Carolina Department of Commerce and the Office of the State Treasurer as proposed in the Inter-Agency Agreement and approve the form of the Inter-Agency Agreement. A copy of the Agreement was attached as part of the agenda item.

Appearing before the Board on this item was Secretary of Commerce Robert Hitt. Mr. Hitt thanked the Board members for their support on this matter. He stated that after being in the State for five years Boeing has decided to invest an additional one billion dollars in the State. He noted that a lot of exciting activity is coming and that this move will help facilitate that process.

Mr. Loftis asked if the enhancement is the \$1.1 billion to which Mr. Hitt responded yes. Mr. Loftis asked when the enhancement would begin. Mr. Hitt said that under the statute there is a look back to the year in which the enhancement commenced. He said that would go back to the acquisition period which is January 2013. Mr. Loftis further noted that he has not seen the actual lease and option. He stated that that responsibility should not be put upon the staff and that the matter should be reviewed by General Services and come back to the Board for ratification. Mr. Hitt indicated that Commerce has done these kinds of leases before and that they can handle reviewing it. He stated, however, that he will do what the Board asks.

Mr. Eckstrom noted that general obligation bonds will be issued, asked how will the State be protected by holding the property since it is not a collateralized instrument. Mr. Hitt said that the State's interest is that a portion of the bonds will be used to acquire real estate and Commerce will hold tight to the real estate during the life of the bonds. He said if there is a default the State will own the property. Governor Haley cautioned the Board members that if the question became any more detailed the Board would have to go into executive session.

Mr. Eckstrom asked if the company has shown any willingness to purchase the property

at the beginning of the lease period to avoid the lease arrangement, since the company intends to purchase the property at the end of the lease period. Mr. Hitt stated that the General Assembly with the concurrence of Governor Haley has made an offer to Boeing of \$120 million of value to be used in whatever form or fashion the company would require. He said Boeing has asked Commerce to acquire land for them and remediate it. Mr. Eckstrom asked what does the State get out of the lease period. Mr. Hitt indicated that answering the question would mean getting into some details that are not finalized. He said the Board may want to have that discussion in a different format.

Senator Leatherman commented that Boeing coming to the State was a huge game changer. He said the second plant is presently out for bid and is not on airport property. He said the RFP Boeing issued indicates that the plant will be within 20 miles of the Boeing plant. He commented that the State has not yet seen what Boeing will do long term.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board as requested by the Department of Commerce, took the following actions concerning The Boeing Company's Phase II expansion in Charleston County:

- a. Adopted the resolution to approve the issuance of not to exceed \$120,000,000 in General Obligation State Economic Development Bonds and effect the issuance of the bonds;
- b. Approved a bridge financing loan between state agencies proposed in the Inter-Agency Agreement and approve the form of the Inter-Agency Agreement;
- c. Approved the acquisition of real property by Public Railways to support Boeing's Phase II expansion; and
- d. Approved the lease of real property by Public Railways to Boeing, including an option to Boeing to purchase the property, pursuant to a Ground Lease to be finalized. The Ground Lease and option to purchase is subject to review and approval of the Division of General Services. The Division shall notify Board members of receipt of the Ground Lease and option to purchase

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

*Executive Session*

Upon a motion by Mr. White, seconded by Mr. Loftis, the Board voted to meet in executive session to discuss contractual matters concerning the Department of Commerce.

*Department of Commerce: Contractual Matter (Executive Session Item #1)*

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the Department of Commerce entering into the proposed property transaction and settling the outstanding litigation; and that information about the acquisition and settlement will be made public after finalization of the agreements and conclusion of due diligence associated with the real property acquisition.

*Adjournment*

The meeting adjourned at 10:40 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Board Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 8:45 a.m. on Monday, June 17, 2013.]