

MINUTES OF STATE BUDGET AND CONTROL BOARD MEETING

January 29, 2013 -- 9:00 A. M.

The Budget and Control Board (Board) met at 9:00 a.m. on Tuesday, January 29, 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, Dianne Poston, and Nolan Wiggins; 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 Tobacco Settlement Revenue Management 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 Mr. Eckstrom, the Board adopted the Budget and Control Board agenda as amended to carry over Regular Session Item #11, relating to a University of South Carolina Higher Education Revenue Bonds.

Minutes of Previous Meeting

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Board approved the minutes of the December 5, 2012, and December 12, 2012, Budget and Control Board meetings; and, acting as the Water Quality Revolving Fund Authority, approved the minutes of the December 12, 2012, Authority meeting.

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Blue Agenda

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

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

The Board approved the following notification of the assignment of bond counsel for conduit issues 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
\$42,000,000 SC JEDA	Lutheran Homes of South Carolina	Haynsworth Sinkler Boyd	Parker Poe

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 easements in accordance with the SC Code of Laws as requested by the Division of General Services:

- (a) County Location: Richland
From: Budget and Control Board
To: East Richland County Public Service District
Consideration: \$700
Description/Purpose: To grant a 0.118 acre easement for the construction, installation, operation and maintenance of a 42" sewer force main across Gills Creek near Bluff Road. The easement is part of a project to construct a new line to convey wastewater to the Gills Creek Wastewater Treatment Plant. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
- (b) County Location: Richland
From: Budget and Control Board
To: East Richland County Public Service District

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- Consideration: \$700
Description/Purpose: To grant a 0.225 acre easement for the construction, installation, operation and maintenance of a 36" force main with discharge of treated effluent to the Congaree River near I-77. The easement is part of a project to replace an existing aging line at the same discharge location. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
- (c) County Location: Richland
From: Budget and Control Board
To: City of Columbia
Consideration: \$1
Description/Purpose: To transfer title to water lines together with a 0.905 acre easement for the purpose of ingress, egress, operation and maintenance of said lines serving the South Carolina State Museum. The deed/easement will convey the existing water system to the City of Columbia.
- (d) County Location: Richland
From: Budget and Control Board
To: City of Columbia
Consideration: \$1
Description/Purpose: To transfer title to sewer lines together with a 0.49 acre easement for the purpose of ingress, egress, operation and maintenance of said lines serving the South Carolina State Museum. The deed/easement will convey the existing sewer system to the City of Columbia
- (e) County Location: Richland
From: Budget and Control Board
To: City of Columbia
Consideration: \$1
Description/Purpose: To grant a 0.11 acre easement and a 0.66 acre easement for the reconstruction, operation and maintenance of storm drainage lines, together with the right of ingress and egress, on property of the South Carolina State Museum. The easements will address the need for formal written documents for the existing storm drainage lines.

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

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- (f) County Location: Marion
From: Department of Natural Resources
To: CSX Transportation
Consideration: \$3,975
Description/Purpose: To grant a 2.78 acre permanent access easement over land within the Marsh Wildlife Management Area for the purpose of providing ingress and egress to real property proposed for sale by DNR to CSX. This easement is part of the transaction to sell 4.65 acres to CSX for the replacement and maintenance of an existing railroad bridge. Consideration is \$500 plus the appraised value.
- (g) County Location: Pickens
From: Department of Natural Resources
To: Timothy P. and Nancy J. Tovar
Consideration: \$5,500
Description/Purpose: To grant a 0.70 acre permanent access easement along a gravel road through the Jocassee Gorges for the purpose of providing ingress and egress to landlocked property. The easement will address the issue of legal access to the adjacent landowner's property. Consideration is \$500 plus the appraised value.
- (h) County Location: Pickens
From: Department of Natural Resources
To: Margaret E. Sutton
Consideration: \$5,500
Description/Purpose: To grant a 0.70 acre permanent access easement along a gravel road through the Jocassee Gorges for the purpose of providing ingress and egress to landlocked property. The easement will address the issue of legal access to the adjacent landowner's property. Consideration is \$500 plus the appraised value.

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

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

The Board approved the following property conveyance as requested by the Division of General Services:

Agency: Department of Natural Resources
Acreage: 4.65± acres

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Location: On U.S. 378 along the east side of an existing bridge adjacent to the Great Pee Dee River

County: Marion

Purpose: To sell real property located on the southeast boundary of the Marsh Wildlife Management Area to CSX Transportation to replace an existing railroad bridge and to conduct future maintenance activities.

Appraised Value: \$11,625 as of 11/16/12

Price/Transferred To: \$11,625/CSX Transportation

Disposition of Proceeds: To be retained by Department of Natural Resources.

Additional Information: This transaction also includes the conveyance of a 20 foot wide permanent access easement extending from the subject property to U.S. 378.

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

Division of Procurement Services: Procurement Audits and Certifications (Blue Agenda #4)

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

- a. Department of Health and Environmental Control (for a period of three years): annual term contracts for drugs, biological for human use; contraceptives, biochemical and biochemical research, \$12,000,000* per commitment; annual term contracts for: hospital sundries and germicides, \$1,000,000* per commitment; all other goods and services, \$2,000,000* per commitment; information technology, \$225,000* per commitment; consultant services, \$250,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

DHEC requested an increase in a specialized area of certification for Drugs, Biological for Human use, Contraceptives, Biochemicals and Biochemical Research because the current limit is inadequate. Also, the certification would apply to the total potential value of the contract, whether single year or multi-term contracts are used whereas before, the certification applied annually to all such contracts combined. While no dollar increase occurs with the certification for Hospital Sundries and Germicides, the certification would apply to the total potential value of each contract, whether single year or multi-

term contracts are used. The Division of Procurement Services believes the recommendation addresses the needs of DHEC and strategically targets its expertise for procurements while restating the certification to make it more manageable. The audit confirms DHEC's Procurement Office has the internal controls and expertise to ensure compliance with applicable requirements for the certifications.

- b. Winthrop University (for a period of three years): supplies and services, \$100,000* per commitment; consultant services, 100,000* per commitment; information technology, none recommended; construction services, \$100,000 per commitment; construction contract change order, \$50,000 per change order; architect/engineer contract amendment, \$25,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The reduction in certification results from Winthrop University's failure to follow the State's Procurement Code in the acquisition of an \$18.9 million student housing facility and the University's \$4.6 million in inappropriate sole source procurements of an Enterprise Resource Management system even after the Chief Procurement Officer advised the University not to sole source the system. An examination will be performed within one year to determine if Winthrop's certification should be restored to its previous levels.

With regard to blue agenda item 4(b) concerning the Winthrop University procurement audit, Mr. Loftis noted that while the audit was well and was proper he is concerned about the time frame of the audit. He stated the most serious incidents are over five years old. He said Winthrop has a new administration coming on board, has taken remedial action, and acknowledged their problems. He said he wanted to see if the Board would not cut Winthrop's procurement certification. He said he appreciates the work done by the Procurement Services, but the timing involved suggests that the action requested is punitive and without much educational value. Mr. Eckstrom said that he has a slightly different view. He commented that Procurement Services periodically performs multi-year audits of higher educational institutions and that because they are not performed annually there will always be older findings. He stated that Winthrop's response to the audit acknowledges that it had caught many of the deficiencies noted in the audit. He said that while Winthrop detected its own discrepancies, Winthrop did not

have adequate controls in place to prevent those discrepancies from occurring. Mr. Eckstrom further stated that Winthrop needed to rest less on its laurels of detecting discrepancies and work more on its controls to preventing discrepancies. He noted that there are vastly different controls for each and the audit served the purpose of pointing out Winthrop's procurement discrepancies. He stated Winthrop's response overlooks the need for Winthrop to focus more on prevention rather than detection. He said he agrees with Mr. Loftis on timeliness. Mr. Loftis said that timeliness is a concern and that he is worried that each time the higher educational institutions have to come to the State it costs money. He stated he is concerned that with a new administration and a lower certification Winthrop will be handcuffed. He said because of the expense and timeliness a reduction of Winthrop's certification does not serve the purpose of teaching a lesson.

Mr. Eckstrom asked MMO if it was recommending a temporary adjustment of Winthrop's procurement certification and if Procurement Services will go back within a year to perform a follow up audit. Voight Shealy, Materials Management Officer for the Division of Procurement Services, noted that the dormitory project dates back a few years and was missed in the last audit. He stated that this exception is in the audit report because it had not before been reported to the Board and that the management agreement (the means used to acquire the dormitory) is ongoing in that it renews annually. He noted that during the audit period there have been three renewals of the management agreement and that the \$4.6 million sole source procurement his auditors reported did occur during the audit period. He commented that audits are done every three years and when findings are discovered the audits take longer. He noted that Procurement Services had three exit conferences with Winthrop which extended the time it took to bring the matter to the Board.

Mr. White followed up by asking if the matter would come back up within a year and Winthrop's certification is reconsidered. Mr. Shealy stated that Procurement Services' recommendation is that Winthrop's reduction in procurement authority be for one year after which a follow up audit would be done and a report made back to the Board at the end of the year.

Rebecca Master, Assistant to the President for Public Affairs at Winthrop, stated that the reported housing transaction was done by Winthrop's Real Estate Foundation. She said that is

key in this case and that this is a statewide issue and only Winthrop is being singled out. She said with regard to the procurement issues the “bad guys” are always finding new ways to do things and they have to put in new steps once those things are discovered. She said they have detected, investigated, prosecuted and recovered in those cases. She respectfully asked that Winthrop not be punished for those things that their staff has done in good faith. She said they understand that there was wrongdoing with respect to some of the regulations, but they have taken steps to correct that.

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

- a. Department of Health and Environmental Control (for a period of three years): annual term contracts for drugs, biological for human use; contraceptives, biochemical and biochemical research, \$12,000,000* per commitment; annual term contracts for: hospital sundries and germicides, \$1,000,000* per commitment; all other goods and services, \$2,000,000* per commitment; information technology, \$225,000* per commitment; consultant services, \$250,000* per commitment.

*Total potential purchase commitment whether single or multi-term contracts are used.

- b. Winthrop University (for a period of three years): supplies and services, \$100,000* per commitment; consultant services, 100,000* per commitment; information technology, none recommended; construction services, \$100,000 per commitment; construction contract change order, \$50,000 per change order; architect/engineer contract amendment, \$25,000 per amendment.

*Total potential purchase commitment whether single or multi-term contracts are used.

The reduction in certification results from Winthrop University’s failure to follow the State’s Procurement Code in the acquisition of an \$18.9 million student housing facility and the University’s \$4.6 million in inappropriate sole source procurements of an Enterprise Resource Management system even after the Chief Procurement Officer advised the University not to sole source the system. The Division of Procurement Services will perform an examination within one year to determine if Winthrop’s certification should be restored to its previous levels.

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

Executive Director: Revenue Bonds (Blue Agenda Item #5)

The Board approved the following proposals to issue revenue bonds:

- a. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: \$37,000,000 Economic Development Revenue Bonds
Allocation Needed: -0-
Name of Project: CSRA Senior Living, Inc.
Employment Impact: create or maintain employment of approximately 80 people in the first 12 months, and 100 people in the first 24 months
Project Description: acquire and construct a new senior living community, with 80 skilled nursing units, 20 assisted living units, and 20 memory care units, in Graniteville
Note: private sale to an underwriter for public distribution thereafter
Bond Counsel: Tigerron A. Wells, Haynsworth Sinkler Boyd, P. A.
(Exhibit 5)

- b. Issuing Authority: Jobs-Economic Development Authority
Amount of Issue: N/E \$42,000,000 Health Facilities Revenue Bonds (\$25,000,000 refunding involved)
Allocation Needed: -0-
Name of Project: The Lutheran Homes of South Carolina, Inc.
Employment Impact: N/A
Project Description: to acquire land, construct a building, and necessary furnishings and equipment on existing Rice Estates campus in NE Columbia and renovate existing Heritage at Lowman campus in White Rock
Note: private sale and/or underwriting for public distribution thereafter
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.
(Exhibit 6)

- c. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: \$5,250,000 Multifamily Housing Revenue Bonds
Allocation Needed: -0-
Name of Project: The Parker at Cone
Employment Impact: n/a
Project Description: to finance the acquisition, construction, and equipping of a 96-unit affordable apartment development located in Greenville County
Bond Counsel: Samuel W. Howell, IV, Howell Linkous & Nettles, LLC
(Exhibit 7)

Executive Director: Update on Request for Proposal to Develop a Statewide Program for Information Security and Risk Management (Regular Session Item #1)

The Budget and Control Board at its December 12, 2012, meeting authorized the Board's Executive Director to issue an RFP (Request for Proposals) to develop a statewide program for information security and risk management and authorized the Executive Director to designate a coordinator to work with the vendor chosen in the RFP process. The Board also directed the Executive Director to report back to the Board at its January 2013 meeting with a status report on the RFP.

Ms. Adams provided the Board with an update on the Request for Proposal (RFP) to "Develop a Statewide Program for Information Security and Risk Management". She reminded the Board that at its December 2012 Board meeting the members directed her to issue an RFP for the statewide development of a security framework for the State. She noted that the Board also authorized her to hire a consultant to help draft the RFP. She indicated the consultant that was hired was Cedrick Bennett, Emeritus Director of Information Security Services at Stanford University. Ms. Adams advised the Board that the RFP was issued on January 11, 2013, and there has been a period of questions and answers given to the prospective vendors. She noted that the RFP is for a three-year contract that focuses on identifying the current security position of the State and identifying what the future position should look like statewide. She stated the RFP provides for an assessment of 18 agencies over the three-year period to include developing policies, standards, and procedures the State will follow related to cyber-security. Ms. Adams further stated the RFP asks the vendor to assist the State in developing a budget for cyber-security and a governance model on how the State should be organized for monitoring cyber-security throughout the State. She noted that there are some immediate concerns the RFP requests be addressed by May 1, 2013, to give the General Assembly time to address them before the end of the session. Ms. Adams stated that the RFP asks the vendor to initially perform assessments at three agencies and look at security at a high level to determine the State's most immediate vulnerabilities, give recommendations to address those vulnerabilities, and assist developing a budget to address those recommendations. She commented that all of this is the beginning of making a structure for the recommendations. She reiterated that the vendor's recommendations will be in a report made to the General Assembly by May 1, 2013. She also

noted that any vendor chosen pursuant to the RFP will be ineligible to be a part of any other RFPs to implement the strategies being recommended that come as result of this RFP. Ms. Adams further noted that proposals are due February 11, 2013, and the intent to award is tentatively scheduled to be posted on February 22, 2013. She commented that if there is no protest during the protest period the vendor can begin work on March 5, 2013.

Governor Haley asked for clarification of whether an assessment would have to be done on three agencies. Ms. Adams responded that is correct and that DSIT, along with the vendor, will choose those three agencies. She said the idea is to have a good cross-section of State government and different types of protected data within State government. Governor Haley asked if the consultant will continue to work with the State once a vendor is chosen. Ms. Adams said that the State will have a vendor that will assist in monitoring the RFP and the process along the three-year period. She stated that Mr. Bennett will also be available to assist the State in assessing the proposals along with a team of others who are experts in the cyber security-field.

Senator Leatherman commended Ms. Adams for the work that has been done on this matter. He noted that a special Senate Finance subcommittee will introduce legislation to deal with the cyber-security issue once it has been determined what needs to be done. He said the agencies will do what is recommended and will not have the ability to say they are not going to do something because they do not like it. He commented that for those who do not want to follow the recommendations that are made, may need to seek jobs elsewhere. Governor Haley stated the State has to be consistent across the board with every agency the way IT services are handled. She said the consultant should help the State put as many walls up as needed while making the solution as consistent as possible. She asked Ms. Adams to develop a real-time table top testing of the agencies on a yearly basis.

Mr. Eckstrom noted that the emphasis has been on data information security. He inquired whether the contract will include security over the functioning of IT systems and more than just the information files. Ms. Adams said the contract will require that the assessment include a review of security over the functioning of IT systems. She stated that the review will document whether the processes and policies for users throughout the State are consistent. Mr. Eckstrom asked whether agencies will be given the opportunity to step forward as volunteers for the first three agencies to be assessed. Ms. Adams said that DSIT will always take input, but that a

statewide consistency is being sought in an effort to find the State's most serious vulnerabilities. She stated that selecting agencies that have sensitive data and that represent a good cross-section of services such as law enforcement, healthcare, and another type of discipline would be the goal.

In further discussion, Mr. Eckstrom asked whether the volume of interest from vendors in the RFP can be judged by the volume of questions that have been received concerning the RFP. Ms. Adams said that questions were received from about 15 vendors, but that does not mean they will all submit a proposal. She said there has been a lot of interest in the RFP.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board received as information an update from the Executive Director regarding the issuance of the RFP to develop a statewide program for information security and risk management.

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

Division of General Services: Department of Parks, Recreation and Tourism (PRT) Sublease to Sanctuary Pointe, LLC (Reg. Session Item #2)

PROJECT BACKGROUND:

- The area known as Sanctuary Pointe is located near the SC/GA border behind the SC Welcome Center at Lake Hartwell off US I-85 on SC Hwy 11.
- The U.S. Army Corps of Engineers (USACE) owns the property known as Lake Hartwell State Park consisting of 686.68 acres, and leases it to PRT by lease dated January 30, 2008 for a fifty (50) year term ending January 29, 2058. The development of the property as a resort with a hotel(s) and conference center, golf course, and resort harbor complex to be used for public recreational purposes is part of the Hartwell Lake Master Plan dated 1980.
- In 2008, PRT did an RFP to identify and contract with a developer for the resort project. The only participant in the RFP was Sanctuary Pointe, LLC (LLC).
- The project never moved forward when the economy slowed down. The LLC is now in a position to obtain financing, which is contingent on finalizing a sublease of the property between PRT and the LLC. No public funds will be expended for the

project.

SUBLEASE:

- As part of the contract with the LLC, PRT will sublease approximately 325 acres at Lake Hartwell State Park to the LLC for a term of 46 years ending January 29, 2058. The term of the sublease must be consistent with the term of the prime lease between the USACE and PRT. There is an option to extend the lease term and/or to renew upon the approval of the USACE and PRT. The USACE intends to extend the lease term between USACE and PRT to 2062 upon approval by the Board of the sublease to the LLC. The sublease will then immediately be amended to extend the term to 50 years with an end date of January 29, 2062.
- For rent, PRT will receive 1% in years 1-3 and 1.5% in years 4-46 of the gross receipts derived from the operation of the resort development payable quarterly on January 30, April 30, July 30, and October 30 of each year.
- The sublease complies with certain restrictions and obligations placed upon PRT in the master lease with USACE and has been approved by USACE, as evidenced by their signature on the sublease.
- The sublease incorporates requirements of the LLC per the RFP (proformas, marketing studies, environmental studies, animal/habitat studies).
- The Development Time Table requires that Phase One of the Master Element Concept Plan which includes the infrastructure, hotel(s) and conference center, golf course and resort harbor complex is to be completed or in the process of completion by December 2020. Phase Two is dependent on economic and market conditions.
- The LLC can be considered in default and the sublease terminated if the LLC fails to make progress so as to endanger the performance of the contract or if it fails to use its best efforts, in a good and workmanlike manner to achieve completion of Phase One by 2020. An annual progress review is required.
- The LLC can be considered in default and the sublease terminated if the LLC fails to make progress so as to endanger the performance of the contract or if it fails to use its best efforts, in a good and workmanlike manner.

Mr. Eckstrom commented that he appreciates PRT's effort in this regard. He said that he appreciates the agency's efforts in reaching out to create a revenue source to operate the State's park systems. However, he said he has two problems with the project. He stated one problem is the potential environmental harm that could come from the project. He stated he does not see any way this project can have a positive impact on the environment, but the potential is very strong the project will negatively impact the environment with erosion and runoff into Lake Hartwell. He commented that the property is a jewel that would be given up forever if it is allowed to be developed into a golf course on the lakeshore. He noted that the second problem he has with the project is the business end of the project. He said this is an exciting plan, but it is not reasonable. He stated there was one participant in the RFP process that was issued five years ago. Mr. Eckstrom noted the RFP was issued at the very low point of the national economy and moving ahead with the project is not in the best interest of the State from a business point of view. He said there is a lot of risk with regard to whether the proposed developer will be able to complete the project and arrange funding. He said that at any point in which the project stalls and comes back to the State, the State has an obligation to restore the property to its original condition. He said that he does not know how that can be done once the property has been stripped.

Governor Haley asked for Duane Parrish, PRT Director, to speak on the project. Mr. Eckstrom said he wanted to again commend Mr. Parrish and the agency for the work done on the project. Mr. Parrish said that before any work begins on the project there are three or four studies that are done. He said that there is a phase one environmental study, an endangered species study, and an archeological study that will be done before construction begins. He noted that DHEC and the Corps of Engineers will be involved in the studies. He said with regard to risk the Corps of Engineers owns the land and the State leases it on a long term basis. He noted that PRT has seven state parks that are Corps-based parks. He noted that the land is leased from the Corps of Engineers at no cost to the State and would help to fund other State parks.

Mr. Parrish stated in further discussion that Sanctuary Pointe is in a position to start the project and has financing to begin the project. He commented that the risk with regard to the project is on the lender because if the project collapses during construction the lender would probably step in since the lender has the most to risk. He noted there are no public funds going

into the project and there would be no risk from PRT's standpoint.

Mr. Eckstrom asked Mr. Parrish to address the risk in having to restore the property. Mr. Parrish responded that the Corps of Engineers requires if the project fails, PRT would have to tear down what is on the property and restore it. He commented, however, that he thinks the lending institution would step in and complete the project.

Mr. Loftis asked Mr. Parrish to explain who represents the State from a legal standpoint going forward. Mr. Parrish said that PRT's attorneys and the Board's attorneys have worked on the documents as well as the Corps of Engineers. He said going forward PRT's attorneys would represent the State. Mr. Loftis asked whether PRT's counsel is prepared to review the legal issues in this matter. Mr. Parrish responded that PRT's counsel has worked with the Board's counsel on this matter. Mr. Loftis asked with regard to the sublease if a wholesale sublease would be allowed, where for example, the Marriott would not be allowed to sublease to Motel 6. Mr. Parrish said any sublease has to be approved by the Corps of Engineers and PRT. Mr. Parrish stated that this is step one with the master lease to start the project. He said the full service hotel will be the first thing to be developed. Mr. Loftis asked whether there is a standard for something like this when it comes to insurance and bonding if the developer does 25% of the project and decides not to finish it. Mr. Parrish said that PRT could do the bonding, but that in all likelihood the lender would have the project bonded. Mr. Loftis asked whether that was something counsel would take care of to which Mr. Parrish responded yes. Mr. Loftis further asked a question about a provision of the lease concerning the South Carolina law clause. Mr. Koch stated the language meant that the lease would be governed by South Carolina law.

Mr. Eckstrom pointed out that this matter is something the State became involved in before some of the Board members were serving on the Board. He stated that his experience with Patriots Point has him squeamish about this project. He noted that the Patriots Point project did not go well for the State and tied up a lot of resources for a long time. Governor Haley asked Mr. White if he had any issues or concerns about the project since it is close to his area. Mr. White stated it is good for the area for Lake Hartwell to have something like this between Atlanta and Charlotte. He said before he was elected he was very aware of the project. He said there is a lot of traffic that goes by the area and people will come and stay at the location. He noted there is a need for a development like this for use for conferences and retreats, noting that

the Madren Center at Clemson is the only site like it in the area, but it cannot host large corporate conferences.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the proposed 46 year lease-out by the SC Department of Parks, Recreation and Tourism to Sanctuary Pointe, LLC and the extension of the sublease to 50 years upon approval of extension of the prime lease to 2062 by the USACE. Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White vote for the motion. Mr. Eckstrom voted against the motion.

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 at 4750 Goer Drive in North Charleston: (Regular Session Item #3)

The College of Charleston requested approval to lease from Virgie C. Simmons Family, LLC (Landlord) 44,318 square feet at 4750 Goer Drive, Suites D & E in North Charleston. Landlord is a South Carolina limited liability company with its principal office in Charleston, South Carolina.

The College currently occupies the leased space at an annual cost of \$236,658.12 (\$5.34 per square foot) by lease agreement which expired October 14, 2011, and is currently in holdover status. In addition to rent, the College is responsible for electricity, janitorial and security charges of approximately \$23,477 annually. The College's total annual cost for the present year under the current lease is approximately \$260,135.12 (\$5.87 per square foot). The leased space is used to house the College's central warehouse and receiving department.

The new lease was negotiated after a solicitation for space was issued. The lease term will be ten years commencing December 15, 2012. Rent will be \$18,465.83 per month or \$221,590.00 per year (\$5.00 per square foot annually) for the first two years of the lease; thereafter, the annual rate per square foot will increase to \$5.10 for years three (3) and four (4), \$5.20 for years five (5) and six (6), \$5.30 for years seven (7) and eight (8), and \$5.40 for years nine (9) and ten (10). In addition to rent, the College will continue to be responsible for its electricity, janitorial and security charges. All other operating costs are included with rent and the College is not responsible for any increases of such expenses.

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Landlord will continue to provide adequate surface parking adjacent to the building. The proposed lease will save the College \$15,068.12 in the first year of the lease and an estimated \$62,045.20 over ten years. The proposed lease further avoids moving, network wiring, and other costs associated with relocating to a new facility.

The maximum rent over the term of the lease with estimated electricity, janitorial and security charges (other charges) is as follows:

Year	Rent	Rent Rate/SF	Other Charges (est.)	Total Cost (estimated)	Total Cost/SF
1	\$ 221,590.00	\$ 5.00	\$ 23,477.00	\$ 245,067.00	\$ 5.53
2	\$ 221,590.00	\$ 5.00	\$ 23,477.00	\$ 245,067.00	\$ 5.53
3	\$ 226,021.80	\$ 5.10	\$ 23,477.00	\$ 249,498.80	\$ 5.63
4	\$ 226,021.80	\$ 5.10	\$ 23,477.00	\$ 249,498.80	\$ 5.63
5	\$ 230,453.60	\$ 5.20	\$ 23,477.00	\$ 253,930.60	\$ 5.73
6	\$ 230,453.60	\$ 5.20	\$ 23,477.00	\$ 253,930.60	\$ 5.73
7	\$ 234,885.40	\$ 5.30	\$ 23,477.00	\$ 258,362.40	\$ 5.83
8	\$ 234,885.40	\$ 5.30	\$ 23,477.00	\$ 258,362.40	\$ 5.83
9	\$ 239,317.20	\$ 5.40	\$ 23,477.00	\$ 262,794.20	\$ 5.93
10	\$ 239,317.20	\$ 5.40	\$ 23,477.00	\$ 262,794.20	\$ 5.93
Ten year total	\$2,304,536.00			\$2,539,306.00	
Ten year average	\$ 230,453.60	\$ 5.20		\$ 253,930.60	\$ 5.73

Comparables of similar commercial warehouse space leased in the Charleston area are as follows:

Lease Date	Agency/Location	Rate
Commercial	Shalom Byit, LLC (Owner), 1026 Legrand Blvd., Charleston	\$8.00
Commercial	311 Huger, LLC (Owner), 311 Huger Street, Charleston	\$7.28
Commercial	Amstar/CK Charleston LLC, 2345 Charleston Regional Parkway	\$6.13

The College has adequate funds for the lease according to a Budget Approval Form dated November 16, 2012, which also includes a multi-year plan. The leased space includes 28,492 square feet of non-climate-controlled warehouse space and 11,094 square feet of climate-controlled warehouse space. The remaining 4,732 square feet is office space to accommodate 6 employees and includes a restroom, entry area, break room, kitchen, and receiving area.

No option to purchase the property is included in the lease. The warehouse building at 4750 Goer Drive was constructed in 1979. An environmental assessment dated November 11, 2008, recommends no further assessment is necessary. The lease was approved by Stephen C. Osborne, Executive Vice President for Business Affairs on behalf of the College of Charleston and by Virgie C. Simmons, sole member of Landlord. The lease was approved by the Commission on Higher Education on May 26, 2011.

The lease was presented to JBRC for approval on June 1, 2011, at which time the College of Charleston was asked to consider space on the Charleston Naval Base. The only available space on the Naval Base is the South Carolina Public Railways warehouse. Upon visiting the site, the College of Charleston determined that the site was not suitable for its needs due to its location, the extensive renovations that would be required to make the space usable, and the higher rent rate. No terms of the original lease presented on June 1, 2011, have changed with the exception of an additional reduction in rent from a ten year average of \$5.93 per square foot to \$5.73 per square foot. The lease was presented again and approved by the Joint Bond Review Committee at its December 4, 2012, meeting.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board approved the proposed ten year lease for the College of Charleston at 4750 Goer Drive in North Charleston.

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

Division of General Services: University of South Carolina (USC) Lease-Out to the US Department of Justice (DOJ): (Regular Session Item #4)

PROJECT BACKGROUND:

- In August of 2002, USC entered into an agreement with the DOJ for DOJ to lease 52,726 square feet from USC on the second and third floors of 1600 Hampton Street in Columbia for office and training space for the National Advocacy Center (NAC). Currently, DOJ operates the NAC in Columbia on the USC campus and provides year round training for United States Attorneys from around the country.

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- This lease is to renew the space that the DOJ currently occupies in support of its operation at the National Advocacy Center. The lease constitutes Addendum B of the Cooperative Agreement between USC and DOJ for establishment of the NAC on the USC campus. The initial lease was for a term of ten (10) years at a rate of \$14/sq. ft., and the DOJ invested \$2,000,000 in shell space development and improvements which will remain with USC once the DOJ vacates the space. The lease included a ten (10) year renewal option with the specification that the renegotiated lease rate not exceed annual increases of 1.5%.
- USC and DOJ are seeking to renew this lease for a term of 10 years with an end date of September 30, 2022, at a rate of \$14.22 for the first year, with annual increases of 1.5% for the remaining years. The rate schedule is as follows:

Year	Rent Rate/SF	Rent
1	\$14.22	\$749,763.72
2	\$14.43	\$761,010.18
3	\$14.65	\$772,425.33
4	\$14.87	\$784,011.71
5	\$15.09	\$795,771.88
6	\$15.32	\$807,708.46
7	\$15.55	\$819,824.09
8	\$15.78	\$832,121.45
9	\$16.02	\$844,603.27
10	\$16.26	\$857,272.32
Ten year total		\$8,024,512.41
Ten year average	\$15.22	

- Because the terms for maintenance, operation, and repair costs remain the same in the lease renewal, the cost benefit of the new lease to USC is \$496,971.91 for the ten (10) year term.

Mr. Loftis asked if the cost benefits of the new lease were on top of the existing lease and

whether that is what USC makes out of the lease. Rick Kelly with USC said that does represent what USC will make out of the lease. Mr. Loftis noted USC's costs are very high in the building. Mr. Kelly said the building is very old and is hard to maintain. Mr. Loftis also asked whether there was debt on the building to which Mr. Kelly said there was. Mr. Eckstrom asked what level of debt existed with the building. Mr. Kelly responded that he did not know.

Upon a motion by Mr. Loftis, seconded by Senator Leatherman, the Board approved the proposed 10 year lease-out renewal for the space at 1600 Hampton Street by the University of South Carolina to Department of Justice.

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

Division of General Services: Permanent Improvement Projects (Regular Session Item #5)

The Board approved the following permanent improvement project establishment requests and budget revisions, as noted herein, which have been reviewed favorably by the Joint Bond Review Committee.

Mr. Eckstrom noted that with the major uncertainties at the national level, the federal government's funding of states continues to be unresolved and Congress will not deal with that until the spring at the earliest. He said for that reason he would vote against the items with exception of those that are for life, safety, and health reasons, those that are privately funded, and those that are for deferred maintenance. Mr. Eckstrom asked to carryover a number of the permanent improvement items that included carrying over item (k), a project for DSIT. Ms. Adams asked the Board to hear from Jimmy Earley, DSIT Director, on this matter because of its critical nature. Mr. Earley noted that the Data Center was started in the late 1990s and since then they have outgrown it. He commented that through an RFP they brought a vendor in several months ago to study and assess the State Data Center. He said the vendor shared their concerns and gave them recommendations to address those concerns. He noted that one recommendation was to immediately take steps to safeguard the facility, the data, and the systems in the Data Center. He said that DSIT has exceeded or is right now exceeding its capacity in the Data Center. He stated the equipment that is needed is not redundant equipment, but is needed to maintain their current level. Mr. Earley noted there are some other long term decisions that will

need to be made, but these immediate actions are to safeguard the current situation. Mr. Eckstrom said that he misunderstood and has no objection to item (k).

Governor Haley suggested considering each permanent improvement project item one at a time. She asked Mr. Eckstrom whether there were certain items to which he objected. Mr. Eckstrom said he does not object to any of the projects because they are worthy projects, but his objection is a matter of timing. Ms. Adams suggested first approving the items that were not objected to and discuss the others separately. Mr. Eckstrom noted his objection to items (a), (b), (c), (e), (f), (h), (i), and (j).

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Board voted to approve items (d), (g), and (k).

Separate discussions were had on items (a), (b), (c), (e), (f), (h), (i), and (j) after which the Board voted on each item separately. The following reflects the action taken by the Board with regard to the items.

Establish Project for A&E Design

- (a) Summary 3-2013: JBRC Item 1. Clemson University
Project: 9906, Core Campus Development
Funding Source: \$1,440,000 Other, Housing Improvement funds which result from bond-covenant required transfers from Housing Operations to allow for the maintenance and replacement of capital assets funded by bond issues.
Request: Establish project and budget for \$1,440,000 (Other, Housing Improvement funds) to begin design work to construct an approximately 260,000 square foot mixed use housing and dining facility at Clemson. The facility will include approximately 700 beds in the approximately 179,000 square foot residential portion, a dining facility, convenience store, retail restaurant, and administrative support spaces in the approximately 76,000 square foot dining portion, and approximately 5,000 square feet of shared-use academic seminar and meeting space for faculty and students. The facility will replace the Johnstone complex and Harcombe Dining Hall, both built in 1953. Johnstone is worn out, incapable of being renovated to meet the needs and expectations of students and parents, and has rooms that are too small with inadequate infrastructure. Harcombe was created for a different population, does not have efficient layouts, and is not energy efficient. Construction of this facility, in combination with others, will allow for Johnstone, Harcombe and a majority of the Union to be demolished by 2020.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved

permanent improvement project 5(a). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

- (b) Summary 3-2013: JBRC Item 2. Clemson University
Project: 9907, Lehotsky Hall Renovation
Funding Source: \$350,000 Other, Institutional Capital Project Funds which are excess debt service funds held by the State Treasurer's Office and required to be expended for capital projects.
Request: Establish project and budget for \$350,000 (Other, Institutional Capital Project Funds) to begin design work to renovate Lehotsky Hall which houses the School of Agriculture, Forestry and Environmental Sciences at Clemson. The work will include installing new HVAC and sprinkler systems, making structural reinforcements, improving the electrical, plumbing and information technology systems, upgrading the building envelope, and installing ADA-accessible features. The renovation will also include reprogramming some existing space to meet anticipated academic needs and priorities. The 94,000 square foot building is 38 years old and has not had a comprehensive renovation since construction. Most building systems are original to the building, are inefficient and do not meet current building code requirements. The renovation will bring the building up to current codes.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved permanent improvement project 5(b). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

- (c) Summary 3-2013: JBRC Item 3. University of South Carolina
Project: 6098, Sumwalt Laboratory Renovations
Funding Source: \$28,500 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: Establish project and budget for \$28,500 (Other, Institutional funds) to begin design work to renovate approximately 5,100 square feet of space in the Sumwalt Building at USC. The renovation will provide three additional teaching labs. The work will include demolishing existing partitions and fixtures and installing new partitions, ceilings, finishes, lab furniture and equipment. It will also include reconfiguring and updating the mechanical, electrical and plumbing systems to accommodate the new laboratory functions and installing new rooftop mechanical units to provide heating and cooling to the labs. Additional lab space is needed to meet current student demands for introductory and intermediate science lab courses in the College of Arts and Sciences.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board approved permanent improvement project 5(c). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

(d) Summary 3-2013: JBRC Item 4. University of South Carolina

Project: 6099, Broadcast Studio Construction

Funding Source: \$22,500 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: Establish project and budget for \$22,500 (Other, Institutional funds) to begin design work to construct a broadcast studio at USC. The studio will be constructed adjacent to the Health Sciences Building which will be renovated to house the College of Mass Communications and Information Studies. The proposed studio will be operated in conjunction with the broadcast program in the renovated Health Sciences multimedia newsroom. It will also act as the communications hub that will serve the university as a whole while enhancing the curriculum and student experience by creating additional opportunities for practicing the live reporting techniques demanded of television reporters. The university's existing studio is used by numerous programs and classes which creates scheduling challenges. The addition of this studio will also allow expansion of studio production capability to courses that do not currently have access due to the limited time the existing studio is free.

(e) Summary 3-2013: JBRC Item 5. State Board for Technical and Comprehensive Education

Project: 6078, Greenville - Barton Campus Technical Resource Center Renovation

Funding Source: \$150,000 Other, Local College Plant funds which are funds, primarily from County appropriations, that are accumulated over time and ultimately used for capital projects.

Request: Establish project and budget for \$150,000 (Other, Local College Plant funds) to begin design work to renovate the Technical Resource Center at the Barton campus of Greenville Tech. The work will include constructing a 5,900 square foot addition to the library to include tutoring rooms, student rooms, media lab and collaborative areas, reconfiguring interior spaces to create a printing center, cyber café/events area, testing center, learning center, Center for Teaching Excellence and other areas, renovating the auditorium, and installing new energy efficient lighting, plumbing, and HVAC systems, exterior windows and doors. Most building systems are original to the 20 year-old building and past their useful lives. The renovation is needed to address deferred maintenance, to develop locations for students to study in small groups and non-traditional learning environments, and to provide a single location for training faculty in updated methodologies and technologies for teaching and learning.

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved permanent improvement project 5(e). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

Establish Construction Budget

- (f) Summary 3-2013: JBRC Item 11. State Board of Technical and Comprehensive Education
Project: 6077, Midlands - Morris Hall Addition
Funding Source: \$1,100,000 Other, College funds which are derived from a \$75 per semester capital fee for providing additional facilities and improvements that has not increased in more than 11 years.
Request: Increase budget to \$1,100,000 (add \$1,083,500 Other, College funds) to add an addition to Morris Hall on the Airport campus of Midlands Tech. The project was established in June 2011 for pre-design work which is now complete. The work will include adding a 3,757 square foot addition with educational technology labs, offices and student support spaces and renovating approximately 954 square feet of the existing building to create a corridor to the new addition. The addition will provide instructional training spaces needed for faculty to learn state-of-the-art instructional delivery methods and will provide student support spaces needed because of increased enrollment. Because enrollment is up 12% at the college and 10% on the Airport campus since 2005, more space is needed to provide support services to students and for the faculty who serve the students. Energy savings and conservation measures will include the installation of insulated glass, roof and walls and an energy efficient HVAC system. The agency reports the total projected cost of this project is \$1.1 million and additional annual operating costs ranging from \$21,600 to \$23,200 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 the construction is October 2014. (See Attachment 1 for this agenda item for additional annual operating costs.)

Upon a motion by Mr. White, seconded by Senator Leatherman, the Board approved permanent improvement project 5(f). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

- (g) Summary 4-2013: JBRC Item 1. Budget and Control Board
Project: 9909, Sims-Aycock Building Roof and Wall Leak Repairs
Funding Source: \$1,514,000 Other, Depreciation Reserve funds which are funds derived from the rent account, which receives rent charged to state agencies that occupy Budget and Control Board space in state-controlled office buildings.

Request: Increase budget to \$1,514,000 (add \$1,494,200 Other, Depreciation Reserve funds) to replace the roof on the Sims-Aycock Building which houses DHEC. The project was established in May 2012 for pre-design work which is now complete. The work will include replacing the roofing membrane, flashing and insulation and refurbishing approximately 12,000 square feet of the metal window wall system on the fourth floor. The roof is 12 years old, past its useful life, and out of warranty. The roof and window wall system leak, which can damage the building's interior. Replacing them will stop the leaks and improve the thermal performance of the building. Energy savings and conservation measures will include the installation of a white roof surface and energy efficient insulation. The agency reports the total projected cost of this project is \$1,514,000 and annual operating cost savings of \$6,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is May 2013 and for completion of construction is October 2013. (See Attachment 2 for annual operating cost savings.)

(h) Summary 4-2013: JBRC Item 3. University of South Carolina

Project: 6101, Coker Seventh Floor Laboratory Renovation

Funding Source: \$1,150,000 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: Establish project and budget for \$1,150,000 (Other, Institutional Funds) to renovate a portion of the seventh floor in the Coker Life Sciences Building at USC. Pre-design work has been completed, as the project was not originally anticipated to exceed the \$1 million project level until construction documents were developed. The work will include renovating approximately 6,850 square feet on the seventh floor to create research labs and offices, upgrading the mechanical, electrical and plumbing systems in the space, and installing new partitions, finishes and lab casework. The renovation is needed for the College of Pharmacy to house the SmartState Chair in Translational Cancer Therapeutics and to upgrade the existing space to meet the programmatic requirements of the research functions of the college. Energy savings and conservation measures will include the installation of energy efficient air handling and lighting systems, low flow water faucets, and occupancy sensors. The agency reports the total projected cost of this project is \$1,150,000 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 May 2013 and for completion of construction is November 2013.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved permanent improvement project 5(h). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

- (i) Summary 4-2013: JBRC Item 4. Budget and Control Board
- Project: 9641, B&CB Facilities Fire Alarm/Smoke Detector Code Compliance Upgrade Phases I - V
- Funding Source: \$7,854,382 which includes \$3,551,545 Other, Depreciation Reserve funds which are funds derived from the rent account which receives rent charged to state agencies that occupy Budget and Control Board space in state-controlled office buildings and \$4,302,837 in Capital Improvement Bond, Appropriated State and Federal funds previously approved for earlier phases of work on the project.
- Request: Increase budget to \$7,854,382 (add \$1,869,450 Other, Depreciation Reserve funds) to fund Phase V of upgrades to fire alarm and smoke detector systems in Budget and Control Board buildings. The project was established in 1997 and increased numerous times to fund four phases of the fire alarm system upgrades and pre-design of phase V, which is now complete. Phases I through III involved replacing systems in 18 of 34 buildings and phase IV, approved in Fall 2012, will involve replacing systems in seven additional buildings. Phase V includes replacing the fire alarm and smoke detector systems in an additional seven buildings, DSS Harden Street, Sims Aycock, Laurel Street Warehouse, Surplus Garage, State Surplus Office Building, Federal Surplus Office Building, and South Main Street complex. The existing fire alarm systems in three phase V buildings are more than 23 years old and four phase V buildings have no fire alarm system. Energy savings and conservation measures are not applicable to this project. The agency reports the total projected cost of five phases is \$7,854,382 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the phase V contract is August 2013 and for completion of construction is April 2014.

Mr. Eckstrom asked to carryover item 5(i) until the next Board meeting in order to receive more information on the project. Senator Leatherman commented that this matter is a life safety issue and asked that the matter go forward. Mr. Eckstrom commented that the same existed last month and the month before. Ms. Adams asked Nolan Wiggins, General Services' Director to address the phases of the project. Mr. Wiggins said the project has been in the works for about 15 to 16 years. He noted that this is phase V and that phases I through III have been completed. He said the Board approved phase IV last fall and it is underway. He said phase V will address seven more buildings leaving two buildings to be upgraded. He stated that the final two buildings will be assessed by May 30, 2013. Mr. Eckstrom asked what two buildings were left to be assessed to which Mr. Wiggins replied the Archives and History building and the fleet management central shop. Mr. Eckstrom asked if those buildings needed to be upgraded now.

Mr. Wiggins said the Archive and History building is a newer building and the fleet building is low occupancy and may not need to be addressed, but they will wait on the assessment to see what needs to be done.

Senator Leatherman said that none of the buildings have fire alarm systems and three buildings have fire alarm systems that are 23 years old. He said it would really bother him if the Board did not approve this item and something happens.

Governor Haley commented to Mr. Wiggins that the State has a lot of buildings and storage that is not needed. She asked him to clean this issue up and for him to provide a list of buildings and cars owned by the State. She said she will work with Mr. Wiggins to see that the State is not holding on to property it does not need. She noted that this is not a time to have a lot of overhead. Mr. Eckstrom asked if an evaluation would be done of buildings not needed and whether the buildings in phase V are candidates for being disposed. Mr. Wiggins said all of the buildings in phase V are occupied and there are no plans to dispose of them. He noted the buildings are lower on the list because that is due mainly to the number of people who occupy the buildings and the age of the systems in the buildings of the first four phases.

There was no second to carryover item 5(i) and the motion failed.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved permanent improvement project 5(i). All Board members voted for the item.

- (j) Summary 4-2013: JBRC Item 5. Budget and Control Board
Project: 9855, Calhoun Building Renovations
Funding Source: \$6,202,472 which includes \$2,899,899 Other, SC Judicial Department funds which derive from Circuit Court and Family Court filing fees carried forward to the current year, \$1,195,415 Other, Depreciation Reserve funds which derive from the rent account which receives rent charged to state agencies that occupy Budget and Control Board space in state-controlled office buildings, and \$2,107,158 Appropriated State funds previously approved for an earlier phase of work on the project.
Request: Increase budget to \$6,202,472 (add \$3,999,899 - \$2,899,899 Other, SC Judicial Department and \$1,100,000 Other, Depreciation Reserve funds) to begin a second phase of building and site improvements to the Calhoun Building on the Capitol Complex which houses the Court of Appeals and administrative functions of the Judicial Department. The project was established in January 2008 for pre-design work and increased for the construction budget in August 2009 to do exterior renovations to the building, which are nearing completion. Phase II of work will include renovating 12,500 square feet on the ground floor

to allow for more efficient use of space and improve building security and handicap accessibility by restoring the north side of the main entrance to the building. The mechanical system on the ground floor will be replaced, windows will be repaired, and infrastructure provisions will be made to facilitate future building systems renovations including the extension of a fire suppression system to other floors. The building is 88 years old and the last major renovation was in 1987. Energy savings and conservation measures will include the installation of an energy efficient mechanical system and lighting and occupancy sensors. The agency reports the total projected cost of this project, including completed exterior renovations, is \$6,202,472 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is October 2013 and for completion of construction is June 2014.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved permanent improvement project 5(j). Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the item. Mr. Eckstrom voted against the item.

- (k) Summary 4-2013: JBRC Item 6. Budget and Control Board
Project: 9913, Data Center Generator and Chiller Installation
Funding Source: \$1,486,400 Other, Depreciation Reserve funds which are funds derived from the rent account, which receives rent charged to state agencies that occupy Budget and Control Board space in state-controlled office buildings.
Request Increase budget to \$1,486,400 (add \$1,461,380 Other, Depreciation Reserve funds) to install a second emergency generator and an additional chiller for the Budget and Control Board's Data Center. The project was established in October 2012 for pre-design work which is now complete. The work will include installing a 1,500 kilowatt generator, a 200-ton air-cooled chiller and associated electrical work. The generator and chiller will support the projected increase in computer room electrical load from the present 340 kilowatts to a projected 640 kilowatts. The generator and chiller are needed to provide the necessary level of redundancy for the projected electrical loads needed to meet the data processing requirements of the center's customers and to provide a level of redundancy required by a recent Tier study of the Data Center. Energy savings and conservation measures will include the installation of an energy efficient chiller. The agency reports the total projected cost of this project is \$1,486,400 and additional annual operating costs of \$8,400 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is May 2013 and for completion of construction is October 2013. (See Attachment 3 for additional annual operating costs.)

Increase Budget

- (l) Summary 4-2013: JBRC Item 7. Vocational Rehabilitation Department
Project: 9595, Lancaster Parking Lot Improvements
Funding Source: \$445,000 which includes \$244,662 Other, Workshop Production Revenue funds which is program income generated from the Work Training Centers and \$200,338 in Capital Reserve Fund, Federal, and Other funds previously approved for the project.
Request: Increase budget to \$445,000 (add \$200,000 Other, Workshop Production Revenue funds) to proceed with parking lot and loading area improvements at the Vocational Rehabilitation Center in Lancaster. The project was established in October 2009 and was put on hold due to budget constraints at the time. The agency wishes to proceed with the project now and has revised the project cost estimate. Recent subsurface investigations reveal greater deterioration of the existing paved area, thus requiring more extensive work to be done. Exterior lighting will also be added to the parking areas for safety and security due to recent break-ins at the remote location. The work will now include removing existing paving and base material, recompacting the subsurface, replacing the base and paving, and installing security lighting. The facility is more than 30 years old and parking and loading areas are in need of renovations and repairs. Energy savings and conservation measures will include the installation of energy efficient lighting and timers. The agency reports the total projected cost of this project is \$445,000 and additional annual operating costs of \$1,000 will result in the three years following project completion. The agency also reports the projected date for execution of the construction contract is April 2013 and for completion of construction is November 2013. (See Attachment 4 for additional annual operating costs.)

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved permanent improvement project 5(l). All Board members voted for the item.

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

Division of State Budget: Real Property Acquisitions (Regular Session Item #6)

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board approved the following real property acquisitions as recommended by the Division of State Budget. Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the motion. Mr. Eckstrom voted against the motion.

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- (a) **Agency:** **University of South Carolina**
Acreage: 1.14± acres
Location: At the corner of Williams and Catawba Streets in Columbia.
County: Richland
Purpose: To consolidate ownership of property in the block where Carolina Stadium is located and provide control for future development to complement athletic operations.
Appraised Value: \$570,000
Price/Seller: \$570,000 / Housing Authority of the City of Columbia
Source of Funds: Athletic Operating
Project Number: H27-6097
Environmental Study: Approved
Building Condition: N/A
Assessment:
Additional Annual Op Cost/SOF: Additional annual operating costs for grounds maintenance are estimated to be \$6,500 and will be paid from Athletic Operating funds.
Current Year Property Tax: N/A - Exempt
Approved By: CHE on 10/18/12; JBRC on 12/4/12
Additional Information: This request also includes approval of a budget increase to the permanent improvement project of \$550,000 from the fund source noted above.
- (b) **Agency:** **Department of Natural Resources**
Acreage: 79.5± acres
Location: Adjacent to DNR's Santee Delta Wildlife Management Area on the North Santee River south of Georgetown.
County: Georgetown
Purpose: To protect habitat for waterfowl and offer additional hunting opportunities for the public.
Appraised Value: N/A
Price/Seller: Donation / The Nature Conservancy, Arlington, Virginia
Source of Funds: N/A
Project Number: P24-9924
Environmental Study: Approved
Building Condition: N/A
Assessment:
Additional Annual Op Cost/SOF: No additional annual operating costs are anticipated as DNR currently manages the adjacent area.
Current Year Property Tax: N/A – Exempt

Approved By:	JBRC on 12/4/12
(c) <u>Agency:</u>	Coastal Carolina University
Acreage:	19.51± acres
Location:	On Highway 544 in Conway
County:	Horry
Purpose:	To construct a new student housing facility.
Appraised Value:	\$3,500,000
Price/Seller:	\$3,300,000 / CCU Student Housing Foundation
Source of Funds:	Revenue Bonds
Project Number:	H17-9594
Environmental Study:	Approved
Building Condition	N/A
Assessment:	
Additional Annual Op	No additional annual operating costs will result from
Cost/SOF:	the acquisition. Construction of the student housing facility is estimated to cost \$85 million and will be funded with Housing Revenue Bonds.
Current Year Property Tax:	N/A - Exempt
Approved By:	CHE on 12/3/12; JBRC on 1/23/13
Additional Information:	This request also includes approval of a budget increase to the permanent improvement project of \$3,300,000 from the fund source noted above.

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

Procurement Services Division: Waiver to Extend the Maximum Time on a Multi-Term Contract for Lander University (Regular Session Item #7)

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 Board. Lander University asked the Materials Management Office (MMO) to assist in seeking Board approval to authorize MMO to solicit on Lander's behalf a contract for up to ten (10) years for its food service operations. Lander officials believe a contract term of ten years will attract greater capital investment by the offerors, which the university intends to use to renovate existing food service venues by renovating the kitchen, remodeling dining areas, enhancing the Bearcat Café and/or construct new venues such as increasing the size of the dining hall by enclosing the patio and expanding dining options at the library.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, and under authority of SC Consolidated Procurement Code Section 11-35-2030(4), the Board granted Lander University's request for a multi-term contract for food service operations and authorize the solicitation of proposals and award of a contract for up to ten (10) years.

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

Procurement Services Division: Waiver to Extend the Maximum Time on a Multi-Term Contract for the Department of Transportation (Regular Session Item #8)

Section 11-35-2030(4) of the SC Consolidated Procurement Code limits the maximum time for any multi-term contract to five years unless otherwise approved by the Board. The Department of Transportation (DOT) asked for Board approval for the Materials Management Office to solicit proposals on its behalf to contract for up to nine (9) years (seven years with two one-year options) for operation and maintenance of the Cross Island Parkway Toll Facility on Hilton Head Island. The current contract is set to expire August 31, 2014. DOT is already working with the Materials Management Office to develop and plan the solicitation to replace the current contract. DOT expects to retire the bonded indebtedness for the original project in 2021 and plans to sunset the toll operation July 2021. The contract term of nine years will allow DOT to continue with the selected contractor through decommissioning of the toll facility, dismantling of the toll facility infrastructure, and closing transponder accounts with approximately 25,000 Palmetto Pass patrons that have outstanding balances.

Mr. Loftis asked for further explanation of the item for clarity. Appearing before the Board was Sherry Barton, Chief Procurement Officer for the Department of Transportation. She said DOT does not know how long the decommissioning will take. She noted that the present contract will end August 31, 2014, and DOT will have seven more years until the toll ceases. She said the law calls for the tolls to cease when the bonds are paid off. She stated that a little extra time is needed in case a new vendor is chosen. Ms. Barton further commented that an additional year is needed to close out the transponder accounts. Mr. Loftis said that this seems like a long time to closeout a contract. Ms. Barton said there are two extra years, one for transition and the other to close out the 25,000 transponder accounts and return the 70,000

transponders. She said the entire facility will need to be closed out also. Mr. Loftis said that the contract is opened ended and that there is no amount of money stated in the contract. He commented that when the toll is closer to closing there will not be 25,000 transponders because they will all spend out their money. He said there will only be a small amount of accounts left. Ms. Barton said the accounts will not be closed out until the tolls cease in 2021 and then customers will begin turning in the transponders for up to two extra years.

Mr. Eckstrom asked how the vendor will be paid the final year of the contract. Ms. Barton said that revenues are \$7 to \$8 million a year and expenses for debt service and operations are about \$6.5 to \$7 million which leaves them some excess funds. Mr. Eckstrom asked whether the bond covenants require an excess payment fund. Mr. Loftis also asked how much money DOT has to close out the project. Roy Tolson, DOT's toll manager, stated that when the toll closes out DOT will have approximately \$5 million to finish paying the contractor, closing the accounts, taking out eight toll booths, and doing something with the building. He said if any money is left over it will be used to do maintenance on the road.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, and under authority of SC Consolidated Procurement Code Section 11-35-2030(4), the Board granted the South Carolina Department of Transportation's request for a multi-term contract for up to nine years (seven years with two one-year options) for operation and maintenance of the Cross Island toll facility.

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

Medical University Hospital Authority: Medical University Hospital Authority Working Line of Credit (Regular Session Item #9)

Pursuant to S.C. Code Ann. Section 59-123-60, as amended, the Board of Trustees of the Medical University of South Carolina (Board of Trustees) became the governing body of the Medical University hospitals, clinics, and other healthcare and related facilities as shall be determined from time to time by resolution of the Board of Trustees. Section 59-123-60 further provides that whenever the Board of Trustees functions in its capacity as the governing body of such facilities, it is constituted and designated as the Medical University Hospital Authority

(Authority), an agency of the State of South Carolina.

The Authority, pursuant to Section 59-123-60(E)(3)(d), is authorized to issue revenue anticipation notes; provided that such notes have a maturity of not exceeding six months from date of issuance and do not exceed, in the aggregate, ten percent of the net patient service revenue for the fiscal year of the Authority preceding the fiscal year in which such obligations are issued. The issuance of the notes is subject to approval of the Budget and Control Board.

The Medical University of South Carolina (MUSC) advises that audited financial statements reflect that for fiscal year ended June 30, 2012, net patient service revenues were \$1,030,332,834.

The Authority requested that the Board authorize the State Treasurer to negotiate the terms of the revenue anticipation notes which shall be issued in an aggregate principal amount not exceeding \$25,000,000 and shall have a maturity of not exceeding six months from the date of their issuance. The Authority also requests that the Board authorize the Treasurer to negotiate other terms and conditions of the revenue anticipation notes and to approve all documents related thereto to which the Authority is a party.

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board adopted a resolution (1) authorizing the State Treasurer to negotiate the terms of the revenue anticipation notes which shall be issued in an aggregate principal amount not exceeding \$25,000,000 and shall have a maturity of not exceeding six months from the date of their issuance; and (2) authorizing the Treasurer to negotiate other terms and conditions of the revenue anticipation notes and to approve all documents related thereto to which the Authority is a party.

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

Lander University: Not Exceeding \$15,000,000 General Obligation State Institution Bonds (Issued on Behalf of Lander University), Series 2013A of the State of South Carolina (R#10)

The Board was asked to adopt a resolution making provision for the issuance and sale of not exceeding \$15,000,000 General Obligation State Institution Bonds (issued on behalf of Lander University), Series 2013A of the State of South Carolina.

The proceeds from the sale of the bonds will be used to (1) construct new student housing

facilities at the University to include an approximately 71,000 square-foot facility which will include 210 suite-style bedspaces, meeting, study and social rooms, a laundry, a 60-person instructional classroom, and various support spaces, and (2) pay for expenses related to the issuance of such State Institution Bonds.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Board adopted a resolution making provision for the issuance and sale of not exceeding \$15,000,000 General Obligation State Institution Bonds (issued on behalf of Lander University), Series 2013A of the State of South Carolina. Governor Haley, Mr. Loftis, Senator Leatherman, and Mr. White voted for the motion. Mr. Eckstrom voted against the motion.

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

University of South Carolina: Not Exceeding \$41,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013 (Regular Session Item #11)

Upon a motion by Mr. White, seconded by Senator Leather the Board amended the agenda to carry over a request to adopt a resolution making provision for the issuance and sale of not exceeding \$41,000,000 University of South Carolina Higher Education Revenue Bonds, Series 2013.

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

Treasurer's Office: State Auditor (Regular Session Item #12)

Upon a motion by Senator Leatherman, seconded by Mr. White, the Board received information regarding the State Auditor's position.

Mr. Loftis commented that there has been an interim state auditor for six and a half years. He said that is not fair to Mr. (Rich) Gilbert and not fair to the office. He said he would ask the Board to approve staff to look into how to perform a search and move forward with the search. He said careful consideration should be given to what that job does and to beefing up the job. He said the auditing function is important and he would like to see a more robust and aggressive State Auditor's Office. He noted that they manage a lot of money and the auditing function is

expected of the Board.

Senator Leatherman moved to receive the matter as information. The motion was seconded by Mr. White. The motion passed.

Governor Haley asked Mr. Loftis if he had a motion he wanted to make. Mr. Loftis said he wanted to move to direct staff to look into a search to provide the State with a permanent state auditor and to also look into the underlying rules and regulations of that office.

Upon a motion by Mr. Loftis, seconded by Mr. Eckstrom, the Board directed staff to look into a search to provide the State with a permanent state auditor and to also look into the underlying rules and regulations of that office

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

Future Meeting

The Board agreed to meet at 9:00 a.m. on Tuesday, March 5, 2013.

Adjournment

The meeting adjourned at 10:25 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 4:00 p.m. on Friday, January 25, 2013.]