

# STATE BUDGET AND CONTROL BOARD

Meeting of Tuesday, January 27, 2015 -- 9:30 A. M.

Room 252, Edgar A. Brown Building

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## AGENDA INDEX

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<u>Item</u>	<u>Agency</u>	<u>Subject</u>
<b>A.</b>	<b>MEETING OF THE TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY</b>	
<b>B.</b>	<b>MEETING OF BUDGET AND CONTROL BOARD</b>	
<b>C.</b>	<b>ADOPTION OF PROPOSED AGENDA</b>	
<b>D.</b>	<b>MINUTES OF PREVIOUS MEETING</b>	
<b>E.</b>	<b>BLUE AGENDA</b>	
1.	Executive Director's Office, B&CB	Dual Employment
2.	Division of General Services	Easement
3.	Division of General Services	Real Property Conveyance
4.	Executive Director	Revenue Bonds
<b>F.</b>	<b>REGULAR SESSION</b>	
1.	State Treasurer's Office	Bond Counsel Selection
2.	Division of General Services	SC Office of Regulatory Staff Lease
3.	Executive Budget Office	Permanent Improvement Projects
4.	Executive Budget Office	Real Property Acquisitions
5.	Budget and Control Board	Future Meeting

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**

**Meeting of Tuesday, January 27, 2015 -- 9:30 A. M.**

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

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***REGULAR SESSION AGENDA INDEX***

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**Item**

**No.**

**Agency**

**Subject**

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**A. ADOPTION OF PROPOSED AGENDA**

**B. REGULAR SESSION**

- |    |  |  |
|----|--|--|
| 1. | Tobacco Settlement Revenue<br>Management Authority | Adoption of Budget   |
| 2. | Tobacco Settlement Revenue<br>Management Authority | Financial Statement for the Fiscal Year<br>Ended June 30, 2014 |

**C. ADJOURNMENT**

TOBACCO SETTLEMENT  
REVENUE MANAGEMENT AUTHORITY  
MEETING OF January 27, 2015

REGULAR SESSION  
ITEM NUMBER 1

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AGENCY: Office of the State Treasurer

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SUBJECT: Adoption of Budget

In accord with South Carolina Code of Laws Section 11-49-60 (12), the Authority is asked to adopt the attached proposed fiscal year budget for the period July 1, 2015, through June 30, 2016, as submitted by the State Treasurer. The proposed budget is anticipated to cover, in part, expenses including, but is not limited to, professional services, payment of insurance premiums for members of the Authority Board, and other expenses related to the operation and administration of the Authority.

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AUTHORITY ACTION REQUESTED:

Adopt the operating budget for the Authority's fiscal year budget for the period July 1, 2015, through June 30, 2016.

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ATTACHMENTS:

Loftis 1/13/15 letter; Proposed Budget; Code Section 11-49-60 (12)



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

January 13, 2015

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

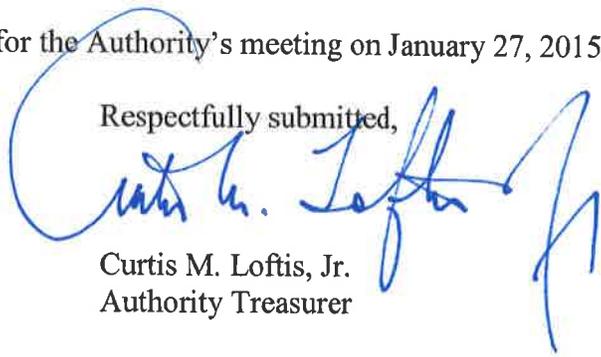
Re: Tobacco Settlement Revenue Management Authority  
Annual Budget 2015-2016

Dear Delbert:

In accordance with South Carolina Code of Laws Section 11-49-60(12), I am pleased to submit herewith the annual budget proposed for the Tobacco Settlement Revenue Management Authority for the Fiscal Year beginning July 1, 2015 and ending June 30, 2016.

Please place this item on the agenda for the Authority's meeting on January 27, 2015.

Respectfully submitted,

  
Curtis M. Loftis, Jr.  
Authority Treasurer

Enclosure

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

Operating Budget for the Authority's Budget Year Ending June 30, 2016

(Cash Basis)

	<u>Base Year</u> <u>7/1/2014 - 6/30/2015</u>	<u>Budget Year</u> <u>7/1/2015 - 6/30/2016</u>
<b>Revenue</b>		
Tobacco settlement revenue	68,000,000	70,000,000
Funds carried forward from prior year	<u>50,000</u>	<u>50,000</u>
Total	<u>68,050,000</u>	<u>70,050,000</u>
<b>Expense</b>		
Debt Service		
Principal	-	-
Interest	-	-
Administrative and operating expense		
Professional fees and expenses		
Audit and accounting	20,000	20,000
Arbitrage, deallocation and disclosure	25,000	25,000
Legal and enforcement	-	-
Bond ratings	-	-
Trustee fees	-	-
Insurance		
Tort insurance for authority members	3,000	3,000
General operating		
Postage and shipping	100	100
Other operating expense	-	-
Contingency	<u>1,900</u>	<u>1,900</u>
Total	<u>50,000</u>	<u>50,000</u>
Net revenue	<u>68,000,000</u>	<u>70,000,000</u>

TOBACCO SETTLEMENT REVENUE

MANAGEMENT AUTHORITY

MEETING OF January 27, 2015

REGULAR SESSION

ITEM NUMBER

2

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AGENCY: Tobacco Settlement Revenue Management Authority

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SUBJECT: Financial Statement for the Fiscal Year Ended June 30, 2014

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

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AUTHORITY ACTION REQUESTED:

In accord with Code Section 11-49-100, receive as information the Tobacco Settlement Revenue Management Authority’s Financial Statement for the Fiscal Year Ended June 30, 2014, and approve the submittal of the Financial Statement to the Budget and Control Board.

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ATTACHMENTS:

Loftis 1/13/15 letter with attachment; Code Section 11-49-100



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

State Treasurer

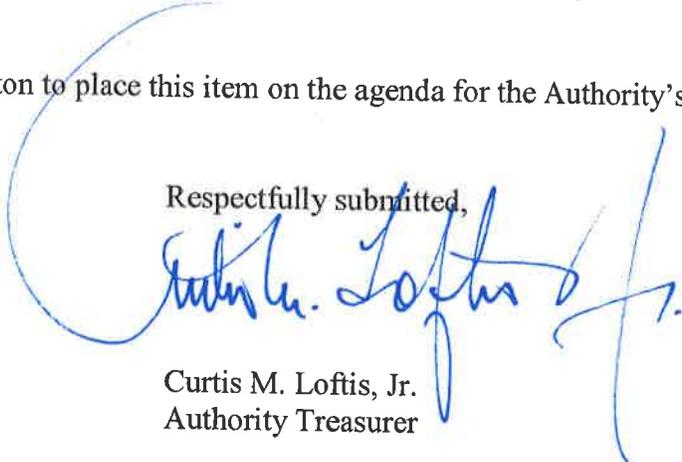
January 13, 2015

To the members of the Tobacco Settlement Revenue Management Authority and  
the State Budget and Control Board

In accordance with S.C. Code Section 11-49-100, which requires that the Authority provide an annual report of its activities to the State Budget and Control Board during the month of January, I am providing copies of the Authority's audited financial statements for the fiscal year ended June 30, 2014. Management's Discussion and Analysis and the Notes to Financial Statements contained therein describe the Authority's activities in all material respects.

I have asked Mr. Singleton to place this item on the agenda for the Authority's meeting on January 27, 2015.

Respectfully submitted,

  
Curtis M. Loftis, Jr.  
Authority Treasurer

Enclosure

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

Financial Statements  
June 30, 2014  
(With Independent Auditor's Report Thereon)

*State of South Carolina*



*Office of the State Auditor*

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

RICHARD H. GILBERT, JR., CPA  
DEPUTY STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

September 29, 2014

The Honorable Nikki R. Haley, Governor  
and  
Members of the Tobacco Settlement Revenue  
Management Authority  
Columbia, South Carolina

This report on the audit of the financial statements of the Tobacco Settlement Revenue Management Authority for the fiscal year ended June 30, 2014, was issued by The Hobbs Group, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard H. Gilbert, Jr.", written in a cursive style.

Richard H. Gilbert, Jr., CPA  
Deputy State Auditor

RHGjr/trb

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

Table of Contents

Independent Auditors' Report .....	1
Management's Discussion and Analysis (unaudited).....	3
The Authority.....	3
Overview of the Financial Statements .....	3
Summary of Financial Results .....	4
Long-Term Debt Activity .....	6
Budgetary Highlights .....	6
Economic Factors and Outlook.....	6
Contacting the Authority.....	7
Government-Wide Financial Statements .....	8
Statement of Net Position .....	8
Statement of Activities.....	9
Governmental Fund Financial Statements.....	10
Governmental Fund Balance Sheet.....	10
Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance ...	11
Notes to Financial Statements .....	12
Required Supplementary Information (unaudited).....	20
Budgetary Comparison Schedule - General Fund.....	20
Notes to Required Supplementary Information .....	21
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	22

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## INDEPENDENT AUDITORS' REPORT

Mr. Richard H. Gilbert, Jr., CPA  
Deputy State Auditor  
Office of the State Auditor  
Columbia, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of South Carolina Resources Authority (the "Authority"), as of and for the year ended June 30, 2014, and the related notes to the financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to an express opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity of the Authority, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2014, the changes in its financial position, and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Columbia, South Carolina  
September 17, 2014

*The Halls Group, P.A.*

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2014

This section of the annual financial report of the Tobacco Settlement Revenue Management Authority (the "Authority") presents the analysis of the Authority's financial performance during the fiscal year that ended on June 30, 2014. Please read it in conjunction with the financial statements and their accompanying notes, which follow this section.

## **The Authority**

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

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

## **Overview of the Financial Statements**

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

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

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2014

*Balance Sheet* of the General Fund focuses only on the Authority's resources available for expenditure at the end of the fiscal year.

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

**Summary of Financial Results**

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

*Government-Wide Financial Statements*

Statement of Net Position. The following table summarizes the Authority's Net Position for the period ending June 30, 2014, along with comparative data for the prior fiscal year.

	June 30, 2014	June 30, 2013	Difference	%
<b>Assets</b>				
Cash and cash equivalents	\$ 5,387,070	\$ 5,358,384	\$ 28,686	0.5%
Tobacco settlement payments receivable	34,000,000	37,072,513	(3,072,513)	-8.3%
Total assets	<u>39,387,070</u>	<u>42,430,897</u>	<u>(3,043,827)</u>	-7.2%
<b>Liabilities</b>				
Accounts payable	-	33,489	(33,489)	-100.0%
Total liabilities	<u>-</u>	<u>33,489</u>	<u>(33,489)</u>	-100.0%
<b>Net position</b>				
Restricted by statute	34,000,000	37,072,513	(3,072,513)	-8.3%
Unrestricted	5,387,070	5,324,895	62,175	1.2%
Total net position	<u>\$ 39,387,070</u>	<u>\$ 42,397,408</u>	<u>\$ (3,010,338)</u>	-7.1%

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

The Authority's cash and cash equivalents increased 0.5% over the course of the fiscal year, due primarily to a decrease in operating expenses and a recovery of prior year expense in the current fiscal year, both within the Authority's operating fund. Tobacco settlement payments receivable also declined by 8.3% in connection with a settlement reached among the State, the OPMs and

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

Management's Discussion and Analysis (unaudited)

June 30, 2014

certain other parties as more fully described in Note 5 – Disputed Payments (the “Disputed Payments Settlement”). Total assets declined 7.2% reflecting these same factors. Accounts payable decreased by 100.0%.

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

Statement of Activities. The following table summarizes the Authority's activities for the period ending June 30, 2014 with comparative amounts for the prior fiscal year.

	June 30, 2014	June 30, 2013	Difference	%
<b>General revenues</b>				
Tobacco settlement revenues	\$ 109,113,495	\$ 73,326,296	\$ 35,787,199	48.8%
Investment earnings	-	4,370	(4,370)	-100.0%
Refunds of prior year expenditures	90,191	-	90,191	100.0%
Total general revenues	<u>109,203,686</u>	<u>73,330,666</u>	<u>35,873,020</u>	48.9%
<b>Expenses</b>				
General government	2,065,419	2,472,437	(407,018)	-16.5%
Total expenses	<u>2,065,419</u>	<u>2,472,437</u>	<u>(407,018)</u>	-16.5%
Excess of general revenues over expenses				
before transfers	107,138,267	70,858,229	36,280,038	51.2%
<b>Transfers</b>				
Transfers to state funds and programs pursuant to proviso	<u>(110,148,605)</u>	<u>(81,925,059)</u>	<u>(28,223,546)</u>	34.5%
Total transfers	<u>(110,148,605)</u>	<u>(81,925,059)</u>	<u>(28,223,546)</u>	34.5%
Change in net position	(3,010,338)	(11,066,830)	8,056,492	72.8%
Net position - beginning of year	<u>42,397,408</u>	<u>53,464,238</u>	<u>(11,066,830)</u>	-20.7%
Net position - end of year	<u>\$ 39,387,070</u>	<u>\$ 42,397,408</u>	<u>\$ (3,010,338)</u>	-7.1%

General revenues of \$109.2 million reflect the receipt of and accrual for TSRs and other revenues. Revenues increased year over year by \$35.9 million or 48.9% in connection with the Disputed Payments Settlement. The decline in interest earnings reflects the difference in funds availability and investment policy following release of the TSRs previously held in trust and restricted by bond covenants; subsequent to release from the trust, funds of the Authority and earnings thereon are deemed to be immediately available and inure to the benefit of the State, rather than to the Authority.

The Authority's expenses primarily consisted of its administrative expenses and directed transfers to other state agencies for diligent enforcement. Total expenses decreased by \$407 thousand

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Management's Discussion and Analysis (unaudited)

June 30, 2014

reflecting a reduction in legal costs, and transfers to the state fund increased \$28.2 million, each a result of the Disputed Payments Settlement.

### *Governmental Funds*

As of the end of the current fiscal year, the ending fund balance in the Authority's governmental fund was \$39.4 million, a decrease of \$3.0 million by comparison to the prior fiscal year. Of the total fund balance, \$34.0 million is restricted for statutory expenditures. The factors contributing to the change in fund balance year over year are the same as those described above in the discussion and analysis of the government-wide financial statements.

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

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

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

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

### **Budgetary Highlights**

The Authority annually adopts an operating budget as required by its by-laws. From a budgetary perspective, the Authority realized a \$3.0 million deficiency of revenues over expenditures during the fiscal year ended June 30, 2014, which deficiency arose due to factors described in the Summary of Financial Results contained herein.

### **Economic Factors and Outlook**

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

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Management's Discussion and Analysis (unaudited)

June 30, 2014

**Contacting the Authority**

Persons needing additional information concerning this report or otherwise needing to contact the Authority may do so by writing or telephoning F. Richard Harmon, Jr., Senior Assistant State Treasurer, State of South Carolina, 122 Wade Hampton Office Building, Capitol Complex, Columbia, South Carolina 29201, telephone (803) 734-2114.

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

Statement of Net Position

June 30, 2014

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 5,387,070
Restricted assets	
Tobacco settlement payments receivable	<u>34,000,000</u>
Total assets	<u>39,387,070</u>
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net position	
Restricted by statute	34,000,000
Unrestricted	<u>5,387,070</u>
Total net position	<u>\$ 39,387,070</u>

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

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Statement of Activities

June 30, 2014

	Governmental Activities
Program expenses	
General government	\$ 2,065,419
Total expenses	2,065,419
Net program expense	2,065,419
General revenues	
Tobacco settlement revenues	109,113,495
Refunds of prior year expenditures	90,191
Total general revenues	109,203,686
Change in net position before transfers	107,138,267
Transfers	
Transfers to state funds and programs pursuant to proviso	(110,148,605)
Total transfers	(110,148,605)
Change in net position	(3,010,338)
Net position	
Beginning of the year	42,397,408
End of the year	\$ 39,387,070

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

**TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY**  
 (A Component Unit of the State of South Carolina)  
**Governmental Fund Balance Sheet**  
 June 30, 2014

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 5,387,070
Tobacco settlement payments receivable	34,000,000
Total assets	\$ 39,387,070
<b>Liabilities</b>	
Accounts payable	-
Total liabilities	-
<b>Fund balance</b>	
Restricted by statute	34,000,000
Committed to operating expense	5,387,070
Total fund balance	39,387,070
Total liabilities and fund balance	\$ 39,387,070

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

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

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

June 30, 2014

	<u>General Fund</u>
Expenditures	
General government	\$ 2,065,419
Total expenditures	2,065,419
Revenues	
Tobacco settlement revenues	109,113,495
Refunds of prior year expenditures	90,191
Total revenues	109,203,686
Excess of revenues over	
expenditures before transfers	107,138,267
Transfers	
Transfers to state funds and programs pursuant to proviso	(110,148,605)
Total transfers	(110,148,605)
Deficiency of revenues over expenditures	(3,010,338)
Fund balance	
Beginning of the year	42,397,408
End of the year	\$ 39,387,070

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

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2014

### (1) Reporting Entity

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

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

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

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

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

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

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

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2014

### (2) Summary of Significant Accounting Policies

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

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

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2014

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

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

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

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

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2014

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

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

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

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

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

# TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

## Notes to Financial Statements

June 30, 2014

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

- (g) **Items Previously Reported as Assets and Liabilities.** The Authority implemented for the fiscal year ended June 30, 2014, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Among other things, this Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority has determined that no amounts were required to be reclassified as a result of its adoption of this Statement.
- (h) **Administrative Expenses.** The State of South Carolina and certain of its agencies perform certain accounting, administrative, legal and enforcement services for the Authority, and the value of these services is accounted for as general government expenses in the financial statements. Note 6 – Related Party Transactions contains descriptions of and amounts expended for these purposes.
- (i) **Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **(3) Deposits and Investments**

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

Subsequent to June 2, 2013, all of the Authority's cash deposits and investments are under the control of the State Treasurer who, by law, has sole authority for investing State funds. State law requires full collateralization of all bank balances under the control of the State Treasurer, who must correct any deficiencies in collateral within two days. At June 30, 2014, all bank balances under the control of the State Treasurer were fully insured or collateralized with securities held by the State's agent in the name of the State Treasurer.

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

Notes to Financial Statements

June 30, 2014

The following schedule reflects the Authority's deposits and investments at their fair and reported values at June 30, 2014, and reconciles the amounts reported in the statement of net position to the notes.

	Notes		Statements
Deposits			Cash
Held by State Treasurer	\$ 5,387,070	and cash equivalents	\$ 5,387,070
Totals	\$ 5,387,070		\$ 5,387,070

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

**(4) Bonds Payable**

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

At June 30, 2014, a total of \$64,890,000 of the Authority's legally and economically defeased Series 2001 Bonds remained outstanding; however, all of the Series 2001 Bonds are deemed paid within the meaning of and with the effect expressed in, and accordingly are no longer outstanding under, the Trust Indenture.

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

**(5) Disputed Payments**

During the periods ending June 30, 2006 through June 30, 2014, a number of participating manufacturers ("PMs") deposited a portion of their tobacco settlement payments into a disputed payments account, incidental to findings by an independent arbitrator that MSA disadvantages were a significant factor in market share losses experienced by the PMs in certain calendar years. Under the provisions of the MSA, PMs are potentially entitled to an adjustment of their required payments under the MSA (a Non-Participating Manufacturer or NPM Adjustment) in the event that all of the PMs, in the aggregate, lose more than two percentage points of market share compared to the market share of the PMs in 1997. However, the adjustment cannot be applied

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

Notes to Financial Statements

June 30, 2014

against settling states that have enacted and diligently enforced an escrow fund statute under the MSA. As a result of the PMs' deposit into the disputed payments account, South Carolina's share of payments under the MSA has been reduced since 2006.

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

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

The Authority expects that credits taken by PMs from MSA payments due in the fiscal years ending June 30, 2015 through June 30, 2017 as described above will result in a reduction of TSRs in those fiscal years, the financial impact of which cannot be presently determined with precision.

**(6) Related Party Transactions**

The State of South Carolina, through the Office of Attorney General, the State Law Enforcement Division, and the South Carolina Department of Revenue, provides certain legal and enforcement services to the Authority. During the fiscal year ended June 30, 2014, the Authority made or provided for \$2,028,000 in expenditures from its general fund to these state agencies to cover costs of providing these services. The Office of State Treasurer provides administrative, investment, operations, record keeping, and other support services to the Authority; however, no reimbursements were made by the Authority during the fiscal year ended June 30, 2014 to cover costs of providing these services.

**(7) Risk Management**

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

No payments for uninsured losses were made during the fiscal year ended June 30, 2014.

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

Notes to Financial Statements

June 30, 2014

**(8) Subsequent Events**

The Authority has evaluated all events subsequent to the statement of net position date of June 30, 2014 through the date of issuance of these financial statements, September 26, 2014, and has determined that there are no subsequent events requiring disclosure.

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

Required Supplementary Information (unaudited)

Budgetary Comparison Schedule  
 General Fund

Year ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive/(Negative)
<b>Revenues</b>				
Tobacco settlement receipts	\$ 74,260,529	\$ 74,260,529	\$ 109,113,495	\$ 34,852,966
Funds released from trust	82,117,561	82,117,561	-	(82,117,561)
Refunds of prior year expenditures	-	-	90,191	90,191
Investment income	30,518	30,518	-	(30,518)
Total revenues	<u>156,408,608</u>	<u>156,408,608</u>	<u>109,203,686</u>	<u>(47,204,922)</u>
<b>Expenditures</b>				
Contractual services	45,100	45,100	2,062,929	(2,017,829)
Fixed charges and contributions	3,000	3,000	2,490	510
Miscellaneous administrative	1,900	1,900	-	1,900
Total expenditures	<u>50,000</u>	<u>50,000</u>	<u>2,065,419</u>	<u>(2,015,419)</u>
<b>Transfers</b>				
Transfers to other state agencies	-	-	(110,148,605)	(110,148,605)
Total transfers	<u>-</u>	<u>-</u>	<u>(110,148,605)</u>	<u>(110,148,605)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 156,358,608</u>	<u>\$ 156,358,608</u>	<u>\$ (3,010,338)</u>	<u>\$ (159,368,946)</u>

See accompanying notes to required supplementary information.

TOBACCO SETTLEMENT REVENUE MANAGEMENT AUTHORITY

(A Component Unit of the State of South Carolina)

Notes to Required Supplementary Information (unaudited)

Budgetary Comparison Schedule

General Fund

Year ended June 30, 2014

**(1) Basis of Presentation**

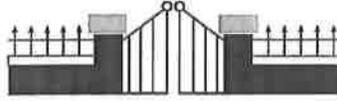
Section 11-49-60 of the South Carolina Code of Laws 1976, as amended requires the Authority to adopt an annual budget for its operational expenditures. The accompanying budgetary comparison schedule compares the Authority's legally adopted budget to actual results on the budgetary basis.

**(2) Budgetary Revisions**

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

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

The accompanying budgetary comparison schedule compares the Authority's legally adopted budget with actual results in accordance with the Authority's basis of budgeting. The Authority's primarily cash basis budgetary accounting principles, however, differ significantly from GAAP. These different accounting principles may result in basis differences in the excess (deficiency) of revenues over (under) expenditures. Basis differences arise because the basis of budgeting differs from the GAAP basis used to prepare the governmental fund statement of revenues, expenditures and changes in fund balance. No such differences were reflected in the budgetary comparison schedule for the fiscal year ended June 30, 2014.



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

Mr. Richard H. Gilbert, Jr., CPA,  
Deputy State Auditor  
Office of the State Auditor  
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Tobacco Settlement Revenue Management Authority (the "*Authority*") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 26, 2014.

***Internal Control over Financial Reporting***

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

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

Columbia, South Carolina  
September 26, 2014

*The Holla Group, P.A.*

**STATE BUDGET AND CONTROL BOARD**  
**Meeting of Tuesday, January 27, 2015 -- 9:30 A. M.**  
**Room 252, Edgar A. Brown Building**  
*BLUE AGENDA INDEX*

<u>Item</u>	<u>Agency</u>	<u>Subject</u>
1.	Executive Director's Office, B&CB	Dual Employment
2.	Division of General Services	Easement
3.	Division of General Services	Real Property Conveyance
4.	Executive Director	Revenue Bonds

STATE BUDGET AND CONTROL BOARD

BLUE AGENDA

MEETING OF January 27, 2015

ITEM NUMBER   /  

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AGENCY: Executive Director's Office, B&CB

---

SUBJECT: Dual Employment

The John de La Howe School Board of Trustees requests approval of dual employment for the President of John de la Howe School, Dr. Danny Webb. The Agency Head Salary Commission has considered the request at its meeting on December 9, 2014, and recommends approval.

---

BOARD ACTION REQUESTED:

Approve the request of the John de la Howe School Board of Trustees request to approve dual employment for Dr. Danny Webb, President of John de la Howe.

---

ATTACHMENTS:

Agenda item worksheet; Request from the Board of Trustees of the John de la Howe School; Fact Sheet; Code Section 8-11-170 of the Code of Laws

## BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 27, 2015

Blue Agenda

---

**1. Submitted by:**

- (a) Agency: Executive Director's Office, B&CB  
(b) Authorized Official Signature:

*Marcia d. Adams*

---

**2. Subject:**

Dual Employment

---

**3. Summary Background Information:**

The John de la Howe School Board of Trustees requests approval of dual employment for the President of John de la Howe School, Dr. Danny Webb. The Agency Head Salary Commission has considered the request at its meeting on December 9, 2014, and recommends approval.

---

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

Approve the request.

---

**5. What is recommendation of Board Division involved?**

Approve the request.

---

**6. Recommendation of other Division/Agency (as required)?**

- (a) Authorized Signature: *HKL*  
(b) Division/Agency Name: Agency Head Salary Commission
- 

**List of Supporting Documents:**

- (a) Request from the Board of Trustees of the John de la Howe School  
(b) Section 8-11-170 of the SC Code of Laws



# John de la Howe School

South Carolina's Home for Children



**Dr. Danny R. Webb**  
President

**BOARD OF TRUSTEES**

**Barbara Devinney**  
Chair  
McCormick, SC

**Donna Wesby**  
Vice-Chair  
Aiken, SC

**Felicia Preston**  
Secretary  
Columbia, SC

**Steve Lize**  
Lexington, SC

**Patricia Silva**  
Aiken, SC

**Tom Love**  
McCormick, SC

**Dan Shonka**  
Central, SC

November 21, 2014

Hon. Hugh K. Leatherman, Sr.  
Chair, Agency Head Salary Commission  
Attention: Donna Foster  
1200 Senate Street, 6<sup>th</sup> Floor  
Wade Hampton Building  
Columbia, SC 29201

Re: Dual Employment of Agency Head

Dear Senator Leatherman:

On November 19, Ms. Donna Foster of the Agency Head Salary Commission provided training to board members of the John de la Howe School on duties relating to the evaluation of the agency head. During this training, we learned that we needed to request approval of the Agency Head Salary Commission when the agency had has a dual employment. As chair of the JDLH board, I seek that permission now and beg your understanding for not complying with this requirement earlier.

Following an open competitive search and multilevel screening and interview process, on June 19, 2014, the JDLH board offered the position of Superintendent/ Agency Head/President to Dr. Danny Webb, which he accepted. He had been serving as Interim President since February 21, 2014, and had served on the campus for over six years prior to that. He was hired at the entry level of \$79,097. Board members participated in reviewing applications, and a seven-member interview panel included representatives from the Departments of Social Services, Mental Health, the board, staff, the Alumni Association and the superintendent of a traditional school district.

Dr. Webb is also an ordained minister and since November 2008 has served as the pastor of Old Mount Zion Baptist Church in Ninety Six.

This information was included in his application and resume, indicating that he earns \$3,200 per month in that capacity. He had also served for ten years as an adjunct professor at Voorhees College, while working as an executive officer with the South Carolina Highway Patrol (from which he is retired) and then with John de la Howe. As his duties increased at John de la Howe, he stopped accepting teaching assignments at Voorhees in January 2013. At his church, he is responsible for conducting Sunday services, leading Bible studies one evening a week, and officiating at occasional weddings and funerals. He is supported by deacons and sisters who help with administrative tasks and pastoral care.

I have visited his church on two occasions and witnessed the overwhelming support the congregation has for his involvement with John de la Howe School and its students. His church, along with churches from other denominations in the area, welcomes students and the school choir on a rotating basis. I was in attendance the day that Senator Floyd Nicholson was present to honor one of the church members with a senate resolution, and he congratulated Dr. Webb on his appointment as President and pledged his support. Representative Anne Parks was present later in the day for the dedication of a stretch of highway honoring educator Benjamin Mays, and she extended her congratulations and support.

John de la Howe School has a 218-year history of providing congregational care to children in need in South Carolina. Several prior agency heads had ministerial backgrounds and affiliations.

Dr. Webb's employment as pastor of a church – along with his experience as an executive officer with the Highway Patrol – provide a unique blend of “hard-soft properties” that certainly contribute to his role in providing leadership to an agency that serves adolescents with emotional and behavioral challenges. As President, he lives on campus and is available and on-call at all times. The agency also has a team of “duty staff” who participate on a rotating basis in filling in for absent staff and providing on-call assistance as needs arise. Dr. Webb continues to assist with duty assignments as well, and he puts in many late-night hours tending to agency business.

At this point, he has served in the role of Interim President and then President for nearly eight months, and his service as a pastor has not adversely affected his work or availability in any way. He was excused for three days for bereavement leave in October when he and his family suffered the tragic loss of two close family members in separate car crashes two days apart. He assisted with funeral plans and officiated at the services.

Dr. Webb is a remarkable man our board wishes to support, and we ask approval of the Agency Head Salary Commission to permit his continued part-time employment as church pastor. Enclosed are copies of his application and resume that were considered during the hiring process. Please let me or Dr. Webb know if there is any additional information that would help.

Sincerely,



Barbara Devinney

Board Chair

cc: JDLH Board Members

## **DR. DANNY R. WEBB**

104 Nottingham Lane Greenwood, SC 29649-864.554.8408 · [bayshell11@embarqmail.com](mailto:bayshell11@embarqmail.com)

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### **EDUCATION**

**Doctor of Theology (Th.D)** – August 2012  
Andersonville Theological Seminary, Camilla, GA

**Master of Public Administration (M.P.A.)** – August 2002  
Troy State University, Troy, AL

**Bachelor of Science** – May 1999 (Cum Laude)  
Morris College, Sumter, SC

### **EXPERIENCE**

**John de la Howe School - McCormick, SC**  
*Interim President, February 2014 – Present*

- Chief executive officer of state agency during legislative inquiry and transition in leadership.
- Responsible for the successful leadership and management of a congregate care community for children and youth with emotional and behavioral challenges. Two distinct programs are available to meet the diverse needs of youth – a residential program and a wilderness program offering experiential learning. The President serves dual role of Superintendent and chief administrative officer of the John de la Howe School District, which consists only of the L.S. Brice School. The Superintendent is responsible for oversight of behavioral management programs and educational services to foster personal growth and academic achievement in the students in the L.S. Brice School serving middle and high school aged students. Day students from Abbeville County attend classes for alternative education.
- Partner with the Board of Trustees in developing a vision and strategic plan to guide the agency.
- Develop operational plans which incorporate goals and objectives that support the strategic direction of the agency.
- Serve as the primary professional advisor to the Board on all aspects of agency activities.
- Provide leadership and management for a staff of 86 full and part-time employees.
- Responsible for successful operation of a 1,200-acre forested property with a working farm, 40 buildings and multiple vehicles.
- Manage, plan, implement and evaluate the organization's programs and services.
- Assure agency compliance with regulations and reporting requirements of multiple agencies on a timely basis.
- Make presentations to General Assembly and work with the Board to secure adequate funding for agency operations. Work with the Foundation Board to secure philanthropic and community support.
- Work collaboratively with multiple agencies to secure and blend services to benefit the children served and to maximize resources.
- Develop collaborative arrangements and foster positive working relationships with policy makers, funding sources, alumni, community groups, and other organizations to help advance the agency.

**John de la Howe School - McCormick, SC**

*Director of Student and Family Services*, January 16, 2013 – Present

- Senior administrator providing departmental leadership to ensure delivery of effective behavioral health services to children in a residential care environment and their families.
- Recruit, train, and supervise 51 staff members, including behavioral therapists, Wilderness staff, admissions coordinator, residential counselors, activity therapists, nurse and administrative assistant. Ensure staff meet service delivery and productivity expectations, completed clinical documentation both accurately and in a timely manner. Provide formal behavioral health training to all staff including residential care, education, and operating personnel. Complete all Employment Performance Management System (EPMS) requirements.
- Provide input to the agency head on program issues, including planning, designing, and implementing program policies and procedures. Serve as a member of management team and participate in creation and implementation of agency's strategic plan and management decision-making process. Direct special projects and assignments and prepare reports.
- Develop and manage diverse programs, including recruitment and admission of all students, Medicaid reimbursements, and clinical and activity therapy services. Conducted reviews of program objectives to determine compatibility with agency's mission, evaluated program effectiveness, and made recommendations for program improvement.
- Provide direct therapeutic intervention of children as needed. Ensure residential students receive services consistent with treatment goals. Provide resources necessary to serve families of children in placement.
- Develop, implement and supervise intake policies and procedures. Work with Admissions Coordinator to ensure that cases are assigned and incoming referrals are staffed in a timely manner.
- Represent the agency at community, state, and professional functions by making presentations at workshops and conferences, hearings, and other gatherings.
- Administer service delivery grants and contracts to ensure expenditures were consistent with guidelines. Provide clinical consultation to residential care and education personnel.
- Coordinate agency-wide preparation for comprehensive annual licensure review of facility by South Carolina Departments of Social Services (DSS) and Health and Environmental Control (DHEC) and state Fire Marshall.
- Provide input to Director of Finance and Business Operations for preparation of departmental and agency budgets. Review and approve department requests for significant expenditures. Seek funding sources for special programs and assist with preparation of grant proposals.
- Provide intervention and guidance with behavioral management issues in various parts of campus. Provide after-hours campus supervision as part of "duty staff" with rotating weeks on duty.

**John de la Howe School - McCormick, SC**

*Admissions Coordinator, January 8, 2008 – January 16, 2013*

- Supervised Admissions Office and staff and facilitated recruitment and referrals of students.
- Explained procedures and provided liaison with applicant families.
- Obtained and evaluated confidential documentation from schools, mental health facilities and private sector to determine placement eligibility of new students.
- Conducted Student Assessment Interviews with youth and families and completed documentation to assess individual needs and determine appropriate services.
- Oversaw the efficiency of the admissions process, including receipt of referrals, data storage, and application and enrollment trends.
- Generated weekly and quarterly reports.
- Maintained appropriate policies and procedures for Admissions Office.
- Monitored population rates to ensure compliance with licensing guidelines.
- Conducted campus tours for families and visitors.
- Assisted with behavioral management issues in various parts of campus.

**Southern Wesleyan University, Adult and Graduates Studies – Greenville, SC**

*Director of Corporate Relations / Enrollment, November 2005-April 2007*

- Created and fostered relationships with businesses to increase referrals for Adult Degree Programs.
- Developed marketing strategies to increase recruitment of adult students.
- Participated in consortium of universities and colleges to educate working adults.

**Voorhees College – Denmark, SC**

*Adjunct Professor of Humanities, August 2002 – January 2013*

- Taught courses in human growth and development, criminal justice, communications, adult development, and small group dynamics.
- Created classroom media presentations, developed course objectives and syllabi, evaluated student coursework and offered guidance to students.

**Old Mount Zion Baptist Church – Ninety Six, SC**

*Pastor, November 2008 – Present*

- Lead Sunday worship services and teach Bible studies.
- Lead deacon and trustee meetings and oversee ministry and facility operations.
- Elected as Moderator – Simmons Ridge Samaritan Baptist Association Union #1 – November 2009. Currently serving second term.
- Conduct weddings, premarital counseling sessions, and funeral services, counsel families through grief and loss, and visit the sick.
- Licensed Gospel Minister, November 2008 to present, Mount Zion Baptist Church – Coronaca, Greenwood, S.C.
- Ordained, May 18, 2008 at Little River Missionary Baptist Association, Greenwood, S.C., Rev. Dr. Sylvester Jackson, Moderator.

## **South Carolina State Highway Patrol**

*Executive Officer (Lieutenant, Retired), September 1986 – May 2005*

- Lieutenant (Executive Officer), January 2003 to May 2005. Oversaw Troop Operations, including training and supervision of Communications Center at District Two Headquarters (Greenwood).
- First Sergeant, April 1998 to January 2003. Oversaw daily operations of entire Troop A covering Orangeburg, Clarendon and Calhoun Counties, including training and supervision of approximately 90 troopers and office staff.
- Sergeant in Williamsburg County in 1992-1998. Duties included scheduling, training, and supervision of countywide troopers and office staff. Prosecuted traffic cases in Magistrate Court. Corporal in Williamsburg County January 1991-1992.
- Trooper in McCormick County, 1986-January 1991, investigating collisions, patrolling highways and issuing summons tickets for traffic violations.

## **COMPUTER SKILLS**

*Microsoft Office: Word, Excel, PowerPoint, Front Page  
Web Design: JavaScript and Cascading Style Sheets*

BestNotes Database System  
KIDS Database System  
Adobe Photo Shop  
Scan Wizard

## **REFERENCES**

Chief J.R. Jones, Chief of Police  
McCormick City Police Department  
115 West Augusta Street  
McCormick, SC 29835  
864.852.2985

Mrs. Roe B. Hunt, Registrar  
Claflin University  
400 Magnolia Street  
Orangeburg, SC 29115  
803.531.5528

*Former Director of Enrollment at South  
Wesleyan University*

## **Fact Sheet**

### **John de la Howe School**

Section 8-11-170 of the South Carolina Code of Laws states an agency head may not be dually employed by another state agency or institution of higher education without prior approval by the Agency Head Salary Commission and the State Budget and Control Board.

<b>President:</b>	Dr. Danny Webb
<b>Salary Range:</b>	\$ 79,070 - \$ 100,470 - \$ 122,573
<b>Salary:</b>	\$ 79,070
<b>Dual Employment:</b>	Old Mount Zion Baptist Church, Ninety Six, SC Pastor
<b>Dual Employment Salary:</b>	\$38,400

SECTION 8-11-170. Agency head dually employed by another state agency; timely payment.

(A) An agency head may not be dually employed by another state agency or institution of higher education without prior approval by the Agency Head Salary Commission and the State Budget and Control Board.

(B) An employee who is approved for dual employment must be paid in a timely manner. The secondary agency must make payment of funds approved for and earned under dual employment within forty-five days of the beginning of the employment.

HISTORY: 1993 Act No. 164, Part II, Section 46A, eff July 1, 1993; 2002 Act No. 356, Section 1, Pt XI.G, eff July 1, 2002.

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AGENCY: Division of General Services

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SUBJECT: Easement

The Division of General Services requests approval of the following easement in accordance with SC Code of Laws:

- (a) County Location: Charleston  
From: Budget and Control Board  
To: City of Charleston  
Consideration: \$700  
Description/Purpose: To grant a 0.024 acre easement for the installation, operation and maintenance of stormwater drainage infrastructure in marshlands adjacent to the Ashley River in the Forest Acres/ West Ashley area. The easement is part of a major drainage improvements project throughout the Charleston peninsula. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.

---

BOARD ACTION REQUESTED:

Approve granting the referenced easement.

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ATTACHMENTS:

Agenda item worksheet; SC Code of Laws Sections 1-11-80 and 1-11-100; Easement Plat

## BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

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Meeting Scheduled for: January 27, 2015

Blue Agenda

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**1. Submitted by:**

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

  
Nolan L. Wiggins, Jr., Director

---

**2. Subject:**

**EASEMENT**

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**3. Summary Background Information:**

The Division of General Services requests approval of the following easement in accordance with SC Code of Laws:

- (a) County Location: Charleston
  - From: Budget and Control Board
  - To: City of Charleston
  - Consideration: \$700
  - Description/Purpose: To grant a 0.024 acre easement for the installation, operation and maintenance of stormwater drainage infrastructure in marshlands adjacent to the Ashley River in the Forest Acres/ West Ashley area. The easement is part of a major drainage improvements project throughout the Charleston peninsula. Consideration is \$500 plus \$200 per acre for easements across navigable waterways and submerged lands.
- 

**4. What is the Board asked to do?** Approve the referenced easement.

---

**5. What is recommendation of the Division of General Services?** Recommend approval of the referenced easement.

---

**6. List of Supporting Documents:**

- 1. SC Code of Laws Sections 1-11-80 and 1-11-100
- 2. Easement Plat

## **SOUTH CAROLINA CODE OF LAWS**

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

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

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

Deeds or other instruments conveying such rights of way or easements over such marshlands or vacant lands as are owned by the State shall be executed by the Governor in the name of the State, when authorized by resolution of the Budget and Control Board, duly recorded in the minutes and records of such Board and when duly approved by the office of the Attorney General; deeds or other instruments conveying such easements over property in the name of or under the control of State agencies, institutions, commissions or other bodies shall be executed by the majority of the governing body thereof, shall name both the State of South Carolina and the institution, agency, commission or governing body as grantors, and shall show the written approval of the majority of the members of the State Budget and Control Board.



DATE PLAT APPROVED: \_\_\_\_\_  
 APPROVED BY: \_\_\_\_\_  
 FOR CITY ENGINEER: \_\_\_\_\_

TMS#418-06-00-115  
 CAMPBELL, KIMPELLE  
 TRAILER PARK, LLC  
 P. B. C. P. 9 225

TMS#418-06-00-027  
 CITY OF CHARLESTON  
 D. B. E. 7.6, 9.9, 52.4

LINE	BEARING	LENGTH
1	N 89° 58' 00" W	100.00
2	S 89° 58' 00" E	100.00
3	N 00° 00' 00" E	100.00
4	S 00° 00' 00" W	100.00
5	N 89° 58' 00" W	100.00
6	S 89° 58' 00" E	100.00
7	N 00° 00' 00" E	100.00
8	S 00° 00' 00" W	100.00

STATE OF SOUTH CAROLINA (MARSH)  
 NEW VARIABLE WIDTH DRAINAGE EASEMENT (1,069 sq ft)  
 5TH AVENUE (S-10-522)  
 R/W VARIES

TMS#418-05-00-008  
 EDNA D. TROULUCK FARM / GST EXEMPTION TRUST  
 P. B. F. 9 225

TMS#418-06-00-001  
 TROULUCK PARTNERSHIP  
 P. B. F. 9 225

NOTES:  
 1. ALL DIMENSIONS ARE IN FEET AND DECIMALS THEREOF.  
 2. THE PLAT IS BASED ON THE SURVEY OF THE STATE OF SOUTH CAROLINA, 1882.  
 3. THE PLAT IS SUBJECT TO THE RECORDS OF THE STATE OF SOUTH CAROLINA, 1882.

LEGEND  
 ● 1/4" = 1' SPOT PIPE SYMBOL  
 ○ 5/8" = 1' PILE FOUND  
 ○ 1" = 1' ALIQUOTED 1/4" = 1' DISTANCE  
 ○ 1/4" = 1' DISTANCE



**PLANNING USE ONLY**  
 ENGINEERING DIVISION  
 CITY OF CHARLESTON

DATE PLAT APPROVED: \_\_\_\_\_  
 APPROVED BY: \_\_\_\_\_  
 FOR CITY ENGINEER: \_\_\_\_\_



VICINITY MAP not to scale

**PLAT OF PROPOSED DRAINAGE EASEMENT FOREST ACRES DRAINAGE IMPROVEMENTS**

PROJECT  
 CITY OF CHARLESTON  
 CHARLESTON COUNTY,  
 SOUTH CAROLINA  
 prepared for  
 THE CITY OF CHARLESTON

**THOMAS & HUTTON**  
 Engineering | Surveying | Planning | GIS | Consulting  
 682 Johnnie Dods Blvd., Suite 100  
 PO Box 1522  
 Mt. Pleasant, SC 29465-1522  
 P 843.849.0200 F 843.849.0203  
 www.thomasandhutton.com

1 INCH = 30 FEET  
 0 30 60  
 30 0 30 60

plat drawn reviewed field crew  
 11/17/14 sjc ppg  
 job 23595 SHEET 1 OF 1

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AGENCY: Division of General Services

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SUBJECT: Real Property Conveyance

The Division of General Services recommends approval of the following real property conveyance:

- (a) **Agency:** **Department of Employment and Workforce**  
**Acreage:** 1.03± acres and a 8,340 square foot office building  
**Location:** 205/207 East Dekalb Street, Camden  
**County:** Kershaw  
**Purpose:** To dispose of surplus real property.  
**Price/Transferred To:** Not less than appraised value/To be determined  
**Disposition of Proceeds:** To be retained and/or divided accordingly between the Department of Employment and Workforce and the Budget and Control Board based on federally funded real property requirements and pursuant to Proviso 101.23.

---

BOARD ACTION REQUESTED:

Approve the real property conveyance as requested.

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ATTACHMENTS:

Agenda item worksheet and attachment

**BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET**

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**Meeting Scheduled for: January 27, 2015**

**Blue Agenda**

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**1. Submitted by:**

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

  
Nolan L. Wiggins, Jr., Director

---

**2. Subject: REAL PROPERTY CONVEYANCE**

---

**3. Summary Background Information:**

- (a) **Agency:** Department of Employment and Workforce
  - Acreage:** 1.03± acres and a 8,340 square foot office building
  - Location:** 205/207 East Dekalb Street, Camden
  - County:** Kershaw
  - Purpose:** To dispose of surplus real property.
  - Price/Transferred To:** Not less than appraised value/To be determined
  - Disposition of Proceeds:** To be retained and/or divided accordingly between the Department of Employment and Workforce and the Budget and Control Board based on federally funded real property requirements and pursuant to Proviso 101.23.
- 

**4. What is Board asked to do?** Approve the property conveyance as requested.

---

**5. What is recommendation of Board Division involved?** Recommend approval of the property conveyance as requested.

---

**6. List of Supporting Documents:**

- 1. SC Code of Laws Section 1-11-65
- 2. 2014-2015 Appropriations Bill H.4701, Part 1B, Proviso 101.23
- 3. Letter of December 29, 2014 from Department of Employment and Workforce
- 4. Map

## SOUTH CAROLINA CODE OF LAWS

### **SECTION 1-11-65. Approval and recordation of real property transactions involving governmental bodies.**

(A) All transactions involving real property, made for or by any governmental bodies, excluding political subdivisions of the State, must be approved by and recorded with the State Budget and Control Board. Upon approval of the transaction by the Budget and Control Board, there must be recorded simultaneously with the deed, a certificate of acceptance, which acknowledges the board's approval of the transaction. The county recording authority cannot accept for recording any deed not accompanied by a certificate of acceptance. The board may exempt a governmental body from the provisions of this subsection.

(B) All state agencies, departments, and institutions authorized by law to accept gifts of tangible personal property shall have executed by its governing body an acknowledgment of acceptance prior to transfer of the tangible personal property to the agency, department, or institution.

**South Carolina General Assembly**

120th Session, 2014-2015

**H. 4701**

General Appropriations Bill for fiscal year 2014-2015

As Ratified by the General Assembly

**PART IB**

**OPERATION OF STATE GOVERNMENT**

**SECTION 101 – F03-BUDGET AND CONTROL BOARD**

**101.23.** (BCB: Sale of Surplus Real Property) Up to fifty percent of the proceeds, net of selling expenses, from the sale of surplus real properties shall be retained by the Budget and Control Board and used for the deferred maintenance of state-owned buildings. The remaining fifty percent of the net proceeds shall be returned to the agency that the property is owned by, under the control of, or assigned to and shall be used by that agency for non-recurring purposes. This provision applies to all state agencies and departments except: institutions of higher learning; the Public Service Authority; the Ports Authority; the MUSC Hospital Authority; the Myrtle Beach Air Force Redevelopment Authority; the Department of Transportation; the Columbia State Farmers Market; the Department of Agriculture's Columbia Metrology Lab building and property; the Charleston Naval Complex Redevelopment Authority; the Department of Commerce's Division of Public Railways; the Midlands Technical College Enterprise Campus Authority; the Trident Technical College Enterprise Campus Authority; the Commissioners residence at the Department of Corrections and the Educational Television Commission's Key Road property.

The Educational Television Commission shall be authorized to retain the net proceeds from the sale of its property on Key Road, and such proceeds may be used for the renovation of the ETV Telecommunications Center and other maintenance and operating expenses. If it is determined that sufficient net proceeds are not to be derived from the sale of its property on Key Road to cover the cost of all renovations of the Telecommunications Center, the property on Key Road shall not be sold. Any proposed sale hereunder shall, prior to said sale, be submitted to the Budget and Control Board for approval as being in compliance with the requirements of this subsection.

The Department of Corrections shall be authorized to retain the net proceeds from the sale of the residence provided for the Commissioner of the Department of Corrections and use such proceeds for deferred maintenance needs at the Department of Corrections.

The Forestry Commission shall be authorized to retain the net proceeds from the sale of surplus land for use in firefighting operations and replacement of firefighting equipment.

The Department of Natural Resources shall be authorized to retain the net proceeds from the sale of existing offices originally purchased with a federal grant or with restricted revenue from hunting and fishing license sales for the improvement, consolidation, and/or establishment of regional offices and related facilities.

The Department of Vocational Rehabilitation shall be authorized to retain the net proceeds from the sale of 3.205 acres located at 22861 Highway 76 East in Clinton, South Carolina to be used for capital projects and deferred maintenance.

The Department of Agriculture, the Educational Television Commission, the Department of Corrections, the Department of Natural Resources, the Forestry Commission, and the Department of Vocational Rehabilitation shall annually submit a report, within sixty days after the close of the fiscal year, to the Senate Finance Committee and the House Ways and Means Committee on the status of the sale of the identified property and a detailed accounting on the expenditure of funds resulting from such sale.

This provision is comprehensive and supersedes any conflicting provisions concerning disposition of state owned real property whether in permanent law, temporary law or by provision elsewhere in this act.

Any unused portion of these funds may be carried forward into succeeding fiscal years and used for the same purposes.

P.O. Box 995  
1550 Gadsden Street  
Columbia, SC 29202  
dew.sc.gov



**Nikki R. Haley**  
Governor

**Cheryl M. Stanton**  
Executive Director

---

December 29, 2014

Ms. Ashlie Lancaster  
Deputy Director, Division of General Services  
State Budget and Control Board  
1200 Senate Street, Suite 460  
Columbia, SC 29201

Dear Ms. Lancaster:

The South Carolina Department of Employment and Workforce is respectfully requesting approval from the State Budget and Control Board to formally declare the following property be listed as surplus property:

Address	Tax Map Number	Square Footage	Acreage
205 East Dekalb Street Camden, SC Kershaw County	C285-09-00-057 C285-09-00-058	8,340	1.03 acres

The Camden SC Works office moved from the SCDEW building to 1111 Broad Street, Camden, SC in December 2014. Re-employment services are now being provided at the Broad Street location.

The property listed in this request contains equity portions that were amortized with federal grant funds under the Unemployment Compensation (UC), Wagner-Peyser (WP), and/or Reed Act programs through the US Department of Labor.

Although the retainage amounts authorized under South Carolina Budget Proviso 101.23 may properly apply to non-federal portions of eventual sales proceeds, SCDEW seeks approval to exclude portions of proceeds attributable to the UC, WP and Reed Act equity in these properties from application of the proviso. This will ensure that those proceeds are treated in accordance with federal laws and official guidance from the U.S. Department of Labor. These relevant equity-shares by funding source are summarized in the Summary of Federal/Non-Federal Equities (attachment A). The federal guidance related to this request, referencing the applicable laws, is summarized in TEGL 3-07 (attachment B).

Request to Surplus

Page 2

DEW is not aware of any deed restrictions or property restrictions which might negatively impact the sale of this property.

DEW has complied with all requirements of the U.S. Department of Labor in connection with the disposition of this property.

If you have any questions or need additional information, please do not hesitate to contact me at (803) 737-0108.

Sincerely,

A handwritten signature in blue ink that reads "Martha R. Stephenson". The signature is written in a cursive style with a large, sweeping initial 'M'.

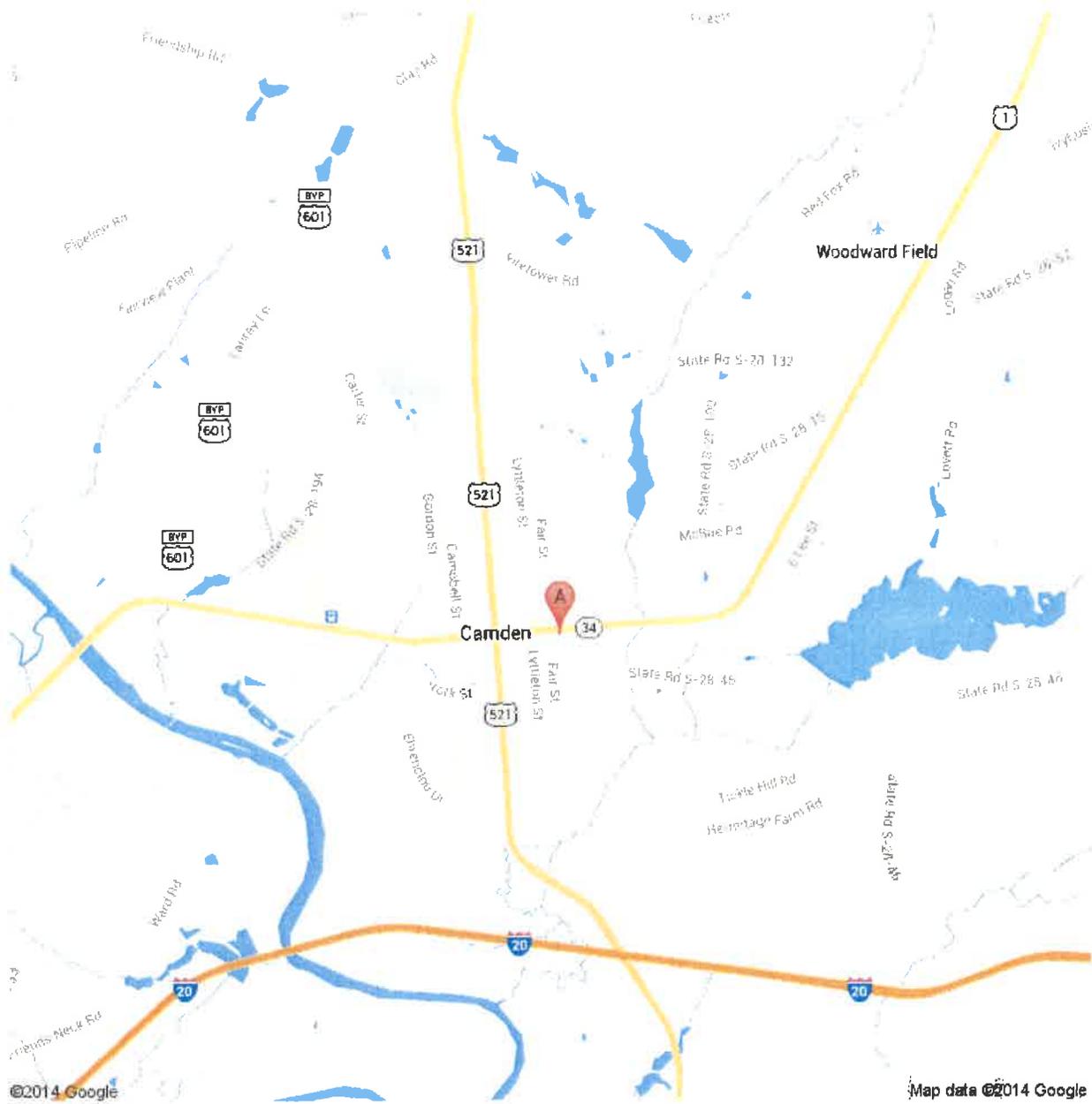
Martha R. Stephenson

Assistant Executive Director

SCDEW Administration, Support and Operations



Address **207 E Dekalb St**  
**Camden, SC 29020**



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AGENCY: Executive Director

---

SUBJECT: Revenue Bonds

The required reviews on the following proposal to issue revenue bonds have been completed with satisfactory results. The project requires approval under State law.

- a. Issuing Authority: Jobs-Economic Development Authority  
Amount of Issue: Not Exceeding \$3,000,000 Economic Development Revenue Bond  
Allocation Needed: -0-  
Name of Project: Coker College  
Employment Impact: maintain 180 jobs and add 1 job within 24 months  
Project Description: constructing and equipping a new residence hall to accommodate enrollment  
*Note:* private sale  
Bond Counsel: Kathleen Crum McKinney, Haynsworth Sinkler Boyd, P. A.
  
- b. Issuing Authority: State Housing Finance and Development Authority  
Amount of Issue: Not Exceeding \$13,000,000 Multifamily Housing Revenue Bonds  
Allocation Needed: -0-  
Name of Project: West Village  
Employment Impact: N/A  
Project Description: to finance the acquisition and renovation of a 57-unit apartment development known as The Harbor at West Village, a 66-unit apartment development, known as The Gallery at West Village, a 42-unit apartment development, known as The Haven at West Village  
Bond Counsel: Sam W. Howell, IV, Howell Linkous & Nettles, LLC

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BOARD ACTION REQUESTED:

Adopt the resolutions approving the referenced proposals to issue revenue bonds.

---

ATTACHMENTS:

Resolutions

**A RESOLUTION APPROVING THE ISSUANCE BY THE SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY THROUGH PRIVATE SALE OF NOT EXCEEDING \$3,000,000 PRINCIPAL AMOUNT ECONOMIC DEVELOPMENT REVENUE BOND (COKER COLLEGE) SERIES 2015, PURSUANT TO THE PROVISIONS OF SECTION 41-43-110 OF SOUTH CAROLINA CODE ANNOTATED, TITLE 41, CHAPTER 43 (1976), AS AMENDED.**

**WHEREAS**, the South Carolina Jobs-Economic Development Authority (the "*Authority*") has heretofore under and pursuant to the provisions of Section 41-43-110 of South Carolina Code Annotated, Title 41, Chapter 43 (1976), as amended (the "*Act*"), requested approval by the State Budget and Control Board of the issuance by the Authority pursuant to the Act of its Economic Development Revenue Bond (Coker College) Series 2015, in the principal amount of not exceeding \$3,000,000 (the "*Bond*"), through private sale which the Authority has determined to be most advantageous; and

**WHEREAS**, the Authority represents to the State Budget and Control Board that the Bond will be sold to a financial institution through a private placement acceptable to the Authority;

**NOW, THEREFORE, BE IT RESOLVED**, by the State Budget and Control Board of the State of South Carolina, as follows:

**Section 1.** It is hereby found, determined and declared by the Board that the Petition filed by the Authority contains all matters required by law and the rules of this Board to be set forth therein, and that in consequence thereof the jurisdiction of this Board has been properly invoked under and pursuant to Section 41-43-110 of the Act.

**Section 2.** In consequence of the foregoing, the proposal of the Authority to issue the Bond through private sale to a financial institution be and the same is hereby in all respects approved.

**Section 3.** This Resolution shall take effect immediately.

Summary of Financing Proposal for

**South Carolina Jobs-Economic Development Authority  
Coker College Project**

PRELIMINARY – SUBJECT TO CHANGE

**January 15, 2015**

Bonds proposed to be financed	Not exceeding \$3,000,000 South Carolina Jobs-Economic Development Authority Economic Development Revenue Bond (Coker College Project), Series 2015	
	Maturity Date: March 1, 2035	
Average interest rate of bonds		
Projected average interest rate of bonds		
True interest cost of bonds	4.10%	(Current rate)
Estimated costs (costs as a percentage of bonds)		
Underwriting		0
Legal fees – bond, disclosure, JEDA and general counsel	(1.58%)	47,500
Rating agency fees	Not applicable to private placement	0
Advisory fees	Not applicable to private placement	0
Bond trustee/registrar	Not applicable to private placement	0
Accounting and verification	Not applicable to private placement	0
Credit enhancement/bond insurance	Not applicable to private placement	0
Publication, printing, contingencies and all other expenses	(includes JEDA fee of \$3,750)(0.141%)	4,230
Total		<b>51,730</b>

Prepared by Kathleen McKinney and Tyler Smith of Haynsworth Sinkler Boyd, P.A.; Lance Player of TD Bank, N.A.

Date January 15, 2015

## A RESOLUTION

### GRANTING APPROVAL TO THE ISSUANCE BY THE SOUTH CAROLINA STATE HOUSING FINANCE AND DEVELOPMENT AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE BONDS (WEST VILLAGE)

WHEREAS, the South Carolina State Housing Finance and Development Authority Act of 1977 (Title 31, Chapter 13 of the Code of Laws of South Carolina 1976, as amended) (the "Act") provides that, upon the approval of the State Budget and Control Board (the "Board"), the South Carolina State Housing Finance and Development Authority (the "Authority") may issue from time to time bonds for the purpose of obtaining funds with which to make construction mortgage loans to housing sponsors who agree to and shall be required to provide for construction of residential housing for rental by persons or families of either beneficiary class (as defined in the Act) (the "Beneficiary Class"); provided, however, that with respect to any particular issue of bonds, one of the following conditions must be met: (a) if there is a public distribution of the bonds, the issue must be rated by one or more of the national rating agencies, and one or more of the following conditions must be met: (i) there must be in effect a federal program providing assistance in repayment of such loans; or (ii) the proceeds must be used to acquire either federally insured mortgage loans or mortgage loans insured by a private mortgage insurer authorized to do business in the State of South Carolina; or (iii) the payment of the bonds to the purchasers and holders of them must be assured by the maintenance of adequate reserves or insurance or a guaranty from a responsible entity which has been determined to be sufficient by the Authority and the Board; or (b) if the bonds are secured by a mortgage or other security agreement and are offered and sold as a unit with such mortgage or other security agreement in transactions with banks, institutional buyers, or other nonregistered persons as provided in Section 35-1-202(11)(A) of the Code of Laws of South Carolina 1976, as amended, the documents pursuant to which the bonds are issued must permit the Authority to avoid any default by it by completing an assignment of, or foregoing its rights with respect to, any collateral or security pledged to secure the bonds; and

WHEREAS, the Authority has presented to the Board its Petition dated December 31, 2014 (the "Petition"), which, together with the exhibits thereto attached, sets forth certain information with respect to the Bonds.

### NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD IN MEETING DULY ASSEMBLED:

Section 1. Approval is granted to the undertaking of the Authority as outlined in the Petition, including the exhibits attached thereto.

Section 2. Subject to the conditions set forth in Section 3, approval is hereby granted by the Board to the execution and delivery by the Authority of its South Carolina State Housing Finance and Development Authority Multifamily Housing Revenue Bonds (West Village) in the principal amount not to exceed \$13,000,000.

Section 3. The approval of the Board is hereby conditioned on the following:

(a) The approval of the State Treasurer of the interest rate on the Bonds and of the form and substance of such documents as he deems necessary therefor;

(b) Prior to the issuance of the Bonds the Authority shall have provided to the State Treasurer, to the extent not previously provided, the information required to be submitted to the Board by the provisions of Section 31-13-220, to wit:

- (i) the principal amount of the Bonds to be issued;
- (ii) the maturity schedule of the Bonds to be issued;
- (iii) a schedule showing the annual debt service requirements of all outstanding notes and bonds of the Authority;
- (iv) a schedule showing the amount and source of revenues available for the payments of debt service on said bonds;
- (v) the method to be employed in selling the Bonds.

(c) The State Treasurer shall find and determine that the funds estimated to be available for the repayment of the Authority's notes and bonds, including the Bonds, will be sufficient to provide for the payment of the principal and interest thereon;

(d) The documents pursuant to which the Bonds are being issued shall provide that all expenses, costs, and fees of the Authority in connection with the issuance of the Bonds, including legal fees, printing, and all disbursements shall be paid by the Housing Sponsor (as defined in the Petition); and

(e) The final approval by the Governor as the elected official of the State of South Carolina for purposes of Section 142(f) of the Internal Revenue Code of 1986, as amended.

Section 4. This Resolution shall take effect immediately upon its adoption.

Summary of Financing Proposal for

West Greenville II, LLC

South Carolina State Housing, Finance & Development Authority

PRELIMINARY – SUBJECT TO CHANGE

16 January 2015

Bonds proposed to be issued	Not exceeding \$13,000,000 South Carolina State Housing Finance and Development Authority Multifamily Housing Revenue Bonds (West Village), Series 2015 maturing 04/01/2017
Average interest rate of bonds	0.75%
Projected average interest rate of bonds	0.75%
True interest cost of bonds	0.75%
Estimated costs (costs as a percentage of bonds)	
Underwriting	0.83% (\$108,000)
Legal fees – bond, disclosure and general counsel	0.81% (Bond Counsel - \$65,000) (Underwriter's Counsel - \$40,000)
Rating agency fees	0.04% (\$5,000)
Advisory fees	N/A
Bond trustee/registrar	0.07% (\$9,000, including trustee counsel fees)
Accounting and verification	0.01% (\$1,500)
Credit enhancement/bond insurance	N/A
Publication, printing, contingencies and all other expenses	0.78% (\$101,500, including State Housing Authority fee of \$97,500)
Total	2.54%

Prepared by Samuel W. Howell, IV

Date 16 January 2015

AGENCY: State Treasurer's Office

SUBJECT: Bond Counsel Selection

The State Treasurer's Office has provided the following notification of the assignment of bond counsel for conduit issues, other revenue issues, and special assignment for bond counsel for which Board approval is requested:

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel
\$7,500,000 SC JEDA	Sweet Grass Ventures – Myrtle Beach	Nexsen Pruet	Parker Poe
\$7,500,000 SC JEDA	Sweet Grass Ventures - Summerville	Nexsen Pruet	Parker Poe
\$3,000,000 SC JEDA	Coker College	Haynesworth Sinkler Boyd	Howell Linkous & Nettles
\$5,000,000 SC JEDA	Associated Packaging, Inc. and D&D Investments and Construction	Haynesworth Sinkler Boyd	Nexsen Pruitt
\$339,000,000 SC JEDA	PEG Chester Energy Center	Haynesworth Sinkler Boyd	Parker Poe

**OTHER REVENUE ISSUES:**

Description of Issue	Agency/Institution	Approved Bond Counsel
\$10,492,767 Borrower VRE II, LLC	SC State Housing Finance & Develop Authority	Parker Poe

**SPECIAL ASSIGNMENT OF BOND COUNSEL:**

Description of Issue	Agency/Institution	Approved Bond Counsel
To advise the Univ. regarding restructuring existing debt and ownership structures related to the Horizon and Discovery garages, including assessing financing alternatives.	University of South Carolina	Pope Zeigler

**BOARD ACTION REQUESTED:**

Approve the referenced bond counsel assignment.

**ATTACHMENTS:**

Bond Counsel Selection Approved by the State Treasurer's Office

Items for December 9, 2014 Budget & Control Board Meeting  
 Bond Counsel and Issuer Counsel Selections by the State Treasurer's Office are as follows:

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

Description of Issue	Agency/Institution (Borrower)	Borrower's Counsel	Issuer's Counsel	Date STO Approved
\$7,500,000 SC JEDA	Sweet Grass Ventures – Myrtle Beach	Nexsen Pruet	Parker Poe	10/28/14
\$7,500,000 SC JEDA	Sweet Grass Ventures - Summerville	Nexsen Pruet	Parker Poe	10/28/14
\$3,000,000 SC JEDA	Coker College	Haynesworth Sinkler Boyd	Howell Linkous & Nettles	12/10/14
\$5,000,000 SC JEDA	Associated Packaging, Inc. and D&D Investments and Construction	Haynesworth Sinkler Boyd	Nexsen Pruit	12/10/14
\$339,000,000 SC JEDA	PEG Chester Energy Center	Haynesworth Sinkler Boyd	Parker Poe	12/15/15

OTHER REVENUE ISSUES:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved
\$10,492,767 Borrower VRE II, LLC	SC State Housing Finance & Develop Authority	Parker Poe	12/12/14

SPECIAL ASSIGNMENT OF BOND COUNSEL:

Description of Issue	Agency/Institution	Approved Bond Counsel	Date STO Approved
To advise the Univ. regarding restructuring existing debt and ownership structures related to the Horizon and Discovery garages, including assessing financing alternatives.	University of South Carolina	Pope Zeigler	01/07/15

AGENCY: Division of General Services

SUBJECT: SC Office of Regulatory Staff Lease

The SC Office of Regulatory Staff (ORS) requests approval to lease 30,700 rentable square feet located at 1401 Main Street in Columbia from MS Joint Venture/EM&L. The agency currently leases 25,859 RSF at the same location and is seeking the additional square footage to accommodate space for South Carolina Energy Office staff moving to ORS as part of the Restructuring Act.

A solicitation was conducted and two (2) responses were received, of which the selected location was the only responsive bid. The lease term will be five (5) years beginning September 1, 2015, at a rate of \$14.70 per square foot for the first year. Thereafter, basic rent increases annually as shown in the chart below.

<b>Initial Term</b>	<b>Period (From-To)</b>	<b>Annual Rent</b>	<b>Monthly Rent</b>	<b>Rent per SF</b>	<b>Max Potential Excess Operating Costs</b>
YEAR 1	09-01-2015 to 08-31-2016	\$451,290	\$37,607.50	\$ 14.70	\$0.00
YEAR 2	09-01-2016 to 08-31-2017	\$458,351	\$38,195.92	\$ 14.93	\$11,666.00
YEAR 3	09-01-2017 to 08-31-2018	\$465,105	\$38,758.75	\$ 15.15	\$23,946.00
YEAR 4	09-01-2018 to 08-31-2019	\$472,166	\$39,347.17	\$ 15.38	\$36,840.00
YEAR 5	09-01-2019 to 08-31-2020	\$478,920	\$39,910.00	\$ 15.60	\$50,348.00
Total		2,325,832.00			\$122,800.00

The agency will pay any pro-rata operating cost escalations up to a cap of five (5) percent over the preceding year. The lease includes up to 92 spaces of Landlord subsidized parking, with employees responsible for \$10 per space per month. The following table represents comparable lease rates of similar business space in the Columbia area:

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AGENCY: Division of General Services

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SUBJECT: SC Office of Regulatory Staff Lease

<b>Agency</b>	<b>Address</b>	<b>Lease Term</b>	<b>Initial Rate/SF</b>	<b>Final Rate/SF</b>	<b>Max Potential Excess Operating Costs</b>
Workers Compensation Commission	1333 Main Street	6/1/09-4/30/16	\$13.25	\$15.75	\$50,974.88 Over 7 years
Department of Insurance	1201 Main Street	3/1/14-2/28/21	\$15.50	\$17.46	0.00
Health and Human Services	1801 Main Street	7/1/13-6/30/23	\$14.15	\$16.18	\$306,037.27 Over 10 years

Additionally, there are adequate funds for the lease according to a Budget Approval Form and multi-year plan submitted by the Agency. The lease was approved by JBRC at its January 21, 2015 meeting.

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BOARD ACTION REQUESTED:

Approve the proposed 5 year lease and extended 5 year term for the Office of Regulatory Staff at 1401 Main Street in Columbia.

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ATTACHMENTS:

Agenda item worksheet; SC Code of Laws Section 1-11-55 and 1-11-56

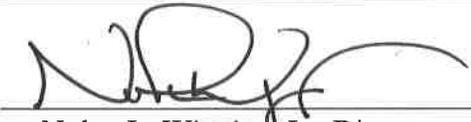
## BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 27, 2015

Regular Agenda

**1. Submitted by:**

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



Nolan L. Wiggins, Jr., Director

**2. Subject:** SC Office of Regulatory Staff Lease

**3. Summary Background Information:**

The SC Office of Regulatory Staff (ORS) requests approval to lease 30,700 rentable square feet located at 1401 Main Street in Columbia from MS Joint Venture/EM&L. The agency currently leases 25,859 RSF at the same location and is seeking the additional square footage to accommodate space for South Carolina Energy Office staff moving to ORS as part of the Restructuring Act.

A solicitation was conducted and two (2) responses were received, of which the selected location was the only responsive bid. The lease term will be five (5) years beginning September 1, 2015, at a rate of \$14.70 per square foot for the first year. Thereafter, basic rent increases annually as shown in the chart below.

Initial Term	Period (From-To)	Annual Rent	Monthly Rent	Rent per SF	Max Potential Excess Operating Costs
YEAR 1	09-01-2015 to 08-31-2016	\$451,290	\$37,607.50	\$ 14.70	\$0.00
YEAR 2	09-01-2016 to 08-31-2017	\$458,351	\$38,195.92	\$ 14.93	\$11,666.00
YEAR 3	09-01-2017 to 08-31-2018	\$465,105	\$38,758.75	\$ 15.15	\$23,946.00
YEAR 4	09-01-2018 to 08-31-2019	\$472,166	\$39,347.17	\$ 15.38	\$36,840.00
YEAR 5	09-01-2019 to 08-31-2020	\$478,920	\$39,910.00	\$ 15.60	\$50,348.00
Total		2,325,832.00			\$122,800.00

The agency will pay any pro-rata operating cost escalations up to a cap of five (5) percent over the preceding year. The lease includes up to 92 spaces of Landlord subsidized parking, with

employees responsible for \$10 per space per month. The following table represents comparable lease rates of similar business space in the Columbia area:

<b>Agency</b>	<b>Address</b>	<b>Lease Term</b>	<b>Initial Rate/SF</b>	<b>Final Rate/SF</b>	<b>Max Potential Excess Operating Costs</b>
Workers Compensation Commission	1333 Main Street	6/1/09-4/30/16	\$13.25	\$15.75	\$50,974.88 Over 7 years
Department of Insurance	1201 Main Street	3/1/14-2/28/21	\$15.50	\$17.46	0.00
Health and Human Services	1801 Main Street	7/1/13-6/30/23	\$14.15	\$16.18	\$306,037.27 Over 10 years

Additionally, there are adequate funds for the lease according to a Budget Approval Form and multi-year plan submitted by the Agency. The lease was approved by JBRC at its January 21, 2015 meeting.

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**4. What is the Board asked to do?** Approve the proposed 5 year lease for the Office of Regulatory Staff at 1401 Main Street in Columbia.

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**5. What is recommendation of the Division of General Services?** Recommend approval of the proposed 5 year lease for the Office of Regulatory Staff at 1401 Main Street in Columbia.

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**6. List of Supporting Documents:**

- SC Code of Laws Section 1-11-55 and 1-11-56

## SOUTH CAROLINA CODE OF LAWS

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

- (1) "Governmental body" means a state government department, commission, council, board, bureau, committee, institution, college, university, technical school, legislative body, agency, government corporation, or other establishment or official of the executive, judicial, or legislative branches of this State. Governmental body excludes the General Assembly, Legislative Council, the Office of Legislative Printing, Information and Technology Systems, and all local political subdivisions such as counties, municipalities, school districts, or public service or special purpose districts.
- (2) The Budget and Control Board is hereby designated as the single central broker for the leasing of real property for governmental bodies. No governmental body shall enter into any lease agreement or renew any existing lease except in accordance with the provisions of this section. However, a technical college, with the approval by the State Board for Technical and Comprehensive Education, and a public institution of higher learning, may enter into any lease agreement or renew any lease agreement up to one hundred thousand dollars annually for each property or facility.
- (3) When any governmental body needs to acquire real property for its operations or any part thereof and state-owned property is not available, it shall notify the Office of General Services of its requirement on rental request forms prepared by the office. Such forms shall indicate the amount and location of space desired, the purpose for which it shall be used, the proposed date of occupancy and such other information as General Services may require. Upon receipt of any such request, General Services shall conduct an investigation of available rental space which would adequately meet the governmental body's requirements, including specific locations which may be suggested and preferred by the governmental body concerned. When suitable space has been located which the governmental body and the office agree meets necessary requirements and standards for state leasing as prescribed in procedures of the board as provided for in subsection (5) of this section, General Services shall give its written approval to the governmental body to enter into a lease agreement. All proposed lease renewals shall be submitted to General Services by the time specified by General Services.
- (4) The board shall adopt procedures to be used for governmental bodies to apply for rental space, for acquiring leased space, and for leasing state-owned space to nonstate lessees.
- (5) Any participant in a property transaction proposed to be entered who maintains that a procedure provided for in this section has not been properly followed, may request review of the transaction by the Director of the Office of General Services or his designee.

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

The State Budget and Control Board, in an effort to ensure that funds authorized and appropriated for rent are used in the most efficient manner, is directed to develop a program to manage the leasing of all public and private space of state agencies. The board's regulations, upon General Assembly approval, shall include procedures for:

- (1) assessing and evaluating agency needs, including the authority to require agency justification for any request to lease public or private space;
- (2) establishing standards for the quality and quantity of space to be leased by a requesting agency;
- (3) devising and requiring the use of a standard lease form (approved by the Attorney General) with provisions which assert and protect the state's prerogatives including, but not limited to, a right of cancellation in the event of
  - (a) a nonappropriation for the renting agency,
  - (b) a dissolution of the agency, and
  - (c) the availability of public space in substitution for private space being leased by the agency.
- (4) rejecting an agency's request for additional space or space at a specific location, or both,
- (5) directing agencies to be located in public space, when available, before private space can be leased,
- (6) requiring the agency to submit a multi-year financial plan for review by the board's budget office with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into, and requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period and
- (7) requiring prior review by the Joint Bond Review Committee and the requirement of Budget and Control Board approval before the adoption of any new lease that commits more than one million dollars in a five-year period

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

Budget and Control Board approval is requested for the following permanent improvement project establishment requests and budget revisions which have been reviewed favorably by the Joint Bond Review Committee:

**Establish Project for A&E Design**

- (a) Summary 4-2015: JBRC Item 3. College of Charleston  
Project: 9659, 11 Glebe Street Renovation  
Funding Source: \$16,500 Other, Capital Improvement Project Funds, which are generated by proceeds of the \$781 per semester Capital Improvement Fee that are in excess of the amount needed to pay the current debt service on bonds.  
Request: Establish project and budget for \$16,500 (Other, Capital Improvement Project Funds) to begin design work to renovate the historic house at 11 Glebe Street at the College of Charleston. The renovation will convert the 3,230 square foot building from housing to academic support offices in an effort to better preserve the historic building and address E&G space shortages. Built in 1854, the building has significant structural and asbestos issues. The building is not currently on the College's IT network or fire alarm system, therefore network cabling and a fire sprinkler installation will need to be installed to support this building's use as an E&G facility. The renovation will slightly modify the interior layout to make it more functional as office space and to make the building ADA accessible. Building systems will also be replaced. The renovated facility will house the School of Language, Culture, and World Affairs Dean and six staff members. The Dean's Office serves as the central office to address the needs of students and faculty within the school.
- (b) Summary 4-2015: JBRC Item 4. College of Charleston  
Project: 9660, Lesesne House Renovation  
Funding Source: \$42,000 Other, Capital Improvement Project Funds, which are generated by proceeds of the \$781 per semester Capital Improvement Fee that are in excess of the amount needed to pay the current debt service on bonds.  
Request: Establish project and budget for \$42,000 (Other, Capital Improvement Project Funds) to begin design work to renovate the historic houses at 14 Green Way. The renovation will convert the buildings from student housing to academic support offices in an effort to better preserve these prominent historic buildings, as well as address E&G space shortages. Built in 1846, the Knox Lesesne House and the Knox Lesesne Carriage House have significant

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

structural and asbestos issues and have not received a major renovation in over 40 years. The renovation will slightly modify the interior to make it more functional as office space and make the building ADA accessible. The project will also include the replacement of building systems and the installation of a fire sprinkler system. The renovated buildings will house the Office of Sustainability and the Office of Economic Development.

(c) Summary 4-2015: JBRC Item 5. State Board for Technical and Comprehensive Education

Project: 6099, Horry-Georgetown - Advanced Manufacturing Center Construction

Funding Source: \$90,000 Other, College Funds, which are excess revenues from a variety of sources acquired over time to address capital improvements and maintenance needs.

Request: Establish project and budget for \$90,000 (Other, College Funds) to begin design work to construct a 30,000 square-foot, commercial, prefabricated metal building in the business park across from the Horry-Georgetown Technical College's Conway Campus. The land for the proposed construction is being donated to the College by Horry County. The building will be used to house the College's Advanced Manufacturing Programs, which includes the CNC/Machine Tool, Welding, Robotics and Mechatronics programs. The College has outgrown its existing academic space for these programs, and needs additional instructional space to support increased industry demands.

(d) Summary 4-2015: JBRC Item 6. State Board for Technical and Comprehensive Education

Project: 6100, Piedmont - Building "B" Renovation

Funding Source: \$30,000 Other, College funds, which are a combination of a dedicated \$150 per semester capital improvement fee included in tuition and residual balance transfers approved by the college's Area Commission.

Request: Establish project and budget for \$30,000 (Other, College Funds) to begin design work to renovate 8,400 square feet and add 3,150 square feet to the "B" Building at Piedmont Technical College. The facility is occupied by student support, academics and continuing education, which includes financial aid, admissions, classrooms and training. The current space design does not accommodate the current demands. The 19,830 square foot "B" Building was built in three phases in the years 1982, 1985 and 1989. Other than routine maintenance and restroom renovations, no major renovations have taken place since the building was built. In order to provide and accommodate the required

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

space for student services, it is necessary to renovate the existing layout and offer a “one-stop-shop” environment by providing new and returning students the essential resources in one building. The renovation process will address building and energy codes.

- (e) Summary 4-2015: JBRC Item 1. Mental Health Department  
Project: 9737, State Veterans Nursing Home Construction  
Funding Source: \$500,000 Other, Capital Improvement and Maintenance Funds which are funds authorized pursuant to Proviso 35.14 of FY 2014 and may include Medicaid fee-for service earned revenue, legal settlements and other one-time funding sources.  
Request: Establish project and budget for \$500,000 (Other, Capital Improvement and Maintenance Funds) to begin design work to construct a 220 bed veterans nursing home on the campus of the Tucker Nursing Care Center in Richland County. The new facility will have all private rooms and will include a kitchen, dining facilities, treatment and therapy spaces, and a facility for mechanical and electrical equipment. The FY 2014-15 General Appropriations Bill, per Proviso 35.13, directed the Department of Mental Health, in conjunction with the Governor’s Office Division of Veterans Affairs, to conduct a feasibility study to determine whether there is a need for additional veterans nursing homes in the state. The study has revealed a need for additional beds specifically for veterans.
- (f) Summary 4-2015: JBRC Item 7. Department of Motor Vehicles  
Project: 9609, Orangeburg DMV Renovations  
Funding Source: \$4,875 Other, DMV Miscellaneous Revenue Funds, which are DMV operating revenues that have been set aside for capital improvements.  
Request: Establish project and budget for \$4,875 (Other, DMV Miscellaneous Revenue funds) to begin design work to renovate the Orangeburg office of the Department of Motor Vehicles. The project will renovate the entire 2,500 square foot facility and will include data, telephone, and building renovations along with asbestos abatement. The renovations will increase the flow of customers through the office by increasing the number of customer service counters by 25% and creating a dedicated enclosed testing area for knowledge testing. The renovation will also address ADA deficiencies in the office area, create two new offices, replace the HVAC system and duct work, and upgrade the building electrical system. The current facility was built in 1975 and has not undergone significant renovation since that time.

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

**Establish Construction Budget**

- (g) Summary 4-2015: JBRC Item 8. Coastal Carolina University  
Project: 9602, Academic Classroom/Office Building II Construction  
Funding Source: \$18,000,000 Other, One Cent Sales Tax funds, which are funds from a local option sales tax which was implemented in March 2009 and is in effect for 15 years. These funds are dedicated for construction, land acquisition and to offset debt service.  
Request: Establish construction budget for \$18,000,000 (add \$17,730,000 Other, One Cent Sales Tax Funds) to construct an approximately 52,000 square foot office and classroom facility at Coastal Carolina. The project was approved for pre-design in January 2014, which is now complete. The facility will house approximately 100 faculty and staff offices and 15 to 18 general purpose classrooms ranging in size to provide approximately 500 to 600 additional classroom seats. The facility is needed to support faculty growth and the expanding student population, which is growing each year toward 12,500 students in 2020. Office space has been carved out of every academic building on campus and many faculty members are sharing offices, which hinders student counseling and advisement. The facility will be constructed to LEED Silver certification and will include energy, water-sewer and other measures. The LEED cost-benefit analysis shows a positive cost benefit of \$660,078 over 30 years. The agency reports the total projected cost of this project is \$18,000,000 with additional annual operating costs of \$200,000 in the first three years after project completion. The agency also reports the projected date for the execution of the construction contract is January 2016 with completion of construction in May 2017. (See attachment 1 for additional annual operating costs.)
- (h) Summary 4-2015: JBRC Item 9. State Board for Technical and Comprehensive Education  
Project: 6101, Tri-County - Veterinary Technology Animal Care Facility Construction  
Funding Source: \$1,750,000 Other, County Capital Appropriation funds, which are funds appropriated to the college by county government for renovations and capital improvements.  
Request: Establish project and budget for \$1,750,000 (Other, County Capital Appropriation funds) to construct an approximately 5,500 square foot veterinary technology animal care facility at Tri-County Technical College. This project will replace the current Care Facility at Halbert Hall which is over

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

30 years old and allow the Veterinary Technology program to maintain accreditation by the American Veterinary Medical Association. Tri-County's Veterinary Technology program is one of only two programs in the state, with a 90% placement rate for its graduates. In addition to meeting accreditation requirements, this project will allow Tri-County Technical College to expand enrollment in this program. Upon completion, 80 students will utilize the facility (up from the current 50), with a maximum capacity of 112 students. This project was originally initiated as a college project under \$1,000,000, however after the initial design was completed and the project was bid all bids exceeded the initial estimates. The primary reason for the increased cost is the more sophisticated HVAC system required to meet new hygiene standards. The HVAC system must be capable of drying spaces that are washed three times per day and must be non-recirculating to prevent the spread of infectious airborne diseases. This requires additional tonnage and ducting of the system. The agency reports that the total projected cost of this project is \$1,750,000. There may be some additional annual operating costs due to the HVAC load but these cannot be quantified at this time. The agency also reports the projected date for execution of the construction contract is March 2015 with completion of construction in October 2015.

- (i) Summary 4-2015: JBRC Item 10. Office of the Adjutant General  
Project: 9788, 2014-15 Statewide Repairs  
Funding Source: \$5,332,500, which includes \$1,332,500 Capital Reserve Funds which were appropriated for this purpose, \$1,000,000 State Appropriated funds which were appropriated for this purpose via Proviso 118.16 and \$3,000,000 Federal funds, which are National Guard Bureau Armory Maintenance Funds awarded as matching funds for these projects.  
Request: Establish construction budget for \$5,332,500 (add \$3,000,000 Federal funds) to repair National Guard armories statewide. The project was established for pre-design in October 2014 with appropriated funds legislatively authorized for armory maintenance and repairs and requires no pre-design work. This will add the federal matching funds to the project. The project will include work in at least 22 readiness centers and armories and will include replacing roofs, windows, doors and an HVAC system, as well as repairing parking, renovating latrines and performing other maintenance projects. Energy savings and conservation measures will include the installation of energy efficient roofs, windows and lighting. The agency reports the total projected cost of this project is \$5,332,500 and no additional operating costs will result from the

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

project. The agency also reports the projected date for execution of the construction contracts is June 2015 with completion of construction is November 2015. (See attachment 2 for additional annual operating costs.)

- (j) Summary 4-2015: JBRC Item 2. Budget and Control Board  
Project: 9933, Gressette-Collins Building - PEBA New Generator  
Funding Source: \$272,650 Other, PEBA fund which are funds made available to SCRS and EIP from their respective trust funds for the administration of the agency.  
Request: Establish project and budget for \$272,650 (Other, PEBA funds) to install a 250 kW diesel generator for the SC Public Employee Benefit Authority's (PEBA's) data center, located at the Gressette-Collins Building in Richland County. The project was established for pre-design in April 2014, which is now complete. The generator is necessary to provide backup power to PEBA's data center, including air conditioning units, lights and all computer equipment. The data center currently receives backup power via an Uninterruptible Power Supply (UPS) that only provides a very short window of power allowing them to shut down systems in the event of a power failure. The new generator will provide 48 hours of backup power to existing UPS equipment and air conditioning units in the second floor server room. The agency reports the total projected cost of this project is \$272,650 and that no additional operating costs are anticipated in the three years following project completion. The agency plans to execute the construction contract in February 2015 with completion of construction in May 2015.
- (k) Summary 4-2015: JBRC Item 11. Department of Motor Vehicles  
Project: 9608, Anderson DMV Renovation  
Funding Source: \$350,000 Other, DMV Miscellaneous Revenue funds, which are DMV operating revenues that have been set aside for capital improvements.  
Request: Establish construction budget for \$350,000 (add \$344,750 Other, DMV Miscellaneous Revenue funds) to renovate the Department of Motor Vehicles facility in Anderson County. The project was approved for pre-design in June 2014, which is now complete. The scope of the project will include building renovations, data and telephone infrastructure and asbestos abatement for the 4,800 square foot facility. The Department of Motor Vehicles currently shares this facility with the Department of Public Safety, however the Department of Public Safety is moving out of this location and into a larger space. This will allow the Department of Motor Vehicles to expand into the remaining portion

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AGENCY: Executive Budget Office

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SUBJECT: Permanent Improvement Projects

of the facility, adding customer workstations, renovating restrooms and replacing the current flooring with slip-resistant flooring. The facility is 42 years old and, other than HVAC and lighting systems, all equipment is original to the building. The renovations will help to improve wait times at the facility, which is one of the 15 busiest offices in the state and currently has high customer wait times compared to similar facilities. The agency reports the total projected cost of this project is \$350,000 with additional annual operating costs of \$7,000 in the first three years after completion of construction. The agency also reports the projected date for execution of the construction contract is September 2015 with completion of construction in December 2015.

#### **Establish Project for Preliminary Land Studies**

- (I) Summary 4-2015: JBRC Item 12. Department of Mental Health  
Project: 9738, Santee Wateree Mental Health Center Land Acquisition  
Funding Source: \$20,000 Other, Capital Improvement and Maintenance funds, which are funds authorized pursuant to Proviso 35.14 of FY 2014 and may include Medicaid fee-for service earned revenue, legal settlements and other one-time funding sources.  
Request: Establish project and budget for \$20,000 (Other, Capital Improvement and Maintenance Funds) to procure the investigative studies required to adequately evaluate the property prior to purchase. The Department of Mental Health is considering the purchase of approximately six acres of land in Sumter for the construction of a new Santee Wateree Mental Health Center. The existing 13,318 square foot center, located on a two acre tract of land, is 43 years old and is too small to accommodate current programmatic offerings and community needs. The construction of a new mental health center in the area would allow the Department to consolidate various programs currently in leased space under one roof and provide more efficient services to the community. The new proposed facility would be approximately 40,000 square feet.

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#### **BOARD ACTION REQUESTED:**

Approve permanent improvement project establishment requests and budget revisions. All items have been reviewed favorably by the Joint Bond Review Committee.

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ATTACHMENTS: Attachments

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

1. AGENCY  
Code H17 Name Coastal Carolina University

2. PROJECT  
Project # 9602 Name Academic Office/Classroom Building #2

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

COSTS                       SAVINGS                       NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1) 2017		\$	\$200,000	\$200,000
2) 2018		\$	\$200,000	\$200,000
3) 2019		\$	\$200,000	\$200,000

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

Expenses are related to general maintenance and campus operations. Operation and maintenance funds are provided by student tuition in our general operating budget. No increase will result due to these expenses.

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

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

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. <u>Personnel - Custodial</u>	<u>\$70,000</u>
2. <u>Utilities</u>	<u>\$91,000</u>
3. <u>Supplies</u>	<u>\$39,000</u>
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	<u>\$200,000</u>

8. If personal services costs or savings are reported in 7 above, please indicate the number of additional positions required or positions saved. 2.5

9. Submitted By: Stacie Bowie 12/11/2014  
Stacie Bowie, CFO & VP for Finance & Administration Date

**Permanent Improvement Project Information for January 27, 2015 B&CB Meeting**

<b>Agency/ Project No.</b>	<b>Agency/Project Name</b>	<b>Original Approved Budget</b>	<b>Date of Original Approval</b>	<b>Phase I Amount</b>	<b>Date of Phase I Approval</b>	<b>Included in CPIP</b>	<b>Total Projected Project Cost</b>
H15-9659	College of Charleston - 11 Glebe Street Renovation	\$16,500 for pre-design	1/27/15	\$16,500	1/27/15	No	To Be Determined
H15-9660	College of Charleston - Lesene House Renovation	\$42,000 for pre-design	1/27/15	\$42,000	1/27/15	No	To Be Determined
H59-6099	Horry-Georgetown Technical College - Advanced Manufacturing Center Construction	\$90,000 for pre-design	1/27/15	\$90,000	1/27/15	No	To Be Determined
H59-6100	Piedmont Technical College - Piedmont "B" Building Renovation	\$30,000 for pre-design	1/27/15	\$30,000	1/27/15	No	To Be Determined
J12-9737	Department of Mental Health - State Veterans Nursing Home Construction	\$500,000 for pre-design	1/27/15	\$48,900	1/27/15	Yes	To Be Determined
R40-9609	Department of Motor Vehicles - Orangeburg DMV Renovation	\$4,875 for pre-design	1/27/15	\$4,875	1/27/15	No	To Be Determined
H17-9602	Coastal Carolina University - Academic/Classroom/Office Building II Construction	\$270,000 for pre-design	1/29/14	\$270,000	1/29/14	Yes	\$18,000,000
H59-6101	Tri-County Technical College - Tri-County Veterinary Tehcnology Animal Care Facility Construction	\$1,750,000	1/27/15	N/A	1/27/15	No	\$1,750,000
E24-9788	Office of the Adjutant General - 2014-15 Statewide Repairs	\$2,232,500 for pre-design	10/31/14	\$2,232,500	10/31/14	No	\$5,332,500

**Permanent Improvement Project Information for January 27, 2015 B&CB Meeting**

Agency/ Project No.	Agency/Project Name	Original Approved Budget	Date of Original Approval	Phase I Amount	Date of Phase I Approval	Included in CPIP	Total Projected Project Cost
F03-9933	Budget and Control Board - Gressette-Collins Building PEBA New Generator	\$3,505 for pre-design	4/15/14	\$3,505	4/15/14	No	\$272,650
R40-9608	Department of Motor Vehicles - Anderson DMV Renovation	\$5,250 for pre- design	10/14/14	\$5,250	10/14/14	Yes	\$350,000
J12-9738	Department of Mental Health - Santee Wateree Mental Health Center Land Acquisition	\$20,000 for preliminary studies	1/27/15	\$20,000	1/27/15	Yes	To Be Determined

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

### **Item (a) – College of Charleston – 11 Glebe Street Renovation**

The source of funds for A&E pre-design is \$16,500 Other, Capital Improvement Project Funds, which are generated by proceeds of the \$781 per semester Capital Improvement Fee that are in excess of the amount needed to pay the current debt service on bonds.

The proposed source of funds for construction is also Other, Capital Improvement Project Funds.

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

### **Item (b) – College of Charleston – Lesesne House Renovation**

The source of funds for A&E pre-design is \$42,000 Other, Capital Improvement Project Funds, which are generated by proceeds of the \$781 per semester Capital Improvement Fee that are in excess of the amount needed to pay the current debt service on bonds.

The proposed source of funds for construction is also Other, Capital Improvement Project Funds.

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

### **Item (c) – Horry Georgetown Technical College – Advanced Manufacturing Center Construction**

The source of funds for A&E pre-design is \$90,000 Other, College Funds, which are excess revenues from a variety of sources acquired over time to address capital improvements and maintenance needs.

The proposed source of funds for construction is also Other, College Funds.

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

### **Item (d) – Piedmont Technical College – Piedmont “B” Building Renovation**

The source of funds for A&E pre-design is \$30,000 Other, College funds, which are a combination of a dedicated \$150 per semester capital improvement fee included in tuition and residual balance transfers approved by the college’s Area Commission.

The proposed source of funds for construction is also Athletic Operating Funds.

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

### **Item (g) – Coastal Carolina University – Academic/Classroom Building II Construction**

The source of funds for construction is \$18,000,000 Other, Other, One Cent Sales Tax funds, which are funds from a local option sales tax which was implemented in March 2009 and is in effect for 15 years. These funds are dedicated for construction, land acquisition and to offset debt service.

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

**Item (h) – Trident Technical College – Veterinary Technology Animal Care Facility Construction**

The source of funds for construction is \$1,750,000 Other, County Capital Appropriation funds, which are funds appropriated to the college by county government for renovations and capital improvements.

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

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AGENCY: Executive Budget Office

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SUBJECT: Real Property Acquisitions

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The Executive Budget Office recommends approval of the following real property acquisition:

- (a) Agency: Horry-Georgetown Technical College  
Acreage: Approximately 3.5 Acres  
Location: Atlantic Center Business Park  
County: Horry  
Purpose: To construct an Advanced Manufacturing Center  
Appraised Value: N/A  
Price/Seller: Donation/Horry County  
Source of Funds: N/A  
Project Number: 9094  
Environmental Study: Approved  
Building Condition Assessment: N/A  
Additional Annual Op Cost/SOF: N/A  
Current Year Property Tax: N/A  
Approved By: JBRC Staff 1/21/2015
- (b) Agency: Technical College of the Lowcountry  
Acreage: Approximately 0.54 Acres  
Location: 114 Elliot Street  
County: Beaufort  
Purpose: To allow for future expansion  
Appraised Value: \$240,000  
Price/Seller: \$240,000/Stephanie Edwards  
Source of Funds: Other, Local Capital Funds  
Project Number: 6095  
Environmental Study: Approved  
Building Condition Assessment: Approved  
Additional Annual Op Cost/SOF: Net income from rental activity until needed for expansion  
Current Year Property Tax: \$3,347.47  
Approved By: JBRC Staff 1/21/2015

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BOARD ACTION REQUESTED:

Approve the real property acquisitions as requested.

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ATTACHMENTS:

Agenda item worksheet and attachments



## BUDGET AND CONTROL BOARD AGENDA ITEM WORKSHEET

Meeting Scheduled for: January 27, 2015

Regular Agenda

1. Submitted by:

- (a) Agency: Executive Budget Office  
(b) Authorized Official Signature:



Brenda Hart, Interim Director

2. Subject:

**REAL PROPERTY ACQUISITIONS**

3. Summary Background Information:

- |      |                                |  |
|------|--------------------------------|--|
| (a)  | Agency:                        | Horry-Georgetown Technical College                         |
|      | Acreage:                       | Approximately 3.5 Acres                                    |
|      | Location:                      | Atlantic Center Business Park                              |
|      | County:                        | Horry  |
|      | Purpose:                       | To construct an Advanced Manufacturing Center              |
|      | Appraised Value:               | N/A  |
|      | Price/Seller:                  | Donation/Horry County                                      |
|      | Source of Funds:               | N/A  |
|      | Project Number:                | 9094   |
|      | Environmental Study:           | Approved   |
|      | Building Condition Assessment: | N/A  |
|      | Additional Annual Op Cost/SOF: | N/A  |
|      | Current Year Property Tax:     | N/A  |
|      | Approved By:                   | JBRC Staff 1/21/2015                                       |
| <br> |                                |  |
| (b)  | Agency:                        | Technical College of the Lowcountry                        |
|      | Acreage:                       | Approximately 0.54 Acres                                   |
|      | Location:                      | 114 Elliot Street  |
|      | County:                        | Beaufort   |
|      | Purpose:                       | To allow for future expansion                              |
|      | Appraised Value:               | \$240,000  |
|      | Price/Seller:                  | \$240,000/Stephanie Edwards                                |
|      | Source of Funds:               | Other, Local Capital Funds                                 |
|      | Project Number:                | 6095   |
|      | Environmental Study:           | Approved   |
|      | Building Condition Assessment: | Approved   |
|      | Additional Annual Op Cost/SOF: | Net income from rental activity until needed for expansion |
|      | Current Year Property Tax:     | \$3,347.47   |
|      | Approved By:                   | JBRC Staff 1/21/2015                                       |

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

Approve the property acquisitions as requested.

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**5. What is recommendation of Board Division involved?**

Recommend approval of the property acquisitions requested.

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**6. Recommendation of other Division/Agency (as required)?**

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

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

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**7. List of Supporting Documents:**

1. Code Section 1-11-65
  - (a) Horry-Georgetown Technical College
  - (b) Technical College of the Lowcountry

(a)

1. Request to Acquire
2. Environmental Results
3. Map
4. Cost Implications

## PROPERTY INFORMATION FORMAT

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### PART I

1. Project Number: 6094
2. County: Horry County
3. Description of Property: 3.5 acres of land (no buildings) zoned for commercial/educational purposes.
4. Grantor Name and Address: Horry County
5. Grantee Address:  
Horry-Georgetown Technical College  
2050 highway 501 East  
Conway, SC 29528
6. County Location: Eastern section of Horry County
7. Acreage: 3.5 acres
8. Purpose for acquisition: To acquire land so that an academic building can be constructed to provide additional capacity for the College's Advanced Manufacturing Program.
9. Demonstrate the need to acquire the property: The College has no capacity to grow its Advanced Manufacturing Program (Welding, CNC/Machine Tool, Robotics, and Mechatronics), and desperately needs the space to support expanding these programs to meet industry needs. Local industry is requiring more graduates in these fields, and we can no longer accept additional students without increasing our capacity.
10. Purchase price: \$0. The property will be donated to the College at no cost.
11. Current year property tax amount: N/A (property owned by Horry County)

### Part II

1. How many sites were evaluated? 5
2. Please list the selection criteria used to evaluate sites:
  - Proximity to the College's Conway Campus
  - Affordability
  - Required size (acreage)

- Zoning codes were permissive
3. How was the final selection made: A team of college leaders determined that this property best met all of the selection criteria.
  4. Why was this specific site selected: This site was determined, by a team of College leaders, to have best met our selection criteria and long term needs.
  5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? The land will be used to construct a new building for expanding enrollment in our Advanced Manufacturing program. The building (not including equipment) is estimated to cost \$2.5 million. The source of funds for the project will be "College funds", and more specifically "penny tax proceeds". The College will not incur any debt nor raise tuition to support this project.
  6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no costs, explain why not? There are no additional costs associated with the acquisition of the property (land only), as the College does not have to pay property taxes. The donation of the land will not result in any new or unforeseen charges, costs, or fees to the College.
  7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not. The College expects annual operating costs to be approximately \$75,000 which includes electrical, natural gas, water & sewer expenses. All custodial and public safety needs will be covered with existing personnel. These expenses will be absorbed into the College's annual operating budget and paid with College funds (which includes revenues from tuition, fees, state and local allocations). There will be no increase in tuition or other fees associated with the construction of this building.

## **EXECUTIVE SUMMARY**

S&ME has completed a Phase I Environmental Site Assessment (ESA) on an undeveloped parcel of land totaling approximately 3.8 acres, located adjacent to Atlantic Avenue, in Conway (Horry County), South Carolina (i.e. the Property). The Property consists of a cleared undeveloped parcel of land.

A site reconnaissance was conducted by Mr. Jason McCann, an S&ME Project Manager, under the guidance of Mr. Tom Behnke, P.G., an S&ME Environmental Professional, on November 7, 2014, to evaluate the subject site for drainage patterns, vegetation patterns, stains, discoloration, surrounding land use, and other visual aspects suggestive of the presence of Recognized Environmental Conditions (RECs).

### **On-Site Findings**

The subject property is located on the northwestern portion of a 265-acre tract of land that was once associated with the Grove Manufacturing Company (GMC) facility. However, GMC did not appear to have any operations on the subject Property itself. The GMC facility was in operation from approximately 1975 to 1984. GMC manufactured mobile lattice and hydraulic rough terrain cranes. This operation included fabricating, machining, welding, assembling, and painting. Environmental issues such as USTs, landfills, and spill areas were investigated in the 1980s and 1990s. Based on a Site Screening Investigation Report performed by the SCDHEC dated April 28, 1992, the EPA determined the site would receive a status of No Further Remedial Action Planned (NFRAP) in December 1995. However, this status does not indicate that all areas of the facility were remediated. Because the subject Property was originally connected with the former GMC property, the past industrial and regulatory history is considered a Historical Recognized Environmental Condition at this time.

### **Off-Site Findings**

Ryder Transportation Services, located on the northern adjacent property, currently operates one 12,000 gallon diesel fuel AST. This facility appears to be topographically cross-gradient from the subject property and there are no reported releases at this time. The facility is not considered a REC in connection with the subject Property.

S&ME contracted with EDR to prepare a Radius Map Report compiling federal, state, and tribal environmental database information. The review of the EDR Radius Map Report and other public records identified eight other off-site facilities, with listings related to hazardous materials or petroleum products in the vicinity of the subject Property. Based on current regulatory status, groundwater flow direction, distance to the subject Property, and topographic relationship, the regulated off-site facilities are not considered a REC in connection with the Property.

In summary, the results of the Phase I ESA have identified evidence of one HREC in connection with the Property.



EXHIBIT DISCLAIMER: PLEASE NOTE THIS EXHIBIT IS FOR INFORMATIONAL PURPOSES ONLY. IT IS NOT MEANT FOR DESIGN, LEGAL, OR ANY OTHER USES. THERE ARE NO GUARANTEES REGARDING ACCURACY. S&ME, INC. ASSUMES NO RESPONSIBILITY FOR ANY DECISION MADE OR ANY ACTIONS TAKEN BY THE USER BASED UPON THIS EXHIBIT.

**LEGEND**

TRACT BOUNDARY TAKEN FROM Horry COUNTY GIS



SCALE:	1"= 200'
SOURCE:	ESRI
SOURCE DATE:	2010
DATE:	DECEMBER 2014

**AERIAL PHOTOGRAPH  
ATLANTIC CENTER SITE  
CONWAY, HORRY COUNTY, SC**

S & ME PROJECT # 4263-14-127

**S&ME**  
WWW.SMEINC.COM

EXHIBIT #	<b>3</b>

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

1. AGENCY  
Code H59 Name Horry-Georgetown Technical College

2. PROJECT  
Project # 6094 Name Acquisition of Land (Advanced Manufacturing Center)

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

COSTS                       SAVINGS                       NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1)	(2)	(3)	(4)	(5)
Fiscal Year	General Funds	Federal	Other	Total
1)	\$	\$	\$	\$0.00
2)	\$	\$	\$	\$0.00
3)	\$	\$	\$	\$0.00

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

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

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

	<u>COST FACTORS</u>	<u>AMOUNT</u>
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____
5.	_____	_____
6.	_____	_____
7.	_____	_____
8.	_____	_____
	TOTAL	_____

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

9. Submitted By: *Harold W. Hawley* = VP - CFO  
Signature of Authorized Official and Title

11/24/14  
Date

(b)

1. Request to Acquire
2. Appraisal
3. Environmental Results
4. Map
5. Cost Implications

**PROPERTY ACQUISITION INFORMATION FORMAT**

**PART I**

1. Project Number: H59-6059
2. County: Beaufort
3. Description of Property: 0.54 acres & house of 1614 square feet
4. Grantor(s) Name and Address: Stephanie Edwards, 1003 London Ave. Port Royal, SC 29935
5. Grantee(s) Name and Address: Technical College of the Lowcountry Commission  
PO Box 1288 921 Ribaut Road Beaufort, SC 29901
6. County Location: 114 Elliott Street Beaufort, SC 29902
7. Acreage: 0.54
8. Purpose for Acquisition: future expansion of the Beaufort campus
9. Demonstrate the need to acquire the property: The Beaufort campus is bounded by water on 2 sides and the local hospital on a 3rd. The College's only practical option for future expansion is around its northwest border, around Elliott & Reynolds Streets.
10. Purchase Price: \$240,000
11. Current Year Property Tax Amount: \$3,347.47

**PART II**

1. How many sites were evaluated? 1
2. Please list the selection criteria used to evaluate sites. See question 9 in Part I.
3. How was the final selection of the site made? See questions 9 in Part I.
4. Why was this specific site selected? See question 9 in Part I.
5. What is the estimated cost of any construction or renovations to be done on the property and the anticipated source of funds for such work? \$0
6. What are the estimated additional annual operating costs which will result from acquisition of the property and the anticipated source of funds? Explain the factors that determine the cost. If no costs, explain why not. \$0, net income from rental activity
7. What are the estimated additional annual operating costs which will result from construction/renovation on the property and the anticipated source of funds? Explain the factors that determine the costs. If no costs, explain why not. \$0, none needed

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P O BOX 1225, 1204 BOUNDARY STREET  
BEAUFORT, SC 29901  
843-524-2207

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August 6, 2014

TECHNICAL COLLEGE OF THE LOWCOUNTRY  
PO BOX 1288  
BEAUFORT, SC  
29901

Property - 114 ELLIOTT ST  
BEAUFORT, SC 29902  
Borrower - Technical College of the Lowcountry  
File No. - 214099  
Case No. -

Dear MS. MACK:

In accordance with your request, I have prepared an appraisal of the real property located at 114 ELLIOTT ST, BEAUFORT, SC.

The purpose of the appraisal is to provide an opinion of the market value of the property described in the body of this report.

Enclosed, please find the report which describes certain data gathered during our investigation of the property. The methods of approach and reasoning in the valuation of the various physical and economic factors of the subject property are contained in this report.

An inspection of the property and a study of pertinent factors, including valuation trends and an analysis of neighborhood data, led the appraiser to the conclusion that the market value, as of 07/31/2014 is:

\$240,000

The opinion of value expressed in this report is contingent upon the Limiting Conditions attached to this report.

It has been a pleasure to assist you. If I may be of further service to you in the future, please let me know.

Respectfully submitted,

BUNDY APPRAISAL & MANAGEMENT, INC

  
GEORGE B. POST, JR.  
SC Certification #CG#705

## **1.0 EXECUTIVE SUMMARY**

ECS Southeast, LLC, (ECS) was contracted by the Technical College of the Low Country to perform an ASTM Standard E 1527-13, Phase I Environmental Site Assessment (ESA) of a site located at 114 Elliott Street in Beaufort, Beaufort County, South Carolina (i.e. site or subject site). This Executive Summary is an integral part of the Phase I Environmental Site Assessment report. ECS recommends that the report be read in its entirety.

ECS conducted the field reconnaissance on October 27, 2014. The subject site is located at 114 Elliott Street in Beaufort, Beaufort County, South Carolina, north of the Technical College of the Low Country campus. The site is identified as tax parcel R120 005 000 0105 0000 and owned by Ms. Stephanie Edwards. The subject site is currently used as a residence. At the time of our site reconnaissance, the subject site was occupied by an approximately 1,500 square-foot home and three small storage sheds. The site is serviced by the following utilities: electric and natural gas (South Carolina Electric & Gas Company) and sewer and water (Beaufort Jasper Water & Sewer Authority). The residence is heated with an electric heat pump unit.

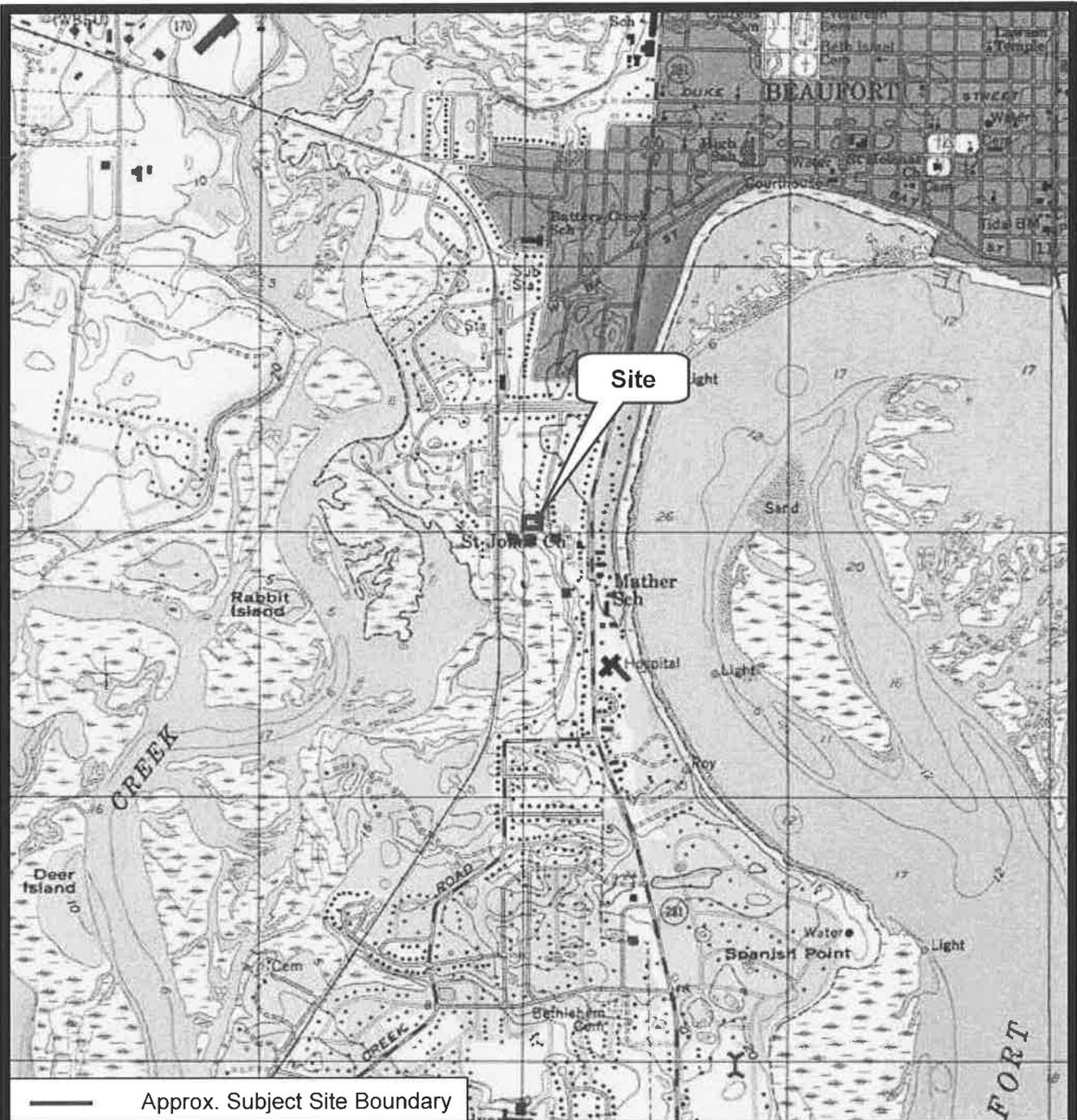
The site is located in a residential area of Beaufort. The site is bound on the north by residential homes, on the east by Elliott Street and residential homes, on the south by the Technical College of the Low Country, and on the west by undeveloped land trust. ECS did not identify adjoining or nearby properties that are considered a Recognized Environmental Condition (REC) of the site.

A regulatory database search report was provided by Environmental Data Resources, Inc. (EDR). The database search involves researching a series of Federal, State, Local, and other databases for facilities and properties that are located within a specified minimum search distances from the site. The EDR report does not identify the subject site on the databases researched. The EDR Report identified an off-site property within the minimum ASTM search distances. Based on our review, the listing does not represent a REC for the subject site.

Data failures (historical data gaps) were identified during the historical research of this site. Use of the site was generally documented back to 1939 (historical aerial photographs). Historical information was missing for various short periods. However, due to the identified site uses, the historical data gaps are not expected to impact our ability to render a professional opinion regarding the subject site. No other data gaps were identified.

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM Standard E 1527-13 of a site located at 114 Elliott Street in Beaufort, Beaufort County, South Carolina. Exceptions to, or deletions from, this practice are described in Section 2.3 of this report. This assessment has revealed no evidence of recognized environmental conditions in connection with the property.

No Business Environmental Risks, Historical RECs, or Controlled RECs were identified in connection with the subject site. Vapor encroachment issues from off-site properties were not identified. It is the opinion of ECS that additional environmental assessment is not warranted at this time.



— Approx. Subject Site Boundary

Scale: 1" ≈ 2000'

USGS TOPOGRAPHIC MAP



Phase I ESA  
114 Elliott Street  
Beaufort, South Carolina



Source: "Beaufort" quadrangle  
dated 1998  
Project No.: 23:2658  
Date: November 2014  
Figure No.: 1

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

1. AGENCY  
Code H59104 Name Technical College of the Lowcountry NOV 20 2014

2. PROJECT  
Project # H59-6095 Name 114 Elliott Street Purchase

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

COSTS                       SAVINGS                       NO CHANGE

4.

TOTAL ADDITIONAL OPERATING COSTS/SAVINGS				
Projected Financing Sources				
(1) Fiscal Year	(2) General Funds	(3) Federal	(4) Other	(5) Total
1)	\$	\$	\$10,000	\$10,000
2)	\$	\$	\$10,000	\$10,000
3)	\$	\$	\$10,000	\$10,000

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

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

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

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. <u>Net income from rental activity</u>	<u>\$10,000</u>
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	<u>\$10,000</u>

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

9. Submitted By: *[Signature]* VP for Administrative Services                      11/18/14  
Signature of Authorized Official and Title                      Date

STATE BUDGET AND CONTROL BOARD  
MEETING OF January 27, 2015

REGULAR SESSION  
ITEM NUMBER 5

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AGENCY: Budget and Control Board

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SUBJECT: Future Meeting

The next regular meeting of the Budget and Control Board will be held at 9:30 a.m. on Tuesday, March 3, 2015, in Room 252, Edgar A. Brown Building.

Remaining Budget and Control Board Meetings in 2015

Tuesday, April 28

Tuesday, June 16

State Fiscal Accountability Authority Meetings in 2015

Tuesday, August 11

Tuesday, October 27

Tuesday, December 15

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BOARD ACTION REQUESTED:

Agree to meet at 9:30 a.m. on Tuesday, March 3, 2015, in Room 252, Edgar A. Brown Building.

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ATTACHMENTS: