**MINUTES OF STATE FISCAL ACCOUNTABILITY AUTHORITY MEETING**

**January 29, 2019 – 9:30 A. M.**

The State Fiscal Accountability Authority (Authority) met at 9:30 a.m. on Tuesday, January 29, 2019, in Room 252 in the Edgar A. Brown Building, with the following members in attendance:

Governor Henry McMaster, Chair;
Mr. Curtis M. Loftis, Jr., State Treasurer;
Mr. Richard Eckstrom, Comptroller General;
Senator Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee; and
Representative G. Murrell Smith, Chairman, Ways and Means Committee.

Also attending were State Fiscal Accountability Authority Executive Director Grant Gillespie; Authority General Counsel Keith McCook; State Auditor George Kennedy; Governor's Deputy Chief of Staff Mark Plowden; Treasurer's Chief of Staff Clarissa Adams; Comptroller General's Chief of Staff Eddie Gunn; Senate Finance Committee Budget Director Mike Shealy; Ways and Means Chief of Staff Daniel Boan; Authority Secretary Delbert H. Singleton, Jr., and other State Fiscal Accountability Authority staff.

[**Secretary's Note**: The Authority met immediately following a meeting of the Tobacco Settlement Revenue Management Authority, the members of which are the State Fiscal Accountability Authority members, ex officio.]

***Adoption of Agenda for State Fiscal Accountability Authority***

Upon a motion by Rep. Smith, seconded by Senator Leatherman, the Authority adopted the agenda as proposed.

***Minutes of Previous Meeting***

Upon a motion by Senator Leatherman, seconded by Rep. Smith, the Authority approved the minutes of the December 11, 2018, Authority meeting.

***State Treasurer's Office: Bond Counsel Selection (Regular Session Agenda Item #1)***

Upon a motion by Rep. Smith, seconded by Senator Leatherman, the Authority received the State Treasurer's Office report on the assignment of bond counsel as information in accord with Authority policy.

**CONDUIT ISSUES:**

| Description of Issue | Agency/Institution (Borrower) | Bond Counsel | Issuer's Counsel |
|---|---|---|---|
| $10,000,000; Industrial Revenue Bonds; Series 2019 (South Carolina Jobs-Economic Development Authority – "SC JEDA") | The Muffin Mam Conduit: SC JEDA | Haynsworth Sinkler Boyd – Kathy McKinney | Howell Linkous & Nettles – Sam Howell |

**GENERAL OBLIGATION / REVENUE ISSUES:**

| Description of Issue | Agency/Institution | Approved Bond Counsel |
|---|---|---|
| $137,000,000; "Bridge Loan Indebtedness" (Bridge Loan financing associated with the purchase of substantially all of the assets of certain affiliates of Community Health Systems, Inc. that are associated with or used in the ownership and/or operation of Carolinas Hospital System – Florence in Florence, SC; Carolinas Hospital System - Marion in Mullins, SC; Springs Memorial Hospital in Lancaster, SC; and Chester Regional Medical Center in Chester, SC, and associated clinical sites and services.) | Medical University Hospital Authority ("MUHA") | Haynsworth Sinkler Boyd – Mitchell Johnson |
| $137,000,000; HUD Insured Mortgage Loan "Permanent Indebtedness" (Permanent financing associated with the purchase of substantially all of the assets of certain affiliates of Community Health Systems, Inc. that are associated with or used in the ownership and/or operation of Carolinas Hospital System – Florence in Florence, SC; Carolinas Hospital System - Marion in Mullins, SC; Springs Memorial Hospital in Lancaster, SC; and Chester Regional Medical Center in Chester, SC, and associated clinical sites and services.) | Medical University Hospital Authority ("MUHA") | Haynsworth Sinkler Boyd – Mitchell Johnson |

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

***Department of Administration, Capital Budget Office: 2018 Comprehensive Permanent Improvement Plan (Regular Session Agenda Item #2)***

Section 2-47-55 of the 1976 South Carolina Code of Laws provides that all state agencies responsible for providing and maintaining physical facilities are required to submit a Comprehensive Permanent Improvement Plan to the Joint Bond Review Committee and the State Fiscal Accountability Authority. The Comprehensive Permanent Improvement Plan is a planning tool that informs decision makers of the permanent improvement projects state agencies and institutions of higher education plan to undertake during the next five fiscal years. Each project included in the plan must subsequently be brought forward for consideration individually. The Executive Budget Office of the South Carolina Department of Administration has 1) compiled a statewide report entitled "State of South Carolina 2018 Comprehensive Permanent Improvement Plan, Fiscal Years 2018-19 through 2022-23" from agency submissions; 2) provided the information to the Joint Bond Review Committee and the State Fiscal Accountability Authority pursuant to the statute; and 3) made accessible complete and full details of agency submissions on the Department's website at: https://www.admin.sc.gov/budget/capital-budget-office/CPIP.

Upon a motion by Mr. Eckstrom, seconded by Rep. Smith, the Authority received the 2018 Comprehensive Permanent Improvement Plan, as information only as requested by the Department of Administration, Capital Budget Office

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

***Dept. of Administration, Capital Budget Office: Permanent Improvement Projects (R#3)***

The Authority was asked to approve permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Capital Budget Office. All items were reviewed favorably by the Joint Bond Review Committee.

(a) Summary 4-2019: JBRC Item 1. (H51) Medical University of South Carolina
Project: 9846, New College of Pharmacy Addition & Innovative Instruct. Redesign Reno.
Included in Annual CPIP: Yes – 2018 CPIP Priority 4 of 4 in FY19 (estimated at $53,000,000)
JBRC/SFAA Phase I Approval: N/A

CHE Recommended Approval: 1/10/19

| Source of Funding Detail | Original Budget Amount | Cumulative Changes Since Original Budget | Current Budget | Current Budget Adjustment Requested | Total Budget After Current Adjustment |
|---|---|---|---|---|---|
| Other, Institutional Capital Project | - | - | - | 1,325,000 | 1,325,000 |
| All Sources | - | - | - | 1,325,000 | 1,325,000 |

Funding Source: $1,325,000 Other, Institutional Capital Project Funds, which are excess debt service funds and remaining balances from closed projects.

Request: Establish project and budget for $1,325,000 (Other, Institutional Capital Project Funds) to begin Phase I schematic design to construct an approximately 40,000 square foot addition to the Basic Science Building for relocation of the College of Pharmacy. The Phase I budget amount is 2.50% of the estimated project costs, and the additional amount will allow the university to provide for a survey, existing building hazard materials assessment, site geotechnical investigation, initial LEED assessment, and the pre-construction services of a Construction Manager. The project will renovate approximately 13,000 square feet of classroom space in the 48-year-old Basic Science Building and 43,000 square feet of space on all four floors of the 47-year-old Colbert Library. The goal of the project is to provide state-of-the-art academic and student support space for the College of Pharmacy as well as new flexible classroom and instructional space for collaborative 21st century pedagogy across the six MUSC colleges. The renovations will accommodate newly established College of Medicine flex curriculum and accelerated programs. The project will provide expanded College of Medicine student support space to comply with accreditation guidelines. It is estimated that the current student population across all colleges will utilize the Basic Science Building and the Colbert Library. The agency estimates total project costs at $53,000,000.

**Establish Construction Budget**

(b) Summary 4-2019: JBRC Item 5. (H12) Clemson University
Project: 9939, Chapel Construction
Included in Annual CPIP: Yes – 2017 CPIP Priority 3 of 8 in FY20 (estimated at $5,000,000) & 2018 CPIP Priority 5 of 6 in FY19 (estimated at $5,000,000)
JBRC/SFAA Phase I Approval: June 2018 (estimated at $5,000,000)

CHE Recommended Approval: 1/10/19

| Source of Funding Detail | Original Budget Amount | Cumulative Changes Since Original Budget | Current Budget | Current Budget Adjustment Requested | Total Budget After Current Adjustment |
|---|---|---|---|---|---|
| Other, Private Gifts & Donations | 175,000 | - | 175,000 | 4,825,000 | 5,000,000 |
| All Sources | 175,000 | - | 175,000 | 4,825,000 | 5,000,000 |

Funding Source: $5,000,000 Other, Private Gifts & Donations, which are amounts received from individuals, corporations, and other entities that are to be expended for their restricted purposes.

Request: Increase budget to $5,000,000 (add $4,825,000 Other, Private Gifts & Donation Funds) to establish the Phase II construction budget to construct non-denominational chapel on the Clemson campus. The chapel will provide students, faculty and staff a quiet space for reflection and meditation, as well as a place for the celebration and remembrance of Clemson students. It will be located along the Campus Green and will provide a readily accessible introspective place that is open to all in the Clemson community. The approximately 5,000 square foot chapel will include a large assembly space, lobby, meditation rooms and nooks, an open gallery, a preparation space and restrooms. Clemson University does not currently have a non-denominational chapel for reflection, meditation and remembrance on the campus. A quiet space is increasingly important for students that may become overwhelmed by the rigors of academic life and being away from home, often for the first time. In recent years, it has become evident that the campus needs a place to remember students who have passed away and many, including student body leaders, feel a chapel provides the right setting for this to take place. The concept of a memorial chapel has been embraced by Clemson students who have raised funds for the project and are preparing additional fundraising efforts to support it. Non-denominational chapels are common at colleges and universities nationwide and have been constructed at many other South Carolina public and private higher education institutions. Construction of the chapel will further the Clemson Forward strategic plan's commitment to the cherished sense of community and connectedness that defines the Clemson family. The agency estimates total project costs at $5,000,000. (See attachment 1 for this agenda item for additional annual operating costs.) The agency anticipates execution of the construction contract in April 2019 and completion of construction in July 2020.

(c) Summary 4-2019: JBRC Item 6. (E24) Office of the Adjutant General
Project: 9809, McEntire Secure Area Facility
Included in Annual CPIP: Yes – 2017 CPIP Priority 2 of 21 in FY18 (estimated at $3,000,000) & 2018 CPIP Priority 2 of 18 in FY19 (estimated at $2,062,591)

JBRC/SFAA Phase I Approval: December 2017 (estimated at $1,936,749)

CHE Recommended Approval: N/A

| Source of Funding Detail | Original Budget Amount | Cumulative Changes Since Original Budget | Current Budget | Current Budget Adjustment Requested | Total Budget After Current Adjustment |
|---|---|---|---|---|---|
| Appropriated State | - | - | - | 346,088 | 346,088 |
| Federal, National Guard Bureau | 83,250 | - | 83,250 | 1,916,749 | 1,999,999 |
| All Sources | 83,250 | - | 83,250 | 2,262,837 | 2,346,087 |

Funding Source: $346,088 Appropriated State Funds. $1,999,999 Federal, National Guard Bureau, which is funding identified as part of the Construction and Facilities Management Office's Master Cooperative Agreement through the Office of the Adjutant General and from the National Guard Bureau.

Request: Increase budget to $2,346,087 (add $2,262,837 Appropriated State & Federal, National Guard Bureau Funds) to establish the Phase II construction budget to construct a new approximately 5,000 square foot Secure Area Facility for housing the SCARNG's new Cyber Protection Battalion, which has 95 soldiers. The Secure Area Facility is required for the SCARNG to comply with National Guard Bureau Directive, which has stringent security requirements that necessitate its construction on McEntire Joint National Guard Base. This facility will also meet the requirements for stationing the Cyber Protection Battalion. The Phase II estimated cost to complete the project has increased from the Phase I and the 2018 CPIP amount because the cost estimates have changed since those submissions and are now expected to be more accurate. The agency estimates total project costs at $2,346,087. (See attachment 2 for this agenda item for additional annual operating costs.) The agency anticipates execution of the construction contract in August 2019 and completion of construction in June 2022.

**Establish Construction Budget & Revise Scope**

(d) Summary 4-2019: JBRC Item 10. (E24) Office of the Adjutant General
Project: 9807, MTG Bldg. 3800 HVAC Replacement
Included in Annual CPIP: Yes – 2017 CPIP Priority 17 of 21 in FY18 (estimated at $468,000) & 2018 CPIP Priority 10 of 18 in FY19 (estimated at $700,000)
JBRC/SFAA Phase I Approval: December 2017 (estimated at $468,000)
JBRC/SFAA Partial Phase II Approval: May 2018 (estimated at $468,000)

CHE Recommended Approval: N/A

| Source of Funding Detail | Original Budget Amount | Cumulative Changes Since Original Budget | Current Budget | Current Budget Adjustment Requested | Total Budget After Current Adjustment |
|---|---|---|---|---|---|
| Federal, National Guard Bureau | 7,020 | 80,980 | 88,000 | 1,410,940 | 1,498,940 |
| All Sources | 7,020 | 80,980 | 88,000 | 1,410,940 | 1,498,940 |

Funding Source: $1,498,940 Federal, National Guard Bureau, which is funding identified as part of the Construction and Facilities Management Office's Master Cooperative Agreement through the Office of the Adjutant General and from the National Guard Bureau.

Request: Revise the scope and increase budget to $1,498,940 (add $1,410,940 Federal, National Guard Bureau Funds) to establish the full Phase II budget to replace the ten (10) HVAC units on the 19-year-old 160,342 square foot Regional Training Institute, (RTI) Building 3800 on the McCrady Training Center. Previously six (6) units were requested but have now increased to ten (10) units. The HVAC units that support the RTI were installed in 1998 and are nearing the end of their serviceable life. The RTI has been plagued with HVAC failures and repairs over the past few years, which has directly affected their Federal mission which supports the US Army's Training and Doctrine Command (TRADOC). This facility is utilized by the SC Army National Guard to provide professional military education to soldiers. It houses approximately 80 full-time instructors and staff, and provides military education to approximately 3,000 students annually. The Phase II estimated cost to complete the project has increased from the Phase I amount and the 2018 CPIP due to the increase in the number of units being replaced, as well as, more accurate estimates being received. The agency estimates total project costs at $1,498,940. (See attachment 3 for this agenda item for additional annual operating cost savings.) The agency anticipates execution of the construction contract in February 2019 and completion of construction in June 2019.

**Phase II Increase**

(e) Summary 4-2019: JBRC Item 11. (H63) Governor's School for the Arts and Humanities
Project: 9516, SCGSAH Music Building Addition
Included in Annual CPIP: Yes – 2016 CPIP Priority 1 of 4 in FY18 (estimated at $4,310,000)
Admin. Phase II Approval: November 2016 (estimated at $4,310,000)
Admin. Phase II Increase Approval: February 2017 (estimated at $4,311,832)

CHE Recommended Approval: N/A

| Source of Funding Detail | Original Budget Amount | Cumulative Changes Since Original Budget | Current Budget | Current Budget Adjustment Requested | Total Budget After Current Adjustment |
|---|---|---|---|---|---|
| FY16 Capital Reserve Fund | 4,310,000 | - | 4,310,000 | - | 4,310,000 |
| FY13 Appropriated State, Proviso 90.20 | - | 1,832 | 1,832 | - | 1,832 |
| Other, Foundation Gift | - | - | - | 52,500 | 52,500 |
| All Sources | 4,310,000 | 1,832 | 4,311,832 | 52,500 | 4,364,332 |

Funding Source: $4,310,000 FY16 Capital Reserve Fund. $1,832 FY13 Appropriated State, Proviso 90.20. $52,500 Other, Foundation Gift Funds.

Request: Increase budget to $4,364,332 (FY16 Capital Reserve, FY13 Appropriated State, Proviso 90.20 and Other, Foundation Gift Funds) to cover rock removal estimates that exceeded geotechnical estimates and unexpected unsuitable soil remediation. Nearly all the overages were absorbed by reducing the equipment budget for this project to zero. Those items will be funded through a foundation gift. The increase in budget is needed for contingency funds. This project is for the construction of a structural addition to the current music building to address the needs of the SCGSAH music program. Due to the school operating at full residential capacity for several years, they have outgrown the existing instructional, rehearsal, and practice space. The existing space is insufficient for their volume of instruction, rehearsal and practice. Because of the space limitations placed upon them, many students now take instruction and rehearse in halls, stairwells, vacant spaces throughout the campus buildings that are neither designed for nor conducive to such activity. The new construction will expand the current structure and house a large rehearsal hall, six individual practice rooms, two music studios, a percussion studio, an instrument storage room and mechanical/electrical spaces. Due to the unique opportunities and constraints of the site, the addition will be recessed into the grade and tied to an existing courtyard. The addition is designed to maintain the architectural character and quality of the campus. The agency estimates total project costs at $4,364,332. (See attachment 4 for this agenda item for additional annual operating cost savings.) The agency also reports the estimated completion date for the project is August 2019.

Upon a motion by Senator Leatherman, seconded by Rep. Smith, the Authority approved the permanent improvement project establishment requests and budget revisions as requested by the Department of Administration, Capital Budget Office as noted herein.

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

***Department of Administration, Facilities Management and Property Services: Sale of 2221 Devine Street to the City of Columbia (Regular Item #4)***

On June 22, 2016, the State Fiscal Accountability Authority approved the disposition of 2.83± acres and a 96,753 square foot office building (together the “Facility”) located at 2221 Devine Street in Columbia by the SC Department of Administration (Admin). Admin now has a contract for the purchase of the facility by the City of Columbia for $3.8M, which is in accordance with the June 2016 approval, contingent upon requisite approvals of leases for relocating the current tenants, which include the SC Department of Probation, Pardon and Parole Services (DPPS), SC Department of Consumer Affairs (DCA)and SC Commission for Minority Affairs (CMA). This item was brought back for information due to the associated lease agenda item.

Mr. Loftis commended staff for the work that was done on this item.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority received as information notice of the sale of 2221 Devine Street to the City of Columbia, as recommended by the Department of Administration, Facilities Management and Property Services.

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

***Department of Administration, Facilities Management and Property Services: SC Department of Probation, Parole and Pardon Services, SC Department of Consumer Affairs and SC Commission for Minority Affairs Leases – 293 Greystone Boulevard in Columbia (Regular Item #5)***

On June 22, 2016, the State Fiscal Accountability Authority (SFAA) approved the disposition of 2.83± acres and a 96,753 square foot office building (together the “Facility”) located at 2221 Devine Street in Columbia by the SC Department of Administration (Admin). Admin now has a contract for the purchase of the Facility by the City of Columbia contingent upon requisite approvals of leases for relocating the current tenants, which include the SC Department of Probation, Parole and Pardon Services (DPPPS), SC Department of Consumer

Affairs (DCA)and SC Commission for Minority Affairs (CMA). The University of South Carolina (USC) also occupies 5,486 SF in the Facility for their Psychological Services Division which they will relocate separately either to space already owned by the University or other commercial space.

As indicated in the Statewide Real Estate Strategic Plan, the Facility costs the state more to own than it would to relocate the tenants to commercial space, with over $5M in deferred maintenance and in recapitalization costs that require funding over the next ten (10) years. The space is functionally obsolete and would need significant renovations to meet the needs of the tenants. For example, physical security enhancements and significant renovations would be necessary to ensure the segregation and safety of victims and their families as well as offender families at Parole and Pardon Board meetings. Additionally, the space prevents optimal space utilization with regard to both the ability to co-locate supportive functions for collaboration and to meet the target state space standards of 210 SF per person.

An attached business case analysis prepared by CBRE further indicated an overall cost of occupancy savings to the state of $7.8M over the next ten (10) years to move the current tenants at 2221 Devine to commercial space, including USC. These savings only reflect savings to the state based on annual M&O and deferred maintenance and do not include additional savings from the significant renovations that would be needed to make the space functional for the tenants.

Following approval of the sale of the Facility, Admin's broker, CBRE, conducted a solicitation for sale of the Facility and for a market purchase, build to suit, or commercial lease for the relocation of DPPPS, DCA and CMA. Three (3) proposals were received but none were in the best interest of the State. Since that time, the Facility has remained for sale through CBRE but until recently no offers were received at or above appraised value.

In January of 2018, Admin conducted a solicitation seeking commercially leased space. Four (4) proposals were received and Admin is requesting approval for DPPPS, DCA, and CMA to each enter into ten (10) year leases at the lowest bid proposal located at 293 Greystone Boulevard in Columbia. The Landlord is Foster, Saad & Company (Landlord). The rate for each lease will be $10.95/SF for the first year with annual escalations as detailed below. The space offers a less expensive alternative for the state than remaining at the Facility and will provide the agencies with space that will better suit their missions. For example, for DPPPS the new location includes adequate segregation for victim and offender families to help ensure adherence with the SC Victims' Bill of Rights. The rent includes all operating costs, with the exception of electricity.

**Probation, Parole, and Pardon Services**

Staying at the current Facility, DPPPS will pay $11.29/SF for 65,279 SF for a total of $736,999.91 annually.

**Rent - 2221 Devine St.**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $736,999.91 | $7,369,999.10 |

The selected location includes 56,192 SF at a rate of $10.95/SF for the first year with base rent and operating expense escalations thereafter excluding electricity. The reduction in square footage is a result of conformance with the state space standards with a density of 199 SF/person, as well as moving DPPPS' information technology functions to the state Data Center. With the 2% cap on operating expense escalations, the maximum DPPPS would pay in rent each year is as follows:

**Rent - 293 Greystone Blvd.**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| $615,302.00 | $625,763.00 | $636,401.00 | $647,219.00 | $658,222.00 | $669,412.00 | $680,792.00 | $692,365.00 | $704,135.00 | $707,966.00 | $6,637,577.00 |

At the new location, DPPPS will save $732,422.10 in rent over the 10-year term. Electricity costs are estimated at $1.25/SF for the first year with 2% increases annually thereafter, or approximately $769,000 over the 10-year term. DPPPS currently pays approximately $51,000 in excess energy and billable work orders at 2221 Devine, or approximately $612,000 with estimated escalations over the next 10 years. As such, it is estimated that overall DPPPS will save a minimum of approximately $575,622 over 10 years at the new location.

**Consumer Affairs**

Staying at the current Facility, DCA will pay $170,015.99 annually in rent for 15,356 SF.

**Rent - 2221 Devine St.**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $170,015.99 | $1,700,159.90 |

The selected location includes 15,783 SF at a rate of $10.95/SF for the first year with base rent and operating expense escalations thereafter excluding electricity. The slight increase in total square footage for DCA from the current to the new location is a result of additional staff; however, they remain in conformance with the state space standards with a density of 210 SF/person. With the 2% cap on operating expense escalations, the maximum DCA would pay in rent each year is as follows:

**Rent - 293 Greystone Blvd.**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| $172,824.00 | $175,762.00 | $178,750.00 | $181,789.00 | $184,879.00 | $188,022.00 | $191,218.00 | $194,469.00 | $197,775.00 | $198,827.00 | $1,864,315.00 |

At the new location, DCA will pay an increase in rent of $164,155.10 over the 10-year term. Electricity costs are estimated at $1.25/SF for the first year with 2% increases annually thereafter, or approximately $216,000 over the 10-year term. DCA currently pays approximately $6,000 in excess energy and billable work orders at 2221 Devine, or approximately $72,000 with estimated escalations over the next 10 years. As such, it is estimated that overall DCA will pay a maximum potential increase of approximately $308,000 over 10 years at the new location.

**Minority Affairs**

Staying at the current Facility, CMA will pay $49,088.92 annually in rent for 4,348 SF at 2221 Devine St.

**Rent - 2221 Devine St.**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $49,088.92 | $490,889.20 |

The selected location includes 3,885 SF at a rate of $10.95/SF for the first year with base rent and operating expense escalations thereafter excluding electricity. The slight reduction in square footage is a result of conformance with the state space standards with a density of 182 SF/person. With the 2% cap on operating expense escalations, the maximum CMA would pay in rent each year is as follows:

**Rent - 293 Greystone Blvd..**

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| $42,541.00 | $43,264.00 | $43,999.00 | $44,747.00 | $45,508.00 | $46,282.00 | $47,069.00 | $47,869.00 | $48,682.00 | $48,960.00 | $458,921.00 |

At the new location, CMA will save $31,968.20 in rent over the 10-year term. Electricity costs are estimated at $1.25/SF for the first year with 2% increases annually thereafter, or approximately $53,000 over the 10-year term. CMA currently pays approximately $2,000 in excess energy and billable work orders at 2221 Devine, or approximately $24,000 with estimated escalations over the next 10 years. As such, it is estimated that overall CMA will save a minimum of approximately $2,800 over 10 years at the new location.

The rent includes free access to the surface lot which contains adequate parking spaces for staff and visitors; the new space actually includes fifty (50) more parking spaces than the current location. Moving costs, office furniture and cubicles will be funded from the proceeds of the sale of the Facility.

The following are comparables of similar commercial space in Columbia area:

| Location | Rate/SF |
|---|---|
| 300 Arbor Lake Drive | $15.25 |
| 8911 Farrow Road | $14.75 |
| 7325 Two Notch Road | $15.50 |

Above rates are subject to rent and operating expense escalations over the term.

The sale of the Facility also provides for a leaseback by the Department of Administration for up to 6 months while the new commercial space is upfitted by the Landlord, which upfit is estimated to take ninety (90) days from the effective date of the lease. The Landlord will fund $1.5 M in upfit costs. If the cost of the upfit exceeds $1.5 M, the Department of Administration will pay up to $200,000 in upfit costs out of the proceeds from the sale of the Facility, with the Landlord responsible for any remaining additional costs. The leaseback is at the state standard rate of $11.29/SF with Admin continuing to provide all maintenance and operations during the term of the leaseback, representing no change to the current direct costs being incurred. The leaseback also provides for two (2) possible three (3) month extensions at rates of $12.42/SF and $13.66/SF respectively.

There are adequate funds for the leases according to the Budget Approval Forms and multi-year plans submitted by the agencies. The leases were approved by JBRC at its January 16, 2019 meeting.

Upon a motion by Rep. Smith, seconded by Senator Leatherman, the Authority approved the proposed leaseback for the SC Department of Administration and the proposed commercial leases for the SC Department of Probation, Parole and Pardon Services, SC Department of Consumer Affairs and SC Commission for Minority Affairs.

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

***Department of Administration: Facilities Management and Property Services: SC Department of Administration Disaster Recover Office Lease – 636 Rosewood Drive in Columbia (Regular Item #6)***

The SC Department of Administration Disaster Recovery Office (DRO) requested approval to lease 17,600 rentable square feet located at 636 Rosewood Drive in Columbia from Precoat Metals Corporation (Landlord). DRO has been in this location since October 3, 2016, and wishes to continue leasing the current space with a reduction of 1,930 square feet. This space accommodates all the needs of DRO and meets the state space standards with a density of approximately 144 SF/person. DRO’s current leases at the location expire January 16, 2019.

A solicitation was conducted, and three proposals were received, with the selected location representing the lowest bid.

The lease term will be five (5) years commencing January 17, 2019. Rent will be $12.57 per square foot for the first year of the lease, with three (3) percent annual escalations thereafter as shown on the chart below:

| Year | Rate/SF | Annual Rent |
|---|---|---|

| | | |
|---|---|---|
| 1 | $12.57 | $221,232 |
| 2 | $12.95 | $227,920 |
| 3 | $13.34 | $234,784 |
| 4 | $13.74 | $241,824 |
| 5 | $14.15 | $249,040 |
| | | |
| **Total** | | **$1,174,800** |

The rent includes all operating costs, office furniture and cubicles, as well as free access to the surface lot which contains adequate parking spaces for staff and visitors. Lease payments will be made from federal funds, and there are adequate funds for the lease according to the Budget Approval Form and multi-year plan submitted by the Agency.

The following are comparables of similar commercial space in Columbia area:

| Location | Rate/SF |
|---|---|
| 1901 Main Street | $17.95 |
| 317 Zimalcrest Drive | $13.50 |
| 246 Stoneridge Drive | $16.50 |

Above rates are subject to escalations over the term and do not reflect tenant improvement costs.

The lease was approved by JBRC at its January 16, 2019, meeting.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority approved the proposed lease for the SC Department of Administration Disaster Recovery Office at 636 Rosewood Drive in Columbia as recommended by the Department of Administration, Facilities Management and Property Services.

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

***Medical University of South Carolina: Not Exceeding $137,000,000 Bridge Loan Indebtedness of the Medical University Hospital Authority, Series 2019 (Regular Session 7)***

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding $137,000,000 Bridge Loan and Permanent Indebtedness of the Medical University Hospital Authority, Series 2019.

The Medical University Hospital Authority (MUHA) intends to purchase four hospitals in Florence, Marion, Lancaster, and Chester, and, ultimately, to finance the purchase by way of a HUD insured mortgage loan. The Asset Purchase Agreement requires the sale to be closed in February, and the lead time on the HUD loan will not allow for permanent financing to be in place by that time. Therefore, MUHA's plan is to have a bridge loan provide initial funding for the purchase and for the HUD loan to take out the bridge loan.

MUHA has indicated that the purchase of the hospitals does not require a separate CON (Certificate of Need) from DHEC.

Mr. Eckstrom asked if confirmation had been made with DHEC that a Certificate of Need was not required. Executive Director of MUHA Dr. Pat Cawley appeared before the Authority on this matter. He said they have confirmed with DHEC that a CON is not needed.

Upon a motion Senator Leatherman, seconded by Rep. Smith the Authority adopted a resolution approving the Medical University Hospital Authority to incur or issue bridge loan indebtedness in a principal amount not to exceed $137,000,000 to provide initial financing for the acquisition of certain hospital facilities in Florence, Marion, Lancaster, and Chester Counties, South Carolina, for the purpose of defraying the costs of the acquisition of such hospital facilities and other matters related thereto.

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

***Medical University of South Carolina: Not Exceeding $137,000,000 Permanent Loan Indebtedness of the Medical University Hospital Authority, Series 2019 (Regular Session 8)***

The Authority was asked to adopt a resolution making provision for the issuance and sale of not exceeding $137,000,000 Permanent Loan Indebtedness of the Medical University Hospital Authority, Series 2019 of the State of South Carolina.

The proceeds will be used for refinancing bridge loan indebtedness incurred to defray (i) the costs of the purchase substantially all of the assets of certain affiliates of Community Health Systems, Inc. that are associated with or used in the ownership and/or operation of Carolinas Hospital System – Florence located in Florence, South Carolina; Carolinas Hospital System – Marion located in Mullins, South Carolina; Springs Memorial Hospital located in Lancaster, South

Carolina; and Chester Regional Medical Center located in Chester, South Carolina, and associated clinical sites and services.

Mr. Eckstrom asked how this transaction impacts MUHA's debt limit. Lisa Goodlet, Chief Financial Officer for MUHA, stated that the transaction is well within MUHA's capacity. She said they currently have about 30% of debt limit utilized. She said this would take them up to about 38% of their total capacity. Mr. Eckstrom also asked if MUHA was assuming debt from the hospitals. Ms. Goodlet said that they were not assuming debt from the hospitals. She stated that this is a complete asset purchase and that they are not assuming any liabilities of the existing entities.

Upon a motion by Senator Leatherman, seconded by Rep. Smith, the Authority adopted a resolution authorizing the Medical University Hospital Authority to incur or issue indebtedness in a principal amount not to exceed $137,000,000 to provide permanent financing for the acquisition of certain hospital facilities in Florence, Marion, Lancaster, and Chester Counties, South Carolina, for the purpose of defraying the costs of the acquisition of such hospital facilities and other matters related thereto.

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

***Office of the State Auditor: Auditors' Communication with Those Charged with Governance (Regular Session Item #9)***

Auditing standards require that at the conclusion of an audit of financial statements, the auditor communicate certain matters to those charged with governance. Attached to this agenda item before the Authority was a communication that addressed all matters required to be communicated for the audit of the statewide financial statements for the year ended June 30, 2018. The audited financial statements were issued with a report date of November 15, 2018, and are available on the Office of the State Auditor website at osa.sc.gov/reports/.

Upon a motion by Mr. Eckstrom, seconded by Senator Leatherman, the Authority received from the Office of the State Auditor the communication for the audit of the statewide financial statements for the year ended June 30, 2018, as information.

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

***State Fiscal Accountability Authority, Insurance Reserve Fund: Insurance Rates (R10)***

The Insurance Reserve Fund (IRF) has as its mission the provision of property and liability insurance coverage at the lowest possible cost for its insureds. The IRF has worked diligently to avoid rate increases.

In March 2017, IRF communicated to the Authority that the IRF's actuaries determined the need for a rate increase and recommended in the first phase to implement a property rate increase for the Seacoast and Beach areas beginning July 1, 2017. At that time, IRF also reported the actuarial recommendation for taking rate increases in Property, Tort Liability and Medical Professional Liability in the future to be phased in over a 4-year period. Following that recommendation, and based on updated information, in 2018, IRF communicated to the Authority that the actuaries determined the need for a rate increase for multiple lines which was implemented the second year of the phased in approach beginning July 1, 2018. Again, following that recommendation for the phased in approach, and based on updated information, the actuaries have determined the need for a rate increase for multiple lines beginning July 1, 2019.

**Rate Increase For Insurance Lines to be effective July 1, 2019**

| Insurance Line | Rate Increase % | Rate Increase % |
|---|---|---|
| | Inland | SeaCoast |
| Business Interruption (B) | 15 | 23 |
| Data Processing (D) | 15 | 23 |
| Building & Personal Property (F) | 15 | 23 |
| Builders Risk ( R ) | 15 | 23 |
| Inland Marine (M) | 15 | 15 |
| Auto Comprehensive & Collision ( C ) | 25 | 25 |
| General Tort Libility (T) | 25 | 25 |
| Auto Liabliity (L) | 16 | 16 |
| School Bus Liability (S) | 0 | 0 |
| Professional Medical Liability (P) - State | 30 | 30 |
| Professional Medical Liability (P) - Non State | 25 | 25 |
| Underground Storage Tank Liability (U) | 0 | 0 |

IRF staff was available to brief the Authority on the rate increase status.

Mr. Eckstrom commented that he was uneasy deferring the entire recommended rate increase. He said that too often there has been a delay in funding costs that have been incurred and that the Retirement System is an example of that. He said this is the same in concept. He noted that the actuaries have determined that the IRF needs to increase premiums to a certain amount and have provided that amount as option #1 as well as options #2 and #3. He said the actuaries have notified the Authority that if the recommended increase is deferred over multiple years the cost will be higher. Mr. Eckstrom stated that is a cost that has already been incurred. He said rather than putting off paying for that cost this year with the hope there will be more capacity to deal with it next year is not a prudent business practice. He said based on the actuaries' analysis the plan has to increase its premiums by some amount to be actuarially sound. Mr. Eckstrom stated that is the amount the premiums should be increased this year rather than half that amount. He noted that if the payment is split over two years the State will end up paying more for the recommended premium increase. Mr. Eckstrom pointed out that if the premium increase is done this year premiums will increase by 32% overall. He further pointed out that if the recommended premium increase is done over a period of two years the overall increase will by 36%. He said this amounts to the State incurring a penalty by making the payment over two years. He commented that this is like a borrowing cost and there is no reason for the State to be borrowing in this instance with additional revenue that is available this year. He said there should be some priority given to settling a cost like this.

In further discussion, Mr. Eckstrom asked that the motion to distribute the premium increase over a period of two years be withdrawn so that a motion could be made to provide that the costs of the premium increase be settled this year and not over a two-year period. Governor McMaster noted that the proposal before the Authority is for two years which Mr. Gillespie confirmed. Governor McMaster said that someone would have to make a motion that the costs be paid in one year. Mr. Gillespie commented that whoever made the motion to adopt the item would have to withdraw the motion. Senator Leatherman said that there is money available this year, but that there are a lot of needs in the State and that the legislature will struggle to meet as many needs as possible. He commented that it will not be known how much money is available next year until the Board of Economic Advisors makes its estimate at that time. He said he is of the opinion that one-time money will be available next year like this year, but that the Authority should follow the rate increase recommendation now.

Mr. Loftis commented that another issue is the $37 million that was taken from the IRF by the General Assembly in 2008. He said the money should be repaid. He stated that the Authority members are fiduciaries of the fund and their first duty is to protect the fund from any type of invasion. He said that participants have paid into the fund for insurance claims coverage. He said the State should view it poorly that money paid for claims has been taken out of the fund and used for a different purpose. He stated that the participants are paying double costs for insurance. He noted that they paid their premiums once and that money was taken and now must be made up actuarially by paying a second time. Mr. Loftis stated that as fiduciaries they have an affirmative duty to ask that the money be repaid, but noted that the General Assembly does not have to return the money.

Mr. Eckstrom commented their responsibility is to determine that the rates are set adequately. He stated that the General Assembly does not address the rates, but whether to transfer money from the IRF to the General Fund. He said that when that happens the Authority's responsibility is to ensure that there are adequate funds to operate the IRF on an actuarially sound basis. He stated that the actuaries are saying that it is not actuarially sound. He noted that the actuaries have said the number one option is to raise rates to produce a certain amount of revenue this year and that there were two other options to pursue if the first was not followed. Mr. Eckstrom said he believes the Authority should act to increase the rates this year.

Upon a motion by Senator Leatherman, seconded by Mr. Loftis, the Authority approved the proposed insurance rates increases as requested by the Insurance Reserve Fund.

Governor McMaster and Senator Leatherman voted for the item. Mr. Loftis and Mr. Eckstrom did not vote on the item. Rep. Smith abstained from voting on the item and indicated he would abstain from voting on matters concerning the IRF.

After the vote on the item, Mr. Eckstrom inquired of the vote count on the item. Governor McMaster responded that two members voted in favor of the item and none voted against it. Mr. Loftis said the vote had to be at least two to one because he had not voted. Governor McMaster said that he did not hear any "no" votes. Governor McMaster announced that that the vote was over.

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

***Executive Director: Revenue Bonds (Regular Session Item #11)***

The required reviews on the following proposal to issue revenue bonds were completed with satisfactory results. These projects require approval under State law.

a. Issuing Authority: Marion County
Amount of Issue: Not Exceeding $1,500,000 Special Source Revenue Bonds
Allocation Needed: -0-
Name of Project: Marion County Industrial Park
Employment Impact: Will depend on ultimate use
Project Description: constructing, furnishing, and equipping an approximately 101,500 square foot spec building to be owned by county in Marion County Industrial Park and related infrastructure
Bond Counsel: Ben Zeigler, Haynsworth Sinkler Boyd
(Exhibit 11)

b. Issuing Authority: State Housing Finance and Development Authority
Amount of Issue: Not Exceeding $24,000,000 Multifamily Housing Revenue Bonds (previously approved October 23, 2018, at $21,000,000)
Allocation Needed: -0-
Name of Project: Killian Terrace
Employment Impact: N/A
Project Description: to provide financing for the acquisition and construction of a 288-unit apartment development located in the City of Columbia, Richland County
Bond Counsel: Samuel W. Howell, IV, Howell Linkous & Nettles, LLC
(Exhibit 12)

Upon a motion by Senator Leatherman seconded by Rep. Smith, the Authority adopted the resolutions approving the referenced proposals to issue revenue bonds.

***Executive Director: Economic Development (2019 Ceiling Allocation (Regular Item #12))***

The initial balance of the 2019 state ceiling allocation is $533,833,335. In accord with Code Section 1-11-520, $213,533,334 (40% of the total) is designated as the state pool and $320,300,001 (60% of the total) is designated as the local pool. There is presently a state ceiling balance of $533,833,335 remaining for 2019. Allocation requests for 2019 totaling $20,000,000 have been received thus far.

The recommendation from the Department of Commerce for allocations for this cycle totaled $20,000,000. The Department of Commerce made the following recommendation for allocation from the local pool:

JEDA The Muffin Mam, Inc. (Laurens County), $10,000,000; and
JEDA, Probitas Ventures, LLC (Marlboro County), $10,000,000.

Authority approval of the recommended request would leave an unexpended state ceiling balance of $513,833,335 (state pool - $213,533,334; local pool - $300,300,001) to be allocated later in the calendar year.

Relating to requests for calendar year 2019 ceiling allocations, the Authority was also asked to authorize shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

Upon a motion by Senator Leatherman, seconded by Mr. Eckstrom, the Authority,

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

JEDA The Muffin Mam, Inc. (Laurens County), $10,000,000; and

JEDA, Probitas Ventures, LLC (Marlboro County), $10,000,000

2) Authorized shifts as necessary between the state pool and the local pool for the remainder of the calendar year.

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

***State Fiscal Accountability Authority: Future Meeting (Regular Session Item #13)***

Mr. Eckstrom informed Governor McMaster that he had a point of order. He stated that Senator Leatherman commented recently that the Governor votes in the case of a tie vote to break the tie vote. He asked had that rule been changed. Senator Leatherman responded that has not been his position previously. He said his position previously under Robert's Rules of Order was that the chair can neither make or second a motion. He said his position had nothing to do with a tie vote.

Upon a motion by Rep. Smith, seconded by Senator Leatherman, the Authority agreed to meet at 9:30 a.m. on Tuesday, March 5, 2019, in Room 252, Edgar A. Brown Building.

***Adjournment***

The meeting adjourned at 10:00 a.m.

[Secretary's Note: In compliance with Code Section 30-4-80, public notice of and the agenda for this meeting were posted on bulletin boards in the office of the Governor's Press Secretary and in the Press Room, near the Authority Secretary's office in the Wade Hampton Building, and in the lobbies of the Wade Hampton Building and the Edgar A. Brown Building at 9:10 a.m. on Monday, January 28, 2019.]