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**JOINT BOND REVIEW COMMITTEE MEETING**

DATE: Tuesday, August 2, 2016  
TIME: 10:30 a.m.  
LOCATION: Room 105, Gressette Building

**AGENDA**

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**JOINT BOND REVIEW COMMITTEE****Item Number 1**Meeting of August 2, 2016**AGENCY:** Clemson University**PROJECT/SUBJECT:** Not Exceeding \$51,000,000 General Obligation State Institution Bonds, Series 2016

Clemson University requests approval to issue General Obligation State Institution Bonds in an amount not to exceed \$51,000,000 to finance a portion of the upgrade and replacement of the University's electrical distribution system. (*See Permanent Improvement Item No. 8.*)

The majority of Clemson's electrical infrastructure is over 50 years old. Failure of a single piece of equipment can result in a power outage across the entire campus. The new system will create a redundant loop to eliminate single-point failures and will add automation capability to all switches, allowing a new central operations center to monitor and control the entire system.

The South Carolina Constitution authorizes tuition revenues and the full faith, credit, and taxing power of the State to be pledged to the repayment of General Obligation State Institution Bonds so long as the maximum annual debt service issued for an institution does not exceed 90% of the institution's tuition fees. The South Carolina Code of Laws directs the State Treasurer to set aside revenues from tuition fees that are necessary to pay the principal and interest due.

The term of the proposed bonds will be 20 years. The tuition fees for the fiscal year ended June 30, 2015, totaled \$29,524,733. Exhibit A reflects the debt service requirements on all of Clemson's existing, authorized and proposed State Institution Bonds; the maximum composite debt service is \$16,064,663. Holding FY 2014-15 revenues constant, the debt service is projected to range from 14% to 54% of tuition revenues (Exhibit B).

Should tuition revenues of the University be insufficient to pay debt service, the University has stated that revenue generated through research grant overhead cost recoveries would be applied to pay debt service. In addition, Clemson anticipates utilization of the new electrical distribution system to result in cost avoidance of \$2,300,000 compared to the current operation.

Clemson reports that no special student fee will be imposed and no mortgage or lien will be given in connection with issuance of the bonds.

Pursuant to Section 59-107-100 of the South Carolina Code of Laws, the bonds will commit the full faith, credit, and taxing power of the State in addition to the tuition revenues collected by Clemson University.

**COMMITTEE ACTION:**

In accordance with JBRC policy adopted on October 7, 2014, review and make recommendation regarding Clemson University's request for issuance of General Obligation State Institution Bonds in an amount not to exceed \$51,000,000.



**ATTACHMENTS:**

- 1) Letter from Pope Zeigler, LLC, dated June 28, 2016 (including Bond Information report and Exhibits A and B)
- 2) Excerpt from Article X, Section 13, of the South Carolina Constitution
- 3) Title 59, Chapter 107 of the South Carolina Code of Laws
- 4) Section 11-29-30 of the South Carolina Code of Laws



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June 28, 2016

Ms. Dianne Carraway  
Senate Finance  
111 Gressette Building  
Columbia, South Carolina 29202

Re: Not Exceeding \$51,000,000 of General Obligation State Institution Bonds  
(Issued on Behalf of Clemson University), Series 2016 of the State of South  
Carolina (the "Bonds")

Dear Dianne:

In accordance with the policy adopted by the Joint Bond Review Committee following its October 7, 2014 meeting regarding any agency/institution request for a project approval that results in the addition of bond funds to the project budget, please find enclosed the required documentation detailing the proposed financing. On behalf of Clemson University, we respectfully request that the Joint Bond Review Committee consider the request for approval of the use of bond funds from the proceeds of the proposed Bonds at its August 2, 2016 meeting.

Please let us know should you require anything further or if you have any questions regarding the enclosed.

Very truly yours,



Gary T. Pope, Jr.

c: Rick Petillo, Director of Debt and Capital Financing, Clemson University  
Kevin Kibler, Senior Assistant State Treasurer, Office of State Treasurer

Enclosures

## Clemson University Bond Information Report

Prepared in Connection with the Proposed Authorization of  
Not Exceeding \$51,000,000 of State of South Carolina General Obligation  
State Institution Bonds (Issued on Behalf of Clemson University),  
Series 2016

June 28, 2016

*Amount and Type of Bond.* Clemson University (the “University”) is making application to the South Carolina State Fiscal Accountability Authority for the issuance of not exceeding \$51,000,000 of State of South Carolina General Obligation State Institution Bonds (Issued on Behalf of Clemson University), Series 2016 (the “Bonds”), in order to provide funds to: (i) design, construct, and equip upgrades and replacements to the main campus electrical system, including but not limited to replacing aging electrical distribution infrastructure, creating a redundant loop feed system, adding communication and distribution automation capability to all switches to reduce outage durations, developing a central operations location to monitor and control a distribution automation system, converting remaining exposed overhead electrical facilities to underground, adding metering and controls to equipment in campus buildings to allow for “smart grid” enhancements, updating electrical facilities in campus buildings with aging utility transformers and main gear, making modifications to the campus electrical system to allow for increased use of on-campus power generation and alternative energy, addressing related electrical safety issues, and other related infrastructure; (ii) reimburse the University for expenses incurred in anticipation of the issuance of the Bonds ((i) and (ii), the “Project”); and (iii) pay for expenses related to the issuance of the Bonds.

*Revenues Pledged to Pay the Bonds.* Tuition revenues of the University and the full faith, credit, and taxing power of the State of South Carolina would be pledged to the payment of the Bonds. Article X, Section 13, Paragraph (6)(b) of the South Carolina Constitution provides that general obligation bonds for any state institution of higher learning designated by the General Assembly (“State Institution Bonds”) may be issued, if such bonds shall be additionally secured by a pledge of the revenues derived from the tuition fees received by the particular institution of higher learning for which such State Institution Bonds are issued; provided, that the maximum annual debt service on all State Institution Bonds so additionally secured issued for such state institution thereafter to be outstanding shall not exceed 90% of the sums received by such state institution of higher learning from tuition fees for the fiscal year next preceding. Title 59, Chapter 107 of the South Carolina Code (the “Enabling Act”) provides for the authorization of State Institution Bonds. Section 11-29-30 of the South Carolina Code requires the State Treasurer to set aside from the tuition fees collected by such state institution and received in each fiscal year in which interest on and principal of the Bonds become due, so much of such revenues from such tuition fees as may be necessary in order to pay the interest on and principal of all State Institution Bonds issued on behalf of the University and due in each fiscal year, and the State Treasurer thereafter applies such moneys to the punctual payment of such principal and interest as they become due. In the event revenues derived from the tuition fees so pledged prove insufficient to meet the payments of interest on and principal of the Bonds in such fiscal year, then the State Treasurer is authorized and directed to set aside so much of the general tax revenues received in

each fiscal year as may be necessary to pay the principal of and interest on the Bonds due in such year and to apply the same to the punctual payment of such principal and interest.

The sum of tuition fees, for the purposes of the Enabling Act, for the fiscal year ended June 30, 2015, totaled \$29,524,733. (The sum of tuition fees, for the purposes of the Enabling Act, for the fiscal year to end June 30, 2016, will not be less than \$33,682,064). The debt service requirements on all existing, authorized, and proposed State Institution Bonds (Issued on Behalf of Clemson University) are attached as Exhibit A. Exhibit B reflects maximum annual debt service of \$16,064,663 in fiscal year 2020, and debt service coverage ranging from 14% to 54% of fiscal year ended June 30, 2015 tuition fees. The University will covenant that the schedule of tuition fees now in effect at the University will be revised from time to time and whenever necessary in order to provide the annual principal and interest requirements of all State Institution Bonds now or hereafter to be outstanding, which have been or will be issued on behalf of the University.

Note: The amortization of the proposed Bonds shown in Exhibits A and B is illustrative of the capacity to issue the entire proposed, and authorized but unissued, bonds as a single issue in the current fiscal year. However, the University anticipates issuing at least two series of Bonds in succeeding fiscal years, in order to more closely match the availability of Bond proceeds to funding needs of the Project.

*New Revenue Generation.* The Project will not generate additional tuition fees, however additional revenue to offset debt service is expected through research grant overhead cost recoveries. This revenue is a recurring source whereby the grantors pay overhead costs, which includes facility costs, and generated \$13,906,320 in FY15 revenue. As grant recoveries are not pledged revenue, they are not illustrated in pro-forma revenues however the University would apply these revenues to pay debt service. Furthermore, utilization of combined heat and power generation is expected to result in approximately \$2,300,000 a year in cost avoidance compared to operation and maintenance of separate facilities, further offsetting debt service.

*Other Funds Available to Pay Bonds.* In the event that revenue generated from the incremental grant recovery rate and utility savings are insufficient to offset the debt service, the University would apply revenues from existing grant overhead recoveries to pay debt service on the Bonds.

*Student Fees, Credit of the State, Mortgages.* The full faith and credit of the State of South Carolina would be pledged to the payment of the Bonds. No Special Student Fee is authorized to be imposed in connection with the Bonds. No mortgage or lien has been or will be given in connection with the issuance of the Bonds.

Exhibit A

Clemson University - State Institution Bonds - Composite Debt Service

Fiscal Year	Proposed Issue				
	Existing Debt Service	Debt Service on Authorized but			
		Unissued	Principal	Interest	Composite Debt Service
6/30/2017	\$ 11,235,538	\$ 520,000	\$ 1,770,000	\$ 1,275,000	\$ 14,800,538
6/30/2018	9,539,463	519,750	1,610,000	2,461,500	14,130,713
6/30/2019	9,004,413	519,000	1,695,000	2,381,000	13,599,413
6/30/2020	11,465,663	522,750	1,780,000	2,296,250	16,064,663
6/30/2021	11,227,963	520,750	1,865,000	2,207,250	15,820,963
6/30/2022	9,003,213	523,250	1,960,000	2,114,000	13,600,463
6/30/2023	9,001,213	520,000	2,060,000	2,016,000	13,597,213
6/30/2024	8,999,963	521,250	2,160,000	1,913,000	13,594,213
6/30/2025	9,028,713	521,750	2,270,000	1,805,000	13,625,463
6/30/2026	8,780,213	521,500	2,380,000	1,691,500	13,373,213
6/30/2027	8,573,763	520,500	2,500,000	1,572,500	13,166,763
6/30/2028	8,357,013	523,750	2,625,000	1,447,500	12,953,263
6/30/2029	8,130,013	521,000	2,755,000	1,316,250	12,722,263
6/30/2030	7,881,363	522,500	2,895,000	1,178,500	12,477,363
6/30/2031	7,630,875	523,000	3,040,000	1,033,750	12,227,625
6/30/2032	2,378,275	522,500	3,190,000	881,750	6,972,525
6/30/2033	2,378,200	521,000	3,350,000	722,250	6,971,450
6/30/2034	2,380,500	523,500	3,520,000	554,750	6,978,750
6/30/2035		519,750	3,695,000	378,750	4,593,500
6/30/2036			3,880,000	194,000	4,074,000
Totals	<u>\$ 144,996,350</u>	<u>\$ 9,907,500</u>	<u>\$ 51,000,000</u>	<u>\$ 29,440,500</u>	<u>\$ 235,344,350</u>

## B-1

Clemson University - State Institution Bonds - Coverage

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## **South Carolina Constitution**

### **Excerpt from Article X, Section 13, Bonded indebtedness of State.**

(6) General obligation debt may be also incurred on such terms and conditions as the General Assembly may by law prescribe under the following limitations:

(a) . . .

(b) General obligation bonds for any state institution of higher learning designated by the General Assembly (state institution bonds) may be issued, if such bonds shall be additionally secured by a pledge of the revenues derived from the tuition fees received by the particular institution of higher learning for which such state institution bonds are issued; provided, that the maximum annual debt service on all state institution bonds so additionally secured issued for such state institution thereafter to be outstanding shall not exceed ninety percent of the sums received by such state institution of higher learning from tuition fees for the fiscal year next preceding.

(c) . . .



## **South Carolina Code of Laws**

### **TITLE 59, CHAPTER 107 State Institution Bonds**

**SECTION 59-107-10.** Institutions to which chapter is applicable; “State institution” defined.

The several state-supported institutions of higher learning, within the contemplation of this chapter, are declared to be:

The University of South Carolina,  
Clemson University, in Clemson,  
The Citadel,  
The Medical University of South Carolina,  
Winthrop University,  
South Carolina State University,  
Francis Marion University,  
Lander University,  
The College of Charleston,  
Coastal Carolina University,  
Technical Education Colleges and Centers.

Hereafter in this chapter such institutions shall be denoted by the term “state institution”.

**SECTION 59-107-20.** Tuition fees required at State institutions.

Tuition fees (as such term is defined in Section 59-107-30) shall be required to be paid in such amount or amounts and under such conditions as the respective Board of Trustees, Area Commissions or, for any Technical Education College or Center not governed or supervised by an Area Commission, the State Board for Technical and Comprehensive Education, of such state institutions shall prescribe, with the approval of the State Fiscal Accountability Authority, hereafter in this chapter referred to as the “State Fiscal Accountability Authority”. The provisions of this section shall not be construed as requiring uniformity of tuition fees at such state institutions nor shall they preclude a higher scale for non-residents of South Carolina.

**SECTION 59-107-30.** Remittance and application of tuition fees.

All tuition fees received by any State institution shall be remitted from time to time to the State Treasurer under such regulations as he shall prescribe. The State Treasurer shall apply the same as directed by this chapter. For all purposes of this chapter the term “tuition fees” shall include those fees charged by any State institution for tuition, matriculation and registration. The term “tuition fees” shall not include sums charged for enrolling in courses or classes offered at any summer school term or in any special seminar, nor shall the term relate to or include fees levied or charged for purposes other than for the purposes of this chapter.

**SECTION 59-107-40.** Application for funds for permanent improvements and other expenses; content of application.

The respective Boards of Trustees, Area Commissions, through the State Board for Technical and Comprehensive Education, or the State Board for Technical and Comprehensive Education for any Technical Education College or Center not governed and supervised by an Area Commission of such state institutions may make application to the State Fiscal Accountability Authority or the Department of Administration, as appropriate, for funds to be used for any one or more of the following purposes: (a) to construct, reconstruct, maintain, improve, furnish and

refurnish the buildings and other permanent improvements for such state institutions, (b) to defray the costs of acquiring or improving land needed as sites for such improvements or for the campus of any such state institution, (c) to reimburse such institution for expenses incurred in anticipation of the issuance of such bonds, or (d) to refund state institution bonds heretofore issued for such institutions and which shall on such occasion be outstanding. Such application shall contain:

- (1) A description of the improvement sought, or the amount of outstanding bonds it wishes to have refunded;
- (2) An estimate of cost, or an estimate of the money required to effect the refunding;
- (3) A statement establishing the aggregate sum received from tuition fees for the fiscal year immediately preceding the fiscal year in which such application is dated;
- (4) The schedule of tuition fees in effect;
- (5) A suggested maturity schedule for bonds issued pursuant to this chapter; and
- (6) A statement showing the unmatured state institution bonds theretofore issued for such state institution.

The application shall contain an agreement upon the part of the Board of Trustees, Area Commission, or State Board for Technical and Comprehensive Education that such schedule of tuition fees shall be revised from time to time and whenever necessary to provide the annual principal and interest requirements on the proposed bonds and on all outstanding state institution bonds issued for such state institution.

**SECTION 59-107-50.** Authority of State Fiscal Accountability Authority as to applications.

The State Fiscal Accountability Authority may approve, in whole or in part, or modify in any way that it sees fit any application made by any Board of Trustees, Area Commission, or by the State Board for Technical and Comprehensive Education of any of the state institutions and may direct the application of the principal proceeds of any bonds, issued pursuant to this chapter for such purpose if it shall have found:

- (1) That a definite and immediate need therefor exists, or, in the event that the issuance of refunding bonds is sought, that it is to the advantage of the institution to effect the refunding of its outstanding bonds;
- (2) That a satisfactory and proper schedule of tuition fees is in effect at such State institution;
- (3) That the annual debt service on all state institution bonds issued for such state institution, including the bonds then proposed to be issued, shall not exceed ninety percent of the sums received by such state institution of higher learning from tuition fees for the preceding fiscal year;
- (4) That the Board of Trustees, Area Commission, or State Board for Technical or Comprehensive Education of the state institution has agreed that such schedule of tuition fees may be revised from time to time and whenever necessary to provide not less than the sum needed to pay the annual principal and interest requirements on the proposed bonds and on all outstanding state institution bonds issued for such state institution.

**SECTION 59-107-60.** Request for issuance of State institution bonds.

Upon making the finding required of it by Section 59-107-50, the State Fiscal Accountability Authority shall transmit to the Governor and to the State Treasurer a request for the issuance of State institution bonds. Such request shall set forth:

- (1) The name of the State institution seeking funds, the amount of its application, and the annual principal and interest requirements on all outstanding State institution bonds issued for such State institution;
- (2) A statement that the State Fiscal Accountability Authority has made the findings required of it by Section 59-107-50, and the extent to which it has approved or modified the original application;

- (3) The proposed maturity schedule of the bonds;
- (4) The anticipated interest cost for each year during the life of the bonds;
- (5) The anticipated aggregate annual principal and interest requirements for the bonds;
- (6) The numbers and maturity dates of the bonds which shall be subject to redemption prior to their stated maturities;
- (7) The proposed redemption premium schedule;
- (8) The sum received by such state institution from tuition fees for the fiscal year preceding the fiscal year in which the application was made pursuant to Section 59-107-40; and
- (9) The tuition fee schedule in effect at such State institution.

**SECTION 59-107-70.** Governor and State Treasurer empowered to authorize issuance of bonds.

It shall be the duty of the Governor and the State Treasurer to examine the request mentioned in Section 59-107-60, and if they shall jointly approve it, and, for themselves, determine that the schedule of tuition fees in force at such state institution will, upon the basis of the sum received by such state institution from tuition fees for the fiscal year preceding the fiscal year in which the application made pursuant to Section 59-107-40, produce funds sufficient to meet the principal and interest requirements on the proposed bonds and on all outstanding state institution bonds issued for such state institution, and provide the margin for such principal and interest requirements to the extent required by paragraph (3) of Section 59-107-50, they shall be empowered to provide for the issuance of state institution bonds in the amount approved by the State Fiscal Accountability Authority.

**SECTION 59-107-80.** Single issue of bonds may cover several applications.

If it shall happen that more than one application by State institutions shall receive the approvals required by Sections 59-107-50 to 59-107-70, at approximately the same time, the State institution bonds in an amount equal to the aggregate of the approved applications may be issued as a single issue.

**SECTION 59-107-90.** Maximum amount of outstanding bonds.

The maximum amount of annual debt service on all outstanding state institution bonds for each state institution shall not exceed ninety percent of the sums received by such state institution from tuition fees for the preceding fiscal year, as provided in Section 13(6)(b) of Article X of the South Carolina Constitution.

**SECTION 59-107-100.** Full faith, credit and taxing power of State pledged to pay bonds.

For the payment of the principal and interest on all state institution bonds, whose issuance is authorized by this chapter, there shall be pledged the full faith, credit, and taxing power of the State, and in addition, the revenues derived from the tuition fees received by the particular institution of higher learning for which such state institution bonds are issued must also be pledged.

**SECTION 59-107-110.** Negotiability and registration.

State institution bonds issued pursuant to this chapter may be in the form of negotiable coupon bonds, payable to bearer, with the privilege to the holder of having them registered in his name on the books of the State Treasurer as to principal only, or as to both principal and interest, and such principal, or both principal and interest, as the case may be, thus made payable to the registered holder, subject to such conditions as the State Treasurer may prescribe. State institution bonds so registered as to principal in the name of the holder may thereafter be registered as payable to bearer and made payable accordingly.

State institution bonds may also be issued as fully registered bonds with both principal and interest thereof made payable only to the registered holder. Such fully registered bonds shall be subject to transfer under such conditions as the State Treasurer may prescribe. Such fully registered bonds may, if the proceedings authorizing their issuance so provide, be convertible into negotiable coupon bonds with the attributes set forth in the first paragraph of this section.

**SECTION 59-107-120.** Denominations of bonds; interest rate; maturity; redemption.

The state institution bonds must be in the denomination of one thousand dollars or in any multiple thereof. They shall bear interest, payable semiannually, at a rate or rates not exceeding the maximum interest rate specified in the State Fiscal Accountability Authority's request for the issuance of the state institution bonds. Each issue of state institution bonds shall mature in annual series or installments, the last of which shall mature not more than twenty years after the date of the bonds. The installments or series may be equal or unequal in amount. The state institution bonds may, in the discretion of the State Fiscal Accountability Authority, be made subject to redemption at par and accrued interest, plus such redemption premium as it may approve, and on such occasions as may be specified in the request for the issuance of the state institution bonds. State institution bonds may not be redeemable before maturity unless they contain a statement to that effect.

**SECTION 59-107-140.** Bonds exempt from taxes.

The bonds authorized by this chapter and all interest to become due thereon shall have the tax-exempt status prescribed by Section 12-1-60.

**SECTION 59-107-150.** Bonds as legal investments.

It shall be lawful for all executors, administrators, guardians, fiduciaries and sinking fund commissions to invest any moneys in their hands in State institution bonds.

**SECTION 59-107-160.** Sale of bonds.

State institution bonds may be privately placed if the terms and conditions of such disposition shall be approved by resolution duly adopted by the State Fiscal Accountability Authority and the terms of such proposal meet the financial test prescribed in the second paragraph of this section.

All other state institution bonds shall be sold by the Governor and the State Treasurer upon sealed proposals, after publication of notice of the sale one or more times at least ten days before the sale in a newspaper of general circulation in the State and also in a financial paper published in New York City which regularly publishes notices of sale of state or municipal bonds. In all calls for bids, the right shall be reserved to reject all bids and readvertise for the sale of the bonds. Upon the opening of bids the Governor and the State Treasurer shall determine the most advantageous bid, and if such bid produces principal and interest payments on such proposed issue which are in compliance with the provisions outlined in paragraph (3) of Section 59-107-50, they may award the state institution bonds on such bid, at a price not less than par and accrued interest to the date of delivery. For the purpose of bringing about a successful sale of such bonds, the State Fiscal Accountability Authority may do all things ordinarily and customarily done in connection with the sale of state or municipal bonds. All expenses incident to the sale of the bonds shall be paid from the proceeds of the bonds.

**SECTION 59-107-170.** Deposit and use of proceeds of bonds.

The proceeds of sale of state institution bonds must be received by the State Treasurer and placed in a fund to the credit of the State Fiscal Accountability Authority subject to withdrawal on their order, except that all accrued interest received must be used by the State Treasurer to discharge the



first installment of interest coming due. On the occasion that he receives the proceeds of state institution bonds from the purchaser, the State Treasurer shall segregate the proceeds for the account of the state institution or institutions for which the bonds are issued. The purchasers of the state institution bonds are not liable for the application of the proceeds of the bonds to the purposes for which they are intended.

**SECTION 59-107-180.** Tuition fees placed in special fund to pay bonds; application of surplus.

Immediately following the issuance of state institution bonds, the State Treasurer shall segregate into a special fund all tuition fees of the state institution for which state institution bonds have been issued and shall apply such special fund to the payment of the principal, interest, and redemption premium, if any, on all bonds issued pursuant to this chapter for such institution; provided, however, that in the event the monies on deposit in such special fund at any time shall exceed all payments of principal and interest due in the then current fiscal year, plus the maximum annual debt service requirements in any succeeding fiscal year of all state institution bonds outstanding for such institution that were issued prior to March 1, 1991, plus any additional amount described in the last sentence of this section, the State Treasurer shall thereupon establish within the special fund created by this section separate funds for each issuance of state institution bonds for such state institution to be designated "special debt service and reserve funds", and (1) shall deposit in the special debt service and reserve fund for each issuance of state institution bonds that was issued prior to March 1, 1991, an amount equal to all payments of principal and interest due in the then current fiscal year on such issuance, plus the maximum annual debt service requirements in any succeeding fiscal year of such issuance, and (2) shall deposit in the special debt service and reserve fund for each issuance of such state institution bonds that was issued on or after March 1, 1991, an amount equal to all payments of principal and interest due on such issuance of state institution bonds in the then current fiscal year. Upon the establishment and funding of such special debt service and reserve funds for the state institution bonds for any state institution in accordance with the foregoing sentence, the State Treasurer shall apply tuition fees later received to maintain the levels of the special debt service and reserve funds at the level required by the foregoing sentence as such level may be adjusted as current annual and maximum annual requirements vary, and may apply any remaining tuition fees and any monies still remaining in the general special fund after the complete funding of the special debt service and reserve funds: to the defeasance of state institution bonds for such institution as provided in Section 59-107-200; or to any purpose set forth in subitems (a), (b), and (c) of the first paragraph of Section 59-107-40. In the event the surplus is to be applied to the defeasance of bonds, the computation of annual debt service requirements for purposes of this section shall be made as though the bonds to be defeased had already been defeased. Notwithstanding the foregoing, it is expressly provided that the State Treasurer may increase the required level for a special debt service and reserve fund for an issuance of state institution bonds issued on or after March 1, 1991, to an amount equal to all payments of principal and interest due on such issuance of state institution bonds in the then current fiscal year plus an amount equal to all payments of principal and interest due on such issuance of state institution bonds to become due between the end of the then current fiscal year and the date at which the State Treasurer anticipates receiving sufficient deposits of tuition fees from such state institution in the ensuing fiscal year to provide an adequate cash flow to meet debt service requirements for such ensuing fiscal year.

**SECTION 59-107-190.** Declaration of sufficiency of tuition fees to pay bonds.

The General Assembly finds that the tuition fees charged at the several State institutions, if maintained and applied in the manner prescribed by this chapter, will be sufficient to provide for

the payment of the principal and interest on State institution bonds issued pursuant to this chapter, without resorting to a property tax.

**SECTION 59-107-200.** Defeasance of bonds; trust fund established.

Upon the direction of the State Fiscal Accountability Authority, the State Treasurer may apply all or any part of the excess, as defined in Section 59-107-180, of the special fund established pursuant to Section 59-107-180, applicable to the state institution bonds of any state institution to the defeasance of any of such bonds by establishing an irrevocable trust therefor which shall consist of either monies in an amount which shall be sufficient, or direct obligations of the United States of America, or obligations unconditionally guaranteed by the United States of America, the principal and interest on which when due will provide the sums required to pay the principal, interest, and redemption premium, if any, of the particular state institution bonds sought to be defeased. The trust fund shall be established in such manner as to designate the state institution bonds intended to be defeased. When so established, the state institution bonds shall be deemed to be defeased and shall not be deemed to be outstanding for all purposes of this chapter. Notwithstanding the establishment of the irrevocable trust fund, the obligation of the State to pay to the holders of the defeased bonds all sums due by way of principal and interest shall not be deemed to be impaired.

The General Assembly is mindful of the fact that the law in effect at the time of the issuance of any state institution bonds is a part of the contract between the State and the holders of such bonds.

It is not intended that Sections 59-107-50, 59-107-90, 59-107-180 and 59-107-200 shall impair or modify the contract existing between the State and the holders of state institution bonds now outstanding. Accordingly, the use of surplus money in the sinking funds established by Section 59-107-180 for capital improvements shall not be undertaken until all bonds outstanding on May 11, 1976 have been paid or provision for their payment has been made. It is further prescribed that in the event of a deficiency in revenues required to pay the principal or interest of any state institution bonds outstanding on May 11, 1976, resort may be had by the holders of such bonds to any special trust established to defease other state institution bonds outstanding on May 11, 1976 and, in which event, it shall become the duty of the trustees, Area Commissions, or the State Board for Technical and Comprehensive Education of the applicable state institutions to increase tuition fees to the extent necessary to restore such special Trust Fund.

## **South Carolina Code of Laws**

### **TITLE 11, CHAPTER 29**

#### **Payment of State General Obligation Bonds Pursuant to Article 10 of Constitution**

**SECTION 11-29-30.** Tax revenues set aside for punctual payment of state institution bonds.

With respect to the issuance of additional state institution bonds pursuant to the provisions of Chapter 107, Title 59 of the 1976 Code, which bonds are to be henceforth secured by a pledge of the full faith, credit and taxing power of the State and are to be additionally secured by a pledge of the revenues derived from the tuition fees received by the particular state institution of higher learning for which such state institution bonds are issued, the State Treasurer is hereby directed to set aside from such tuition fees received in each fiscal year in which the interest on and principal of state institution bonds for such state institution are due or will become due so much of the revenues derived from such tuition fees as may be necessary in order to pay the interest on and principal of all state institution bonds for such institution due and falling due in such fiscal year and the State Treasurer shall thereafter apply such monies to the punctual payment of such principal and interest as the same respectively fall due. In the event that the revenues derived from the tuition fees so pledged prove insufficient to meet the payments of the interest on and principal of such state institution bonds in such fiscal year, then the State Treasurer is authorized and directed to set aside from the general tax revenues received in such fiscal year so much of such general tax revenues as become needed for such purpose and to apply the same to the punctual payment of the interest on and principal of such state institution bonds due or to become due in such fiscal year.



**AGENCY:** Department of Administration, Executive Budget Office

**PROJECT/SUBJECT:** The Citadel, Proposed Permanent Improvement Project and Lease Agreements Related to Bastin Hall--School of Business

The Citadel is requesting approval for full design and construction of Bastin Hall, a new facility to house the School of Business. The project was approved for Phase 1 pre-design work in October 2014. In addition, two proposed lease transactions are associated with the permanent improvement project.

Permanent Improvement Project

Bastin Hall will be a three-story, steel-frame structure consisting 43,950 square feet and will include five flat classrooms, four tiered classrooms, nine group study rooms, a financial services computer lab, innovation technology lab, administration and faculty offices, and a large common area. The facility will be used on a daily basis by approximately 950 students and 40 faculty and staff. It will be constructed to LEED Silver Certification with a positive cost/benefit of \$508,556 over a 30-year period. Maintenance and operating costs are estimated to be \$135,520 to \$170,000 per year and will be paid from The Citadel's existing resources.

This request will add \$19,950,000 to the project, bringing the total cost to \$20,200,000. The source of funds for the project is private donations and funds provided by The Citadel Foundation.

The Citadel Real Estate Foundation, an affiliate of The Citadel Foundation, plans to issue not to exceed \$17,500,000 in Economic Development Revenue Bonds through the South Carolina Jobs Economic Development Authority (JEDA). Debt service on the bonds will be secured by a pledge of lease payments under a Facilities Lease Agreement (described below).

Base Lease and Conveyance Agreement

As part of the proposal, The Citadel will lease 1.64 acres of land on its campus (along Hagood Avenue) to The Citadel Real Estate Foundation beginning on the date the base lease is approved by the State Fiscal Accountability Authority. Rent will be \$1 per year, and the term of the lease will be 30 years. However if final repayment of the bonds occurs prior to the end of the term, the base lease will terminate and title to Bastin Hall will revert to The Citadel.

While the base lease does not require JBRC approval (it does not reach the thresholds contained in Section 1-11-56 of the South Carolina Code of Laws), information regarding the base lease is provided since it is an essential component of the overall permanent improvement project.

## Facilities Lease Agreement

The proposal provides for the premises (the land, improvements, and new building) to be leased by The Citadel Real Estate Foundation to The Citadel. The term of the lease will be 25 years beginning on the date the lease is approved by SFAA, with the potential for a five-year extension (subject to required approvals). The base rent will be due on May 1 each year in amounts necessary to pay the debt service on the bonds, estimated as follows:

Date	Lease Payment
5/1/2017	\$0.00
5/1/2018	\$0.00
5/1/2019	\$2,905,549.89
5/1/2020	\$2,545,595.13
5/1/2021	\$2,544,986.67
5/1/2022	\$2,544,363.06
5/1/2023	\$2,543,723.92
5/1/2024	\$404,375.72
5/1/2025	\$404,375.72
5/1/2026	\$404,375.72
5/1/2027	\$404,375.72
5/1/2028	\$404,375.71
5/1/2029	\$404,375.72
5/1/2030	\$404,375.73
5/1/2031	\$404,375.72
5/1/2032	\$404,375.71
5/1/2033	\$404,375.71
5/1/2034	\$404,375.71
5/1/2035	\$404,375.71
5/1/2036	\$404,375.71
5/1/2037	\$404,375.72
5/1/2038	\$404,375.72
5/1/2039	\$404,375.71
5/1/2040	\$404,375.71
5/1/2041	\$404,375.72
TOTAL	\$20,362,981.56

While The Citadel will be responsible for payment of the base rent of \$404,376 annually, all base rent will be reduced by proceeds of the bonds designated to be used to pay capitalized interest and amounts raised by the The Citadel Foundation and contributed to the Real Estate Foundation. The Citadel Foundation has committed to provide at least \$15,000,000 in private donations toward the cost of the project and debt service (this is expected to be fulfilled by 2023) which will reduce the amount of the annual lease payments. To date, The Citadel Foundation has received more than \$3,000,000 in donations from approximately \$8,000,000 in pledges.

The Citadel may elect to use its annual grant funds from The Citadel Foundation to offset the base rent (grant funds have averaged \$35,907,253 annually over the last three years). In addition, The Citadel may elect to use other sources of funding available to the college to make

the lease payments. If The Citadel fails to pay the base rent, the lease will terminate and the bondholder is entitled to occupy and utilize the premises for the remainder of the lease term.

JBRC review and approval of the Facilities Lease Agreement are required pursuant to Section 1-11-56 of the South Carolina Code of Laws.

#### Economic Development Revenue Bonds

Not exceeding \$17,500,000 Economic Development Revenue Bonds will be issued by The Citadel Real Estate Foundation through the South Carolina Jobs Economic Development Authority. Since The Citadel Real Estate Foundation is not a state entity and JEDA bonds do not fall under the oversight of the Joint Bond Review Committee, approval of JBRC is not required for the issuance of the bonds.

#### **COMMITTEE ACTION:**

- 1) Review and make recommendation regarding Phase II of the permanent improvement project
- 2) Review and make recommendation regarding the Facilities Lease Agreement

#### **ATTACHMENTS:**

- 1) Department of Administration Agenda Item Worksheet dated August 2, 2016
- 2) A-1, A-49, and Program Statement
- 3) Sections 1-11-55 and 1-11-56 of the South Carolina Code of Laws

#### **AVAILABLE UPON REQUEST:**

- 1) June 28, 2016, Letter to SFAA from bond counsel regarding issuance of not exceeding \$17,500,000 JEDA Economic Development Revenue Bonds
- 2) Draft of Base Lease and Conveyance Agreement dated August 1, 2016
- 3) Draft of Facilities Lease Agreement dated August 1, 2016
- 4) Draft of Bond Purchase and Loan Agreement dated August 1, 2016
- 5) Draft of Credit Agreement dated August 1, 2016

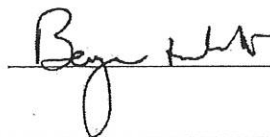
## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: August 2, 2016

Regular Agenda

1. Submitted By:

- (a) Agency: The Citadel:  
(b) Authorized Official Signature:



2. Subject: Bastin Hall – School of Business

3. Summary Background Information:

To begin construction of Bastin Hall at The Citadel, which will house the School of Business and its associated programs in five pathways of concentration. This project was established in October 2014 for pre-design work, which is now complete. The facility will be a three-story steel frame building constructed on The Citadel's property along Hagood Avenue. The work will involve construction of approximately 43,950 square feet and will include five flat classrooms, four tiered classrooms, nine group study rooms, financial services computer lab, innovation technology lab, administration and faculty offices, and a large common area to support collaboration among students, faculty, and visitors. The common area is the first large collaborative space planned for The Citadel Campus and directly supports the change to a more team-centric approach to education. The building is the first completely new academic facility to be constructed on the campus since 1974 and will comply with all standards for a 21st century academic facility and will meet Silver Level LEED Certification. The School of Business houses the largest undergraduate major and a graduate program with an approximate 668 day and 69 evening undergraduate students, 210 MBA students, and 40 faculty and staff. Current projections show a continued growth in the programs to justify the need for the new facility. The project will be funded by \$3,000,000 in donations received by the Citadel Foundation from approximately \$8,000,000 in pledges that have already been obtained for the project, and the remaining portion will be financed by a not exceeding \$17,500,000 Economic Development Revenue Bond (the "Bond") to be issued by the SC Jobs Economic Development Authority (JEDA) on behalf of The Citadel Real Estate Foundation (the "Real Estate Foundation"). Debt service on the Bond will be secured by a pledge of the lease payments under a Facilities Lease Agreement between The Citadel Real Estate Foundation (the "Real Estate Foundation") as lessor and The Citadel as lessee (the "Facilities Lease"). The Citadel is fully liable for annual lease payments under the Facilities lease, subject to annual appropriation by The Citadel. The Citadel Foundation has committed through a Lease Payment Support Agreement between The Citadel Foundation, the Real Estate Foundation, and The Citadel to provide at least \$15 million to offset The Citadel's payment obligations under the Facilities Lease, which payments will be applied to the Real Estate Foundation's debt service obligations on the JEDA bonds. To date, The Citadel Foundation has received more than \$3 million in donations from approximately \$8 million in non-guaranteed pledges already obtained for the Project. If The Citadel Foundation does not receive sufficient donations to fulfill its \$15 million commitment, The Citadel Foundation will provide the balance of its commitment from The Citadel Foundation's other available funds. If The Citadel Foundation raises more than the \$15 million it has committed to the Project, such excess will be used to further reduce The Citadel's lease payment obligations. Additionally, The Citadel can elect to apply a portion of its annual grant funds from The Citadel Foundation to reduce or eliminate its annual lease payment obligations under the Facilities Lease. The Citadel and the Real Estate Foundation will also enter into a Base Lease and Conveyance Agreement pursuant to which The Citadel will lease Bastin Hall to the Real Estate Foundation, under which the Real Estate Foundation will pay annual rent of \$1 per year. The term of the Base Lease and Conveyance Agreement will extend 5 years beyond the maturity date but will automatically terminate on final repayment of the Bond, at which time the interests of the Real Estate Foundation will terminate and revert to The Citadel. The Citadel will hold title to the Project, subject only to the rights of the Real Estate Foundation under the Base Lease. If the Facilities Lease terminates prior to termination of Base Lease, then the Real Estate Foundation will have a leasehold interest in the Project for the remainder of the term of the Base Lease. The agency reports the total projected cost of this project is \$20,200,000.00 with additional operating costs of \$135,520.00 in year one, \$150,870.00 in year two, and \$170,000.00 in year three. The agency also reports the projects date for execution of the construction contract is March 2017 and for completion of construction is July 2018.

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

Consider approval of the Permanent Improvement Project Phase II, bond authorization and the two leases.

---

**5. What is the recommendation of the Executive Budget Office?**

The EBO has determined that the item is complete and ready for JBRC review.

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**6. List of Supporting Documents:**

- a) Permanent Improvement Project Phase II Project approval
- b) Bond Authorization
- c) Lease Approvals
  - i) Facilities Lease from Real Estate Foundation to The Citadel
  - ii) Base Lease and Conveyance Agreement from The Citadel to the Real Estate Foundation

**FOR DEPARTMENT USE ONLY**

CHE \_\_\_\_\_  
 JBRC \_\_\_\_\_  
 SFAA \_\_\_\_\_  
 JBRC Staff \_\_\_\_\_  
 ADMIN Staff \_\_\_\_\_  
 A-1 Form Mailed \_\_\_\_\_  
 SPIRS Date \_\_\_\_\_  
 Summary \_\_\_\_\_

JUL 06 2016

(For Department Use Only)

SUMMARY NUMBER

FORM NUMBER

**PERMANENT IMPROVEMENT PROJECT REQUEST**

1. AGENCY  
 Code H09 Name The Citadel  
 Contact Person John E. Gardner / Kathleen M. Dille Phone 843-953-7063

2. PROJECT  
 Project # 9612 Name Bastin Hall - School of Business  
 Facility # TBD Facility Name Bastin Hall

County Code	10 - Charleston
New/Revised Budget	\$20,200,000.00

Project Type	2 - Construct Additional Facilities
Facility Type	2 - Program/Academic

3. CIP PROJECT APPROVAL FOR CURRENT FISCAL YEAR  
 CIP priority number 3 of 4 for FY 15-16.

4. PROJECT ACTION PROPOSED (Indicate all requested actions by checking the appropriate boxes.)

Establish Project		Decrease Budget		Close Project	
Establish Project - CIP		Change Source of Funds	X	Change Project Name	X
Increase Budget	X	Revise Scope	X	Cancel Project	

## 5. PROJECT DESCRIPTION AND JUSTIFICATION

(Explain and justify the project or revision, including what it is, why it is needed, and any alternatives considered.  
 Attach supporting documentation/maps to fully convey the need for the request.)

This A-1 is submitted for Stage II approval. The A-1 increases the project budget by \$19,950,000.00 for Stage II design and construction of Bastin Hall. This A-1 changes the project name to Bastin Hall, changes source of the funds, and revises the scope to include full design and construction.

Bastin Hall is a planned 43,950 square foot facility to be constructed on The Citadel campus. It will support the School of Business, its associated programs in five pathways of concentration. The facility will be a three-story steel frame facility constructed on Citadel property along Hagood Avenue as you approach the Hagood Gate. Bastin Hall will consist of five flat classrooms, four tiered classrooms, nine group study rooms, financial services computer lab, innovation technology lab, administration, faculty offices and a large common area to support collaboration among students, faculty and visitors. The common area is the first large collaborative space planned for the Citadel Campus and directly supports the change to a more team-centric approach to education. The building is the first completely new academic facility to be constructed on the campus since 1974 and will comply with all standards for a 21st century academic facility. The School of Business will relocate from its current space in Bond Hall to the new facility. The Zucker Family School of Education and associated functions will relocate from Capers Hall to the vacated space in Bond Hall in preparation for the construction and renovation of Capers Hall. Bastin Hall will be constructed solely with private donations and funds provided by The Citadel Foundation. The facility will directly support the largest undergraduate major at The Citadel and a thriving Masters in Business Administration program.

\*\*See attached document for additional description.\*\*

## 6. OPERATING COSTS IMPLICATIONS

Attach Form A-49 if any additional operating costs or savings will result from this request. This includes costs to be absorbed with current funding.

## 7. ESTIMATED PROJECT SCHEDULE AND EXPENDITURES

Estimated Start Date: 1 Jan 2015 Estimated Completion Date: 1 Dec 2020  
 Estimated Expenditures: Thru Current FY: \$300,000.00 After Current FY: \$19,900,000.00





**Associate Vice President for Facilities, Engineering & Safety**  
H09-9612

Bastin Hall - School of Business

A-1 Description Continued 03/2016 (rev. 7/27/2016)

A portion of the proceeds of the Bastin Hall Project will be financed by a not exceeding \$17,500,000 Economic Development Revenue Bond (the "Bond") to be issued by the South Carolina Jobs Economic Development Authority ("JEDA"). The Bond will be issued pursuant to a Bond Purchase and Loan Agreement among JEDA, The Citadel Real Estate Foundation ("TCREF"), and South State Bank, the purchaser of the Bond. Debt service on the Bond will be secured by a pledge of the lease payments under a Facilities Lease Agreement between TCREF as lessor and The Citadel as lessee (the "Facilities Lease"), which payments will be reduced by amounts made available from funds provided by The Citadel Foundation ("TCF").

TCREF is an affiliate of TCF (Board of Directors of TCREF is appointed by the Board of Directors of TCF). TCF will seek to obtain as much funding as possible from private donations to pay debt service on the Bond. TCF has committed to provide at least \$15 million toward the cost of debt service on the Bond, which, pursuant to the Facilities Lease, will reduce the amount of the annual lease payment from The Citadel to TCREF. Such private donations described below are non-guaranteed; however, if TCF does not receive sufficient donations for the Project to fulfill its \$15 million commitment, TCF will provide to TCREF the balance of TCF's \$15 million commitment from TCF's other available funds. If TCF raises more than the \$15 million it has committed to the Project, such excess will be used to reduce The Citadel's lease payment obligations.

In addition, the Facilities Lease also provides that The Citadel can further reduce its annual lease obligation (if necessary) by electing to apply a portion of its annual grant funds from TCF to reduce or eliminate its annual lease payment obligations under the Facilities Lease. TCF will agree to remit all such funds (Bastin Hall Donations and, upon direction, annual grant funds) pursuant to the terms of a Lease Payment Support Agreement among TCF, TCREF and The Citadel.

To date, TCF has received more than \$3 million in donations from approximately \$8 million in non-guaranteed pledges that have already been obtained for the Project. TCF will contribute the Project donations received as of the closing date as equity in the Project.

Under the Facilities Lease, the Citadel is fully liable for annual lease payments subject to the reductions described above. However, such obligation to pay annual rentals is subject to annual appropriation by The Citadel. Pursuant to the Facilities Lease, The Citadel will construct, manage, and operate the Project.

The Citadel and TCREF will also enter into a Base Lease and Conveyance Agreement pursuant to which The Citadel will lease Bastin Hall to TCREF. TCREF will pay rent under the Base Lease of \$1 per year. The term of the Base Lease will extend 5 years beyond the maturity date of the Bond but will automatically terminate upon the final repayment of the Bond. Upon termination of the Base Lease, title to Bastin Hall will revert to The Citadel.

The final terms of the Bond Purchase and Loan Agreement, Base Lease, Lease Payment Support Agreement and Facilities Lease Agreement are now finalized. Revised versions for the documents were submitted to SFAA.



## 8. ESTIMATES OF NEW/REVISED PROJECT COSTS

PROJECT #

9612

1. \_\_\_\_\_ Land Purchase ---->
2. \_\_\_\_\_ Building Purchase ---->
3. 1,400,000.00 Professional Services Fees
4. 2,000,000.00 Equipment and/or Materials ---->
5. 1,458,024.00 Site Development
6. 13,505,854.00 New Construction ---->
7. \_\_\_\_\_ Renovations - Building Interior ---->
8. \_\_\_\_\_ Renovations - Utilities
9. \_\_\_\_\_ Roofing - \_\_\_\_\_ Roof Age
10. \_\_\_\_\_ Renovations - Building Exterior
11. 500,000.00 Other Permanent Improvements
12. \_\_\_\_\_ Landscaping
13. \_\_\_\_\_ Builders Risk Insurance
14. \_\_\_\_\_ Other Capital Outlay
15. \_\_\_\_\_ Labor Costs
16. \_\_\_\_\_ Bond Issue Costs
17. 497,928.00 Other: Testing, Inspections, Commissioning
18. 838,194.00 Contingency

Land: \_\_\_\_\_ Acres  
 Floor Space: \_\_\_\_\_ Gross Square Feet

Information Technology \$1,200,000.00

Floor Space: 43,950 Gross Square Feet  
 Floor Space: \_\_\_\_\_ Gross Square Feet

## ENVIRONMENTAL HAZARDS

Identify all types of significant environmental hazards (including asbestos, PCB's, etc.,) present in the project and the financial impact they will have on the project.

Type: \_\_\_\_\_

## Cost Breakdown

Design Services \$ \_\_\_\_\_  
 Monitoring \$ \_\_\_\_\_  
 Abate/Remed \$ \_\_\_\_\_  
 Total Costs \$ 0.00

\$20,200,000.00 TOTAL PROJECT BUDGET

## 9. PROPOSED SOURCE OF FUNDING

Source	Previously Approved Amount	Increase/Decrease	Original/Revised Budget	Transfer to/from Proj. #	Rev Object Code	Treasurer's ID Number	Rev Sub Fund	Exp Sub Fund
(0) CIB, Group			0.00 0.00		8115		3043	3043
(1) Dept. CIB, Group			0.00 0.00		8115		3143	3143
(2) Institution Bonds			0.00 0.00					3235
(3) Revenue Bonds			0.00 0.00					3393
(4) Excess Debt Service			0.00 0.00					3497
(5) Capital Reserve Fund			0.00 0.00		8895		3603	3603
(6) Appropriated State			0.00 0.00		8895	68800100	1001	3600
(7) Federal			0.00 0.00			78800100		5787
(8) Athletic			0.00 0.00			88800100		3807
(9) Other (Specify) Gifts	250,000.00	19,950,000.00	20,200,000.00 0.00 0.00		7840	98800100	3036	3907
TOTAL BUDGET	\$250,000.00	\$19,950,000.00	\$20,200,000.00					

## 10. SUBMITTED BY:

*Joseph L. Garcia*  
 Signature of Authorized Official and Title

Col Joseph L. Garcia

Date

3/17/16

## 11. APPROVED BY:

(For Department Use Only)

Authorized Signature and Title

Date

Revised 3/30/16

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

1. AGENCY Code H09 Name The Citadel

2. PROJECT Project # 9612 Name Bastin Hall - School of Business

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) 2018-2019	\$ 135,520.00	\$	\$	\$ 135,520.00
2) 2019-2020	\$ 150,870.00	\$	\$	\$ 150,870.00
3) 2020-2021	\$ 170,000.00	\$	\$	\$ 170,000.00

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

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

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

<u>COST FACTORS</u>	<u>AMOUNT</u>
1. Utilities	\$41,650.00
2. Insurance	18,870.00
3. Maintenance	50,000.00
4. Supplies	25,000.00
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	\$135,520.00

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

9. Submitted By: Col. Joseph Garcia, VP for Finance & Bus      3-17-16  
 Signature of Authorized Official and Title      Date

# **The Citadel**

## **Bastin Hall – School of Business**

*Project # H09-9612-PG*

### **Program Statement**

#### Bastin Hall

Bastin Hall is a new 43,950 square foot facility to be constructed on The Citadel campus. Bastin Hall will be the first completely new academic facility to be constructed on the campus since 1974 and will comply with all standards for a 21st century academic facility. The facility will have a Silver Level LEED Certification. It will support the School of Business, with its associated programs in five pathways of concentration. The facility will be a three-story steel frame facility constructed on Citadel property along Hagood Avenue as you approach the Hagood Gate.

Bastin Hall will consist of five traditional flat classrooms, four tiered classrooms, nine group study rooms, financial services computer lab, innovation technology lab, meeting rooms, undergraduate and master's degree deans suites, faculty offices, administration, support spaces and a two-story atrium-style business commons to encourage collaboration among students, faculty and visitors. The common area will be the first large collaborative space on the Citadel campus and directly supports our desire to change to a more team-centric approach to education. Bastin Hall will house the largest undergraduate major at The Citadel and a thriving Masters in Business Administration program.

#### Funding

The Citadel Foundation will provide the funding for the project through a combination of donations and bonds issued by The Foundation. The source of repayment for the bonds will be donations received by The Foundation.

This project will not involve the pledging of any fees or funds of The Citadel. Other than equity contributed by the Foundation from funds on hand, only pledged revenues received by The Citadel Foundation (or Real Estate Foundation) as a result of its fundraising from nongovernmental sources for the project.

The School of Business will relocate from its current space in Bond Hall to the new facility. The Zucker Family School of Education and associated functions will relocate from Capers Hall to the vacated space in Bond Hall in preparation for the future construction and renovation of Capers Hall.

#### Impact on campus

Bastin Hall will be located on Hagood Avenue. Currently this site contains dilapidated campus housing. This housing was built in 1956 and 1959, and the square footage of the structures combined equals 26,591 SF. Approvals for demolition have been approved by The City of Charleston and OSE. This housing is slated for demolition in July 2016.

The current School of Business is housed in Bond Hall, which functions as the primary administration building. The current Business Department occupies 22,793 SF in Bond Hall. Bastin Hall will contain accessory areas that are not included in their space currently in Bond Hall.

With the new Bastin Hall at 43,950 SF and the housing occupying 26,591 SF, the net gain for overall square footage of buildings on The Citadel campus is 17,359 SF.

**PERMANENT IMPROVEMENT PROJECT INFORMATION FORMAT  
FOR PHASE II CONSTRUCTION BUDGET**

1. What is the total projected cost of the project and what is it based on? Please attach a summary of the costs prepared during the A&E pre-design phase to support the total cost.

*The total projected cost of this project is \$20,200,000.00. This number is based on a third-party cost estimate prepared during the A&E pre-design phase and as shown in the Stage I submittal.*

2. What is/are the source(s) of funds for the construction? If any private or federal funds are included, please attach a letter guaranteeing the availability of the funds.

The Citadel Foundation will provide the funding for the project through a combination of donations and bonds issued by The Foundation. The source of repayment for the bonds will be donations received by The Foundation.

3. What is your agency/institution's definition of each fund source to be used for construction? (If any type of fee makes up a portion of the source, what is the fee called, what is the fee amount, and when it was put in place. If there is a statutory authority authorizing the use of the funds for capital projects, please cite the code section.)

*This project will not involve the pledging of any fees or funds of The Citadel. Other than equity contributed by the Foundation from funds on hand, only pledged revenues received by The Citadel Foundation (or Real Estate Foundation) as a result of its fundraising from nongovernmental sources for the project.*

4. What is the current uncommitted balance of funds for each source listed in 3 above?

*We currently have \$7,212,624.09 committed for Bastin Hall, with \$3,353,208.99 in cash received and \$3,859,415.10 in outstanding pledges. The Foundation is in the midst of a Capital Campaign and intends to raise all funds associated with the project.*

5. If institution or revenue bonds are included as a source, when were the bonds issued? If not issued yet, when is the bond resolution expected to be brought for State Fiscal Accountability Authority approval?

*The majority of funding for the project will be provided from the proceeds of Educational Facilities Revenue Bonds issued by the South Carolina Jobs-Economic Development Authority. The proceeds of these bonds will be loaned to The Citadel Foundation (or Real Estate Foundation) and made available to The Citadel for the Project pursuant to a Lease/Lease-Back financing structure. Pending approvals by JBRC, SFAA, and JEDA, it is anticipated that these bonds will be issued in late July 2016. In addition to June 1 review by JBRC, it is anticipated that these bonds will be brought before SFAA for approval at its June 7, 2016 meeting and before JEDA for final approval at its July 20, 2016 meeting.*

Our targeted date for appearance before the SFAA is during the June 7<sup>th</sup> meeting.

6. If a student fee is used to fund debt service, what is the current amount of the fee annually or by semester? Please specify which.

*Not applicable. No student fees will fund this project.*

7. Will the use of any funds for construction require an increase in any student fee or tuition? If so, please explain in detail.

*Not applicable. No increase in student fees or tuition will be necessary to fund this project.*

8. Will the project be LEED certified for energy savings and conservation and if so, at what level will it be certified? For projects requiring or using LEED certification, please attach the required cost-benefit analysis and a checklist of items to be used to achieve LEED points or a description of the energy measures to achieve LEED.

*Yes, this project will be designed to meet Silver Level LEED Certification. Cost-Benefit Analysis and the LEED Project Checklist are attached.*

9. What energy savings/conservation measures will be implemented within the project if the project will not be LEED certified? For projects that do not require/use LEED, please provide a paragraph on energy savings measures to be implemented as part of the project. If there are no energy savings measures included, please state that and explain why.

*Not Applicable, This project will be designed to meet Silver Level LEED Certification.*

10. What is the projected date (month and year) for execution of the construction contract?

*March 2017*

11. What is the projected date (month and year) for completion of construction?

*July 2018*

12. What program(s) are to be included in the constructed or renovated space?

*The Citadel's School of Business – classrooms, study rooms, Dean's Suite, faculty offices, conference room, computer lab, financial services lab, administration, common areas and support spaces*

13. What is the total square footage of the building to be renovated or constructed?

*The total square footage of Bastin Hall will be 43,950 square feet.*

*Bastin Hall will be located on Hagood Avenue. Currently this site contains dilapidated campus housing. This housing was built in 1956 and 1959, and the square footage of the structures combined equals 26,591 SF. Approvals for demolition have been approved by The City of Charleston and OSE. This housing is slated for demolition in July 2016.*

*The current School of Business is housed in Bond Hall, which functions as the primary administration building. The current Business Department occupies 22,793 SF in Bond Hall. Bastin Hall will contain accessory areas that are not included in their space currently in Bond Hall. The students must use computer labs, storage, restrooms and media rooms in other areas of Bond Hall that are not adjacent to the Business Dept.*

*Bastin Hall will include features that are new to the Business Department and new to our campus: five 45-seat tiered classrooms, small and large study group rooms, common collaborative areas, and an innovation technology lab.*

*With the new Bastin Hall at 43,950 SF and the housing occupying 26,591 SF, the net gain for overall square footage of buildings on The Citadel campus is 17,359 SF.*

14. If a portion of the building is to be renovated, what is the square footage of the portion that will be included in the renovation?

*Not Applicable, This is new construction*

15. What is the current age of the building or building systems to be renovated?

*Not Applicable, This is new construction*

16. If any new space is being added to the facility, please provide demand/usage data to support the need.

*Not Applicable, This is new construction*

17. What are the estimated numbers of students, faculty, staff and/or clients that are expected to use the space affected by the project or the entire building? (Answer for as many as are applicable.)

*Estimated number of students expected to use this facility:*

*668 day students; 69 evening undergraduate; 210 MBA students*

*Estimated number of faculty & staff expected to use this facility: 40*

*These estimates are based on a 3-year projected occupancy of the building, and a 10-year projection beyond occupancy is presented below. What follows is a brief reasoning of the projections.*

*The School of Business serves 3 distinct student populations:*

- 1. Daytime students made up of the South Carolina Corps of Cadets (SCCC), undergraduate veteran students, 5<sup>th</sup> year cadets, and undergraduate students in the active military commissioning programs (MECEP and STA-21).*

*The SCCC enrollment has grown over the past 10 years from a 2004 level of 1964 cadets to 2343 in 2013. Unconstrained projections of the size of the SCCC reach 2,443 by 2017 and 2,821 by 2027. The size of the Corps is, however, constrained by the school's residential physical plant to approximately 2,350 cadets. Given historical growth trends this maximum number will be reached in 2016, and the size of the cadet population will be at the physical maximum on the anticipated move in date of Fall 2018.*

*Our 5<sup>th</sup> year student population has fluctuated over the past ten years but is projected to grow from the 2013 level of 38 to approximately 51 in 2017, and 66 in 2027.*

*The undergraduate veteran student population has grown from 6 in 2007 to 108 in 2013. Following the historical growth trend would put the veteran student population at approximately 238 in 2017, and 595 in 2027. This seems to be a reasonable growth vector given the current state of a downsizing military, and many military members processing out with G.I. Bill funds for education.*



*Our active duty undergraduate student population has fluctuated as well over the past 10 years, but with a generally declining trend. The historical projection of this student population would put it at approximately 36 in 2017, and 15 in 2027. The 2013 level was 34.*

2. *Evening Students of the School of Business are comprised of graduate students pursuing an MBA, and evening undergraduate students pursuing the completion of their Bachelor's degree in business.*

*MBA enrollments have fluctuated over the past ten years and historical projections alone place MBA enrollment at 252 in 2017, and 244 in 2027. However, the evening program, both undergraduate and graduate, possesses the most and best opportunities for growth for both the Citadel and the Citadel's School of Business (CSB). We believe that the slight downward trend in enrollments will be arrested and reversed through the addition of new offerings as well as enhanced marketing efforts.*

*The evening undergraduate program has enjoyed significant growth over the past 10 years, and that growth trend is expected to continue. The historical projection of EUGS growth places enrollment numbers at 63 in 2017 and 107 in 2027. We believe that this growth trend is significantly understated, and that a more realistic projection is significantly higher.*

3. *Our faculty and staff currently number 34 full-time and a number of adjuncts that fluctuates with course demand. A growing program will eventually necessitate additional PTE's. Our current faculty to student ratio has fluctuated over the past 10 years from a low of 36 students per faculty to a high of 49 students per faculty. We believe that a reasonable ratio is 35 students per faculty, and will attempt to staff accordingly.*
4. *Combining all of this into a single projection yields the following building utilization projection numbers for CSB students. The following assumptions are applied:*
  - a. *No growth in the Active Duty student population.*
  - b. *Expansion of the SCCC to the maximum of 2400 cadets.*
  - c. *CSB maintains an average 28.32% of the SCCC population.*
  - d. *10% average annual growth in the evening undergraduate program (EUGS).*
  - e. *5% average annual growth in the MBA program.*
  - f. *15% average annual growth in the Veteran program.*
  - g. *A faculty to student ratio going forward targeted at 35.*
  - h. *Full-Time staff of 5.*

Historical and Projections of Citadel School of Business Physical Space Occupancy 2004 - 2027										
Year	Active Duty	SCCC	EUGS	MBA	Veteran Student	Total	Faculty	Staff	F/S Ratio	Total Occupancy
2004	12	636	8	260		916	21	3	44	1856
2005	12	611	11	246		880	21	4	42	1785
2006	10	630	19	265		924	19	4	49	1871
2007	7	615	25	251		898	24	5	37	1825
2008	6	618	14	258		896	24	5	37	1821
2009	8	584	18	266	6	882	24	5	37	1793
2010	10	586	23	283	6	908	22	6	41	1844
2011	9	538	36	274	8	865	23	6	38	1759
2012	9	578	44	258	7	896	24	6	37	1822



2013	6	590	54	220	20	890	25	6	36	1811
2014	6	660	59	231	23	979	24	5	41	1988
2015	6	671	65	243	26	1011	25	5	40	2052
2016	6	680	72	255	30	1043	30	5	35	2120
2017	6	680	79	267	35	1067	30	5	35	2170
2018	6	680	87	281	40	1094	31	5	35	2223
2019	6	680	96	295	46	1122	32	5	35	2282
2020	6	680	105	310	53	1154	33	5	35	2345
2021	6	680	116	325	61	1188	34	5	35	2414
2022	6	680	127	341	70	1225	35	5	35	2489
2023	6	680	140	358	81	1265	36	5	35	2571
2024	6	680	154	376	93	1309	37	5	35	2660
2025	6	680	169	395	107	1357	39	5	35	2758
2026	6	680	186	415	123	1410	40	5	35	2865
2027	6	680	205	436	142	1468	42	5	35	2983

18. If the construction cost increased significantly from the internal estimate (30% or more), what factors caused the cost to increase?

*Not applicable, The estimated cost of construction is less than 30% of internal estimate*

19. If the contingency is more than 10%, please explain why.

*Not applicable, The contingency is less than 10%*

20. If funds are being transferred from another project, what is the current status of the project from which funds are being transferred?

*Not Applicable*

21. Has the project been included in a previous year's CPIP? If so, what was the last year the project was included and for which year, 1-5?

*Yes, 3 of 4 in FY 15-16*

22. What are the economic impacts of the project, including job creation and retention? If there are none, please explain.

*In addition to creating a state-of-the-art showcase facility, Bastin Hall and the new School of Business can also be used for the following purposes:*

- *Conference space*
- *Events that bring in the broader external community*
- *Lectures, meetings*
- *Business Community outreach and meetings*
- *The space will house an initiative in applied entrepreneurship that will have broad reaching economic impact on the region that is as yet not calculable*
- *Retention and growth rate for faculty, staff and students*

- 10% average annual growth in the evening undergraduate program.
- 5% average annual growth in the MBA program.
- 15% average annual growth in the Veteran program.

23. How will your agency/institution address and fund maintenance of this facility construction/renovation?

*This building will be considered E&G (Education & General); therefore ongoing maintenance would be funded by the various maintenance funds The Citadel has reserved for its E&G facilities.*

24. If your agency/institution has a deferred maintenance account, what is the name of the account and what is its current uncommitted balance?

*Citadel Deferred Maintenance Fund: \$ 278,499 as of 1 March 2016.*

25. If how maintenance will be addressed and funded for this facility construction/renovation has not been determined yet, what steps are in place to begin to address how your agency/institution will fund maintenance to this and other agency/institution facilities?

*Not Applicable*

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

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

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

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

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

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

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

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

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

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

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

(a) a nonappropriation for the renting agency;

(b) a dissolution of the agency; and

(c) the availability of public space in substitution for private space being leased by the agency;

(4) rejecting an agency's request for additional space or space at a specific location, or both;

(5) directing agencies to be located in public space, when available, before private space can be leased;

(6) requiring the agency to submit a multiyear financial plan for review by the department with copies sent to Ways and Means Committee and Senate Finance Committee, before any new lease for space is entered into; and

(7) requiring prior review by the Joint Bond Review Committee and the requirement of State Fiscal Accountability Authority approval before the adoption of any new or renewal lease that commits more than two hundred thousand dollars annually in rental or lease payments or more than one million dollars in such payments in a five-year period.

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

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

**AGENCY:** Department of Administration, Executive Budget Office

**PROJECT/SUBJECT:** Coastal Carolina University Requests Regarding Brooks Stadium Expansion

Coastal Carolina University is requesting approval of Phase II full design and construction of an expansion of the Brooks Football Stadium and the issuance of not to exceed \$22,900,000 in Higher Education Revenue Bonds. The University has joined the Sun Belt Conference, and the expansion is necessary to meet the per-game average of 15,000 fans required by the NCAA.

Permanent Improvement Project

The project was approved for Phase I pre-design in October 2015. This request will add \$29,615,000, bringing the total cost of the project to \$29,900,000. The sources of funding are: \$22,900,000 in revenue bonds, \$2,000,000 as a gift from the Chanticleer Athletic Foundation, \$4,900,000 from the Institution Capital Project Fund, and a \$100,000 non-recurring appropriation in the FY 2016-17 Appropriation Act.

The project will increase the overall seating capacity of the stadium from 9,214 to 20,700 seats and will include renovations to add a “suite level” containing 300 seats. The expansion also includes fan-related amenities to accommodate the increased crowd and upgrades to restrooms, concessions, and ADA improvements.

While the project does not meet the standards that require LEED certification, energy-efficient plumbing and lighting will be installed. Additional operating costs of \$90,500 will be absorbed within the University’s existing budget.

Note: Phase II of this project has not been approved by the Commission on Higher Education; however, the project has been submitted for JBRC approval in accordance with Proviso 118.16, Subsection 14.1 of the FY 2016-17 Appropriation Act.

Higher Education Revenue Bonds

Coastal Carolina University requests approval to issue Higher Education Revenue Bonds in an amount not to exceed \$22,900,000 to finance the above-referenced expansion of the University’s football stadium.

The term of the proposed revenue bonds will be 25 years. The source of funding for debt service will be the net revenues of the University, which are defined as all revenues of the University (not including appropriations or tuition pledged to State Institution bonds), less expenses, which totaled \$16,459,744 for FY 2014-15. In addition, the Athletic Foundation has pledged \$500,000 per year during the term of the bonds (or a total of \$12,500,000) to the University. Coastal Carolina has stated that no student fees will be increased in connection with issuance of the bonds.

Exhibit A reflects debt service requirements on all of the University's existing and proposed Revenue Bonds. Holding FY 2014-15 net revenues constant and adding the projected revenues that will result from the expansion of the stadium and other pro forma revenues, the debt service coverage is projected to range from 2.43 to 16.83 times the annual debt service (Exhibit B).

Should net revenues of the University be insufficient to pay debt service, the University has stated that they have \$29.6 million in unrestricted funds that could be applied to pay debt service.

Pursuant to Section 59-136-390 of the South Carolina Code of Laws, the bonds will not commit the full faith and credit of the State.

#### **COMMITTEE ACTION:**

- 1) Review and make recommendation regarding Phase II of the permanent improvement project
- 2) Review and make recommendation regarding Coastal Carolina University's request for issuance of Higher Education Revenue Bonds in an amount not to exceed \$22,900,000

#### **ATTACHMENTS:**

- 1) Department of Administration Agenda Item Worksheet Dated August 2, 2016
- 2) A-1 and A-49 dated July 25, 2016
- 3) Proviso 118.16, Subsection 14.1 of the FY 2016-17 Appropriation Act
- 4) Memorandum from Chanticleer Athletic Foundation dated March 14, 2016, pledging \$2,000,000 for project
- 5) Memorandum from Chanticleer Athletic Foundation dated July 27, 2016, pledging \$500,000 per year for 25 years
- 5) Letter from Pope Zeigler, LLC, dated June 28, 2016, including Bond Information Report and Exhibits A and B
- 6) Article 3, Title 59 of the South Carolina Code of Laws

#### **AVAILABLE UPON REQUEST:**

- 1) October 2, 2015 bond resolution of Coastal Carolina University Board of Trustees providing for issuance of revenue bonds
- 2) Supplemental resolution adopted by CCU Board of Trustees on February 19, 2016 authorizing issuance of the bonds



## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: August 2, 2016

Regular Agenda

**1. Submitted By:**

- (a) Agency: Coastal Carolina University:
- (b) Authorized Official Signature:



**2. Subject:** Brooks Stadium Additions

**3. Summary Background Information:**

To begin construction for expansion of Brooks Stadium at Coastal Carolina University. This project was established in October 2015 for pre-design work, which is now complete. The work will involve construction of approximately 12,000 square feet which will be comprised of a new hospitality suite, restrooms, concessions, and bleachers. Less than 5,000 of the square footage will be conditioned. The majority of the additions will take place on the west stands as the University plans to increase seating capacity to approximately 20,700 by adding 11,486 to the existing 9,214 seats. To meet the overall increase of spectators, there will be an addition to fan-related amenities throughout the stadium that include restrooms, concessions, and ADA improvements to ensure compliance standards. Renovations to the existing stadium include improvements to entrance plazas and fan circulation methods. These additions are needed since the University recently accepted an offer to participate as an active member in the Sun Belt Conference. For football, an increase to seating capacity is needed to meet NCAA Football Bowl Subdivision requirements. The agency reports that the project will be funded by \$22,900,000 in revenue bonds, \$5,000,000 in Institutional Capital Project Funds, and a gift of up-front cash in the amount of \$2,000,000 from the Chanticleer Athletic Foundation (CAF). There has also been a promise from CAF of \$12,500,000 paid over the 25 year life of the bond in annual installments of \$500,000 to the University. The agency reports the total projected cost of this project is approximately \$29,900,000 with additional operating costs of \$90,500 per year in years one through three. The agency also reports the projected date for execution of the construction contract is January 2017 and for completion of construction is August 2019.

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

Consider approval of the Permanent Improvement Project Phase II and bond authorization.

**5. What is the recommendation of the Executive Budget Office?**

The EBO has determined that the item is complete and ready for JBRC review.

**6. List of Supporting Documents:**

- a) Permanent Improvement Project Phase II Project approval
- b) Bond Authorization

**FOR BOARD USE ONLY**

CHE \_\_\_\_\_  
 JBRC \_\_\_\_\_  
 BC Board \_\_\_\_\_  
 JBRC Staff \_\_\_\_\_  
 BC Staff \_\_\_\_\_  
 A-1 Form Mailed \_\_\_\_\_  
 SPIRS Date \_\_\_\_\_  
 Summary \_\_\_\_\_

(For Board Use Only)

SUMMARY NUMBER

FORM NUMBER

**BUDGET AND CONTROL BOARD - PERMANENT IMPROVEMENT PROJECT REQUEST****1. AGENCY**

Code H17 Name Coastal Carolina University  
 Contact Person Stacie Bowie, CFO & Vice President for Finance & Admin. Phone 843-349-2227

**2. PROJECT**

Project # 9610 Name Brooks Stadium Additions  
 Facility # \* Facility Name Brooks Stadium Additions

County Code	26 - Horry
New/Revised Budget	\$29,900,000.00

Project Type	3-Repair/Renovation Facilities System
Facility Type	6-Athletic/Recreational

**3. APIP PROJECT APPROVAL FOR CURRENT FISCAL YEAR**

APIP priority number \_\_\_\_\_ of \_\_\_\_\_ for FY \_\_\_\_\_

**4. PROJECT ACTION PROPOSED (Indicate all requested actions by checking the appropriate boxes.)**

Establish Project		Decrease Budget		Close Project	
Establish Project - APIP		Change Source of Funds		Change Project Name	
Increase Budget	X	Revise Scope		Cancel Project	

**5. PROJECT DESCRIPTION AND JUSTIFICATION**

Description: The University requests an increase in the budget to allow Phase II construction to begin for the expansion of Brooks Stadium. The major cost of this project involves the expansion and reconfiguration of total seating capacity. This includes an increase in fan related amenities throughout the stadium to enable us to accommodate the expected crowd increase. Some of these upgrades include; restrooms, concessions and ADA improvements to ensure compliance standards. The renovations also include a suite level for 300 plus fans.

Justification: In order to meet the NCAA FBS 15,000 average seat requirement, the University will increase seating capacity to approximately 20,700, as required by the SunBelt. The combination of increased seating capacity and other stadium upgrades will bring us to a level comparable with other Sun Belt Conference football facilities. In an effort to manage the funding sources to minimize debt, ICPF funds have also been allocated in the amount of \$4,900,000. \$100,000 has been allocated from the State FY 2017 Budget. The Chanticleer Athletic Foundation has committed \$2,000,000 to show support for the move to the Sun Belt Conference. In addition to this gift, the CAF has also pledged a total of \$12,500,000 to be paid out annually, to the University, over the 25 year life of the revenue bond. The debt service for the revenue bond will be serviced from the private CAF funds, additional opportunities in new ticket sales, athletic revenues and debt service funds already set aside for this purpose. There will be no increase in tuition resulting from this project.

**6. OPERATING COSTS IMPLICATIONS**

Attach Form A-49 if any additional operating costs or savings will result from this request. This includes costs to be absorbed with current funding.

**7. ESTIMATED PROJECT SCHEDULE AND EXPENDITURES**

Estimated Start Date: December, 2015 Estimated Completion Date: August, 2017  
 Estimated expenditures: Thru current FY: \$2,000,000.00 After current FY: \$29,900,000.00

## 8. ESTIMATES OF NEW/REVISED PROJECT COSTS

PROJECT #

9610

1. \_\_\_\_\_ Land Purchase ----> Land: \_\_\_\_\_ Acres  
 2. \_\_\_\_\_ Building Purchase ----> Floor Space: \_\_\_\_\_ Gross Square Feet  
 3. \$2,757,494.00 Professional Services Fees  
 4. \$438,510.00 Equipment and/or Materials ----> Information Technology \$162,012.00  
 5. \_\_\_\_\_ Site Development  
 6. \$3,564,254.00 New Construction ----> Floor Space: 12,000 Gross Square Feet  
 7. \_\_\_\_\_ Renovations - Building Interior --> Floor Space: \_\_\_\_\_ Gross Square Feet  
 8. \_\_\_\_\_ Renovations - Utilities  
 9. \_\_\_\_\_ Roofing - \_\_\_\_\_ Roof Age  
 10. \_\_\_\_\_ Renovations - Building Exterior  
 11. \$22,815,720.00 Other Permanent Improvements  
 12. \_\_\_\_\_ Landscaping  
 13. \_\_\_\_\_ Builders Risk Insurance  
 14. \_\_\_\_\_ Other Capital Outlay  
 15. \_\_\_\_\_ Labor Costs  
 16. \_\_\_\_\_ Bond Issue Costs  
 17. \$121,508.00 Other: HVAC Controls  
 18. \$202,514.00 Contingency

\$ 29,900,000.00 TOTAL PROJECT BUDGET

## ENVIRONMENTAL HAZARDS

Identify all types of significant environmental hazards (including asbestos, PCB's, etc.,) present in the project and the financial impact they will have on the project.

Type: \_\_\_\_\_


## Cost Breakdown

Design Services \$ \_\_\_\_\_  
 Monitoring \$ \_\_\_\_\_  
 Abate/Remed \$ \_\_\_\_\_  
 Total Costs \$ \_\_\_\_\_

## 9. PROPOSED SOURCE OF FUNDING

Source	Previously Approved Amount	Increase/Decrease	Original/Revised Budget	Transfer to/from Proj. #	Rev Object Code	Treasurer's ID Number	Rev Sub Fund	Exp Sub Fund
(0) Capital Improvement Bonds, Group *					8115		3043	3043
(1) Dept Capital Improvement Bonds Group *					8115		3143	3143
(2) Institution Bonds								3235
(3) Revenue Bonds		\$ 22,900,000.00	\$ 22,900,000.00					3393
(4) Excess Debt Service Type - *								3497
(5) Capital Reserve Fund					8895		3603	3603
(6) Appropriated State Program Source - Proviso 118.16 (B)		\$ 100,000.00	\$ 100,000.00		8895	68800100	1001	3600
(7) Federal						78800100		5787
(8) Athletic						88800100		3807
(9) Other (Specify)								
Reno./Reser. Plant Exp.	\$ 285,000.00	\$ (285,000.00)			7201	98800100	3907	3907
Gift - CAF	\$	\$ 2,000,000.00	\$ 2,000,000.00		7201	98800100	3907	3907
ICPF		\$ 4,900,000.00	\$ 4,900,000.00		7201	98800100	3907	3907
TOTAL BUDGET	\$ 285,000.00	\$ 29,615,000.00	\$ 29,900,000.00					

10. SUBMITTED BY:

  
 Stacie A. Bowie, CFO & Vice President for Finance & Admin.

 7/25/16  
 Date

11. APPROVED BY:

(For Board Use Only)

Authorized Signature and Title

Date

Revised 4/15/93

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

1. AGENCY  
 Code H17 Name Coastal Carolina University

2. PROJECT  
 Project # 9610 Name Brooks Stadium Additions

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) 2017/2018	\$	\$	\$90,500	\$90,500
2) 2018/2019	\$	\$	\$90,500	\$90,500
3) 2019/2020	\$	\$	\$90,500	\$90,500

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>Utilities</u>	<u>\$50,000.00</u>
2. <u>Supplies</u>	<u>\$12,500.00</u>
3. <u>Personnel</u>	<u>\$28,000.00</u>
4. _____	_____
5. _____	_____
6. _____	_____
7. _____	_____
8. _____	_____
TOTAL	<u>\$90,500.00</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: Stacie Bowie 5/17/2016  
 Stacie Bowie, CFO & VP for Finance & Administration Date

**PERMANENT IMPROVEMENT PROJECT INFORMATION FORMAT  
FOR PHASE II CONSTRUCTION BUDGET  
Coastal Carolina University  
Project #9610 – Brooks Stadium Additions**

1. What is the total projected cost of the project and what is it based on? \$29,900,000 – cost estimate for construction and internal estimates for related expenses. Please attach a summary of the costs prepared during the A&E pre-design phase to support the total cost. Summary attached.

2. What is/are the source(s) of funds for the construction? If any private or federal funds are included, please attach a letter guaranteeing the availability of the funds. \$22,900,000 revenue bonds and \$2M Gift up-front cash from Chanticleer Athletic Foundation (CAF). There has also been a promise from CAF of \$12.5M paid over the 25 year life of the bond in annual installments of \$500,000 to the University. ICPF in the amount of \$5M

3. What is your agency/institution's definition of each fund source to be used for construction? (If any type of fee makes up a portion of the source, what is the fee called, what is the fee amount, and when it was put in place. If there is a statutory authority authorizing the use of the funds for capital projects, please cite the code section.) Revenue Bonds funded in accordance with enabling legislation and as approved by the State Treasurer's Office. No increase in tuition will result from the financing of this project. Gift; in the form of monetary support from the foundation to help fund the project. Institutional Capital Project Funds (ICPF) are also referred to as excess debt service. Debt Service set aside is currently \$445 per full time student per semester. This debt service fee was decreased twice in the past five years.

last five years						proposed
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Debt Service	525	525	475	445	445	445
Total Debt Service Fee	525	525	475	445	445	445
change		-	(50)	(30)	-	-

4. What is the current uncommitted balance of funds for each source listed in 3 above? Bonds to accommodate construction not to exceed \$22,900,000 which is lower than that which was agreed upon by the University's Board of Trustees. Institutional Capital Project Funds (ICPF) as uncommitted funds of \$6,846,793.

5. If institution or revenue bonds are included as a source, when were the bonds issued? If not issued yet, when is the bond resolution expected to be brought for SFAA Board approval? Bond resolution is expected to be brought for SFAA approval at their next scheduled meeting with the series being issued shortly afterwards.

6. If a student fee is used to fund debt service, what is the current amount of the fee annually or by semester? Please specify which. Debt service will in part be funded with existing debt service set aside from student tuition. Due to past student growth, the excess can now be applied to another project. The set aside was decreased from \$525 to \$445 per full time student per semester.

7. Will the use of any funds for construction require an increase in any student fee or tuition? If so, please explain in detail. There will be no increase in any student fee or tuition.

8. Will the project be LEED certified for energy savings and conservation and if so, at what level will it be certified? For projects requiring or using LEED certification, please attach the required cost-benefit analysis and a checklist of items to be used to achieve LEED points or a description of the energy measures to achieve LEED. This project doesn't meet the standards that require the University to seek LEED Certification by fully conditioned space being under 10,000 square footage. The design group has implemented energy efficient measures in the project to keep energy savings and conservation a top priority though.



9. What energy savings/conservation measures will be implemented within the project if the project will not be LEED certified? For projects that do not require/use LEED, please provide a paragraph on energy savings measures to be implemented as part of the project. If there are no energy savings measures included, please state that and explain why. For the addition, all new plumbing fixtures will be commercial-grade, ultra-low flow types that will conserve water usage. The other sustainable initiatives taking into consideration, is an updated HVAC system with controls/preventers and electrical lighting includes energy efficient LED bulbs.
10. What is the projected date (month and year) for execution of the construction contract? January, 2017
11. What is the projected date (month and year) for completion of construction? August, 2019
12. What program(s) are to be included in the constructed or renovated space? The construction of this project is essentially for the athletic department as the University's football team moves into the NCAA Football Bowl Subdivision (FBS). However this space will also be used for meetings and student-oriented activities such as graduation, convocations and concerts.
13. What is the total square footage of the building to be renovated or constructed? Design has construction of approximately 12,000 square feet. This footage is comprised of new hospitality suite, restrooms, concessions, and bleachers. Less than 5,000 square footage will be conditioned.
14. If a portion of the building is to be renovated, what is the square footage of the portion that will be included in the renovation? N/A
15. What is the current age of the building or building systems to be renovated? N/A
16. If any new space is being added to the facility, please provide demand/usage data to support the need. The additions are needed since the University recently accepted an offer to participate as an active member in the Sun Belt Conference. This transition moved the football team into the FBS. The current stadium does not have the capacity that is required by the NCAA. To meet that requirement, seating will be added as well as fan related amenities. These amenities include: restrooms, concessions, and ADA improvements to ensure compliance standards.
17. What are the estimated numbers of students, faculty, staff and/or clients that are expected to use the space affected by the project or the entire building? (Answer for as many as are applicable.) The additions to the stadium will allow for approximately 19,632 spectators.
18. If the construction cost increased significantly from the internal estimate (30% or more), what factors caused the cost to increase? N/A
19. If the contingency is more than 10%, please explain why. N/A
20. If funds are being transferred from another project, what is the current status of the project from which funds are being transferred? N/A
21. Has the project been included in a previous year's CPIP? If so, what was the last year the project was included and for which year, 1-5? This project was not included in the latest CPIP as the move to FBS was not contemplated at the time of submission. The University was approached by the Sun Belt Conference in July 2015 and the invitation was extended in August and accepted on September 1, 2015.
22. What are the economic impacts of the project, including job creation and retention? If there are none, please explain. The economic impacts will come from the construction of the facility with construction job opportunities as well as increased use of local businesses to meet their food and lodging needs. Also, with an increase in spectators, it will have a positive impact on the local tourism industry with lodging and restaurants.



23. How will your agency/institution address and fund maintenance of this facility construction/renovation? The University plans to maintain this facility with its Renovation Reserve/Plant Expansion funds. This is the University's deferred maintenance account.

24. If your agency/institution has a deferred maintenance account, what is the name of the account and what is its current uncommitted balance? Renovation Reserve/Plant Expansion and as of April, 2016 it has an uncommitted balance of \$7,070,107

25. If how maintenance will be addressed and funded for this facility construction/renovation has not been determined yet, what steps are in place to begin to address how your agency/institution will fund maintenance to this and other agency/institution facilities? N/A

[illegible]

Cost Summary	Add'l Seats	SF Area	\$/SF	Extended	Notes
<b>Sitework</b>				\$ 2,838,106	delete landscaping and some hardscape
<b>Building</b>					
A - West Stands including Club	7,679	145,567	\$ 125.00	\$ 18,195,875	
B - North Stands, NE Entry, NE Stands	2,739	30,000	\$ 120.00	\$ 3,600,000	delete scope of NE decks and overpass
C - SE Stands					delete scope in entirety
D - South Boardwalk					delete scope in entirety
E - Sound System Improvements					delete scope in entirety
SMHa Area Totals	10,418	175,567			
<b>Total Building Cost</b>		\$ 27,019,100		\$ 21,795,875	
Avg Cost Per Sq Foot (Interpolated from Aiken)		\$ 153.90			
<b>Alternates</b>					
F - Infill Entire Club Level Deck Slab only					delete scope in entirety
G - Kitchen Equipment					delete scope in entirety
<b>Alternate Totals</b>				\$ -	
<b>Total Probable Base Bid</b>				\$ 24,633,981	
Construction Phase Contingency (5%)			5%	\$ 1,231,699	
<b>Total Construction Cost (TCC)</b>				\$ 25,865,680	

AE Fees not including Food Service or Reimbursables \$ 1,745,675.00  
**Total Construction Plus AE Fees \$ 27,611,355.05**

**South Carolina General Assembly**  
121st Session, 2015-2016

**H. 5001**

General Appropriations Bill for Fiscal Year 2016-2017  
Ratified Version

**PART IB**  
**OPERATION OF STATE GOVERNMENT**

**118.16.** (SR: Nonrecurring Revenue) (A) The source of revenue appropriated in subsection (B) is nonrecurring revenue generated from the following sources:

- (1) \$46,750,797 from Fiscal Year 2014-15 Contingency Reserve Fund;
- (2) \$239,798,000 from Fiscal Year 2015-16 unobligated general fund revenue as certified by the Board of Economic Advisors;
- (3) \$139,260,007 from the Litigation Recovery Account;
- (4) \$14,426,041 from Fiscal Year 2015-16 (V040) Excess Debt Service;
- (5) \$11,885,511 from Fiscal Year 2015-16 (X440) Excess Homestead Exemption;
- (6) \$5,494,506 from Fiscal Year 2015-16 F30 Carry Forward and Bonus Lapse; and
- (7) \$400,000 from the Department of Revenue Identity Theft Reimbursement Fund Lapse.

Any restrictions concerning specific utilization of these funds are lifted for the specified fiscal year. The above agency transfers shall occur no later than thirty days after the close of the books on Fiscal Year 2015-16 and shall be available for use in Fiscal Year 2016-17.

This revenue is deemed to have occurred and is available for use in Fiscal Year 2016-17 after September 1, 2016, following the Comptroller General's close of the state's books on Fiscal Year 2015-16.

(B) The appropriations in this provision are listed in priority order. Item (1) must be funded first and each remaining item must be fully funded before any funds are allocated to the next item. Provided, however, that any individual item may be partially funded in the order in which it appears to the extent that revenues are available.

The State Treasurer shall disburse the following appropriations by September 30, 2016, for the purposes stated:

**(14) H170- Coastal Carolina University**

- (c) Brooks Stadium Engineering \$ 100,000

**(14.1) Coastal Carolina University shall use the funds appropriated for Brooks Stadium Engineering to offset costs associated with expansion of the football stadium. Once the university has developed a plan for stadium expansion pursuant to any National Collegiate Athletic Association, conference, or contractual requirements, the university shall submit the plan for approval to the Joint Bond Review Committee and the State Fiscal Accountability Authority. Any other statutory requirements for state approval of this project are hereby suspended for the fiscal year.**

(C) Unexpended funds appropriated pursuant to this provision may be carried forward to succeeding fiscal years and expended for the same purposes.



# CHANTICLEER ATHLETIC FOUNDATION

## COASTAL CAROLINA UNIVERSITY

### Memo

**To:** Stacie Bowie, Vice President and Chief Financial Officer

**From:** Mark Roach, Vice President for Philanthropy  
Chris Johnson, CAF Executive Director

**Date:** March 14, 2016

**Subject:** Football Stadium Expansion Financing

---

The Chanticleer Athletic Foundation agrees to invest the sum of \$2,000,000 in privately funded income to Coastal Carolina University upon completion of the Brooks Stadium Expansion project.

Mark A. Roach  
Vice President for Philanthropy

Christopher A. Johnson  
Chanticleer Athletic Foundation



# CHANTICLEER ATHLETIC FOUNDATION

## COASTAL CAROLINA UNIVERSITY

### Memo

**To:** Stacie Bowie, Vice President and Chief Financial Officer

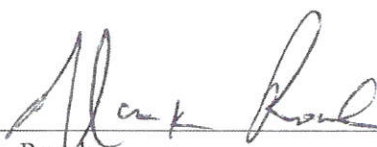
**From:** Mark Roach, Vice President for Philanthropy  
Chris Johnson, CAF Executive Director

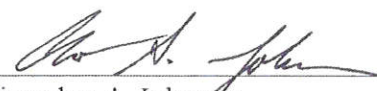
**Date:** July 27, 2016

**Subject:** Football Stadium Expansion Financing

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The Chanticleer Athletic Foundation agrees to pay the sum of \$500,000 per year for twenty-five years to Coastal Carolina University upon completion of the Brooks Stadium expansion project.

  
\_\_\_\_\_  
Mark A. Roach  
Vice President for Philanthropy

  
\_\_\_\_\_  
Christopher A. Johnson  
Executive Director, Chanticleer Athletic Foundation





POPE FLYNN  
GROUP

COLUMBIA | CHARLOTTE | SPARTANBURG

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DIRECT 803 354.4917 Columbia, SC 29201  
FAX 803 354.4899 www.popeflynn.com

June 28, 2016

Ms. Dianne Carraway  
Senate Finance  
111 Gressette Building  
Columbia, South Carolina 29202

Re: Not exceeding \$22,900,000 of Revenue Bonds, Series 2016 of Coastal Carolina University, South Carolina (the "Bonds")

Dear Dianne:

In accordance with the policy adopted by the Joint Bond Review Committee following its October 7, 2014 meeting regarding any agency/institution request for a project approval that results in the addition of bond funds to the project budget, please find enclosed the required documentation detailing the proposed financing. On behalf of Coastal Carolina University, we respectfully request that the Joint Bond Review Committee consider the request for approval of the use of bond funds from the proceeds of the proposed Bonds at its August 2, 2016 meeting.

Please let us know should you require anything further or if you have any questions regarding the enclosed.

Very truly yours,

Gary T. Pope, Jr.

c: Stacie A. Bowie, Vice President, Finance and Administration, Coastal Carolina University  
Kevin Kibler, Senior Assistant State Treasurer, Office of State Treasurer

Enclosures

Coastal Carolina University Bond Information Report

Prepared in Connection with the Proposed Authorization of  
Not Exceeding \$22,900,000 of Revenue Bonds, Series 2016

June 28, 2016

*Amount and Type of Bond.* Coastal Carolina University (the "University") is authorized to issue revenue bonds secured by the Net Revenues of the University (as defined below) pursuant to Title 59, Chapter 136, Article 3 of the Code of Laws of South Carolina 1976, as amended. The proposed not exceeding \$22,900,000 Revenue Bonds, Series 2016 of the University are anticipated to finance an expansion of the University's football stadium.

*Revenues Pledged to Pay the Bonds.* The University's revenue bonds are payable from, and are secured by a pledge of the Net Revenues of the University, which are defined as all revenues of the University (not including revenues derived from appropriations received from the South Carolina General Assembly or tuition moneys collected to pay debt service on State Institution Bonds), less expenses. The sum of these recurring revenues for the fiscal year ended June 30, 2015 totaled \$16,459,744 after expenses. The debt service requirements on all existing, authorized, and proposed University revenue bonds are attached as Exhibit A. Exhibit B reflects maximum annual debt service of \$13,669,935 in fiscal year 2018 and debt service coverage ranging from 2.43 to 16.83 times annual debt service, holding fiscal year ended June 30, 2015 Net Revenues constant and giving effect to certain pro forma and anticipated incremental revenues (as discussed below).

*New Revenue Generation.* The anticipated financing provides for the addition of approximately 10,000 seats to Brooks Stadium. The University anticipates receiving \$700,000 in aggregate, annual revenue from its athletic department and athletic foundation in connection with the expansion. The impact of these incremental revenues is reflected in the Incremental Pro Forma Revenues (Brooks Stadium) column in Exhibit B.

*Other Funds Available to Pay Bonds.* Should the Net Revenues prove insufficient to provide for debt service on the bonds, the University at June 30, 2015 had \$29.6 million dollars of fund balances that could be applied to pay debt service at the discretion of the University.

*Student Fees, Credit of the State, Mortgages.* No special student fee is contemplated to be imposed, and no increase in existing student fees is planned, in connection with the Bonds. Neither the full faith and credit of Coastal Carolina University nor the State of South Carolina has been pledged to the payment of any University revenue bonds. Further, no mortgage or lien has been or will be given on any real property of Coastal Carolina University.

# Exhibit A

## Revenue Bonds - Debt Service

Debt Service on Proposed Bond Issue						
Debt Service On						Total Composite
Fiscal Year	Existing Debt Service	Authorized but Unissued Bonds	Principal	Interest	Debt Service	
6/30/2017	\$ 11,695,045	\$ -	\$ 810,000	\$ 480,952	\$ 12,985,997	
6/30/2018	12,380,082	-	720,000	569,853	13,669,935	
6/30/2019	12,017,229	-	725,000	562,725	13,304,954	
6/30/2020	12,014,349	-	735,000	554,387	13,303,736	
6/30/2021	12,015,417	-	745,000	544,906	13,305,323	
6/30/2022	12,014,984	-	755,000	534,252	13,304,236	
6/30/2023	12,021,430	-	770,000	522,323	13,313,753	
6/30/2024	12,012,455	-	780,000	509,002	13,301,457	
6/30/2025	12,013,569	-	795,000	494,416	13,302,985	
6/30/2026	12,013,349	-	810,000	478,357	13,301,706	
6/30/2027	10,453,224	-	830,000	460,780	11,744,004	
6/30/2028	10,448,480	-	850,000	440,694	11,739,174	
6/30/2029	10,447,768	-	870,000	418,849	11,736,617	
6/30/2030	10,451,268	-	895,000	395,359	11,741,627	
6/30/2031	10,443,193	-	920,000	370,299	11,733,492	
6/30/2032	10,448,205	-	945,000	343,619	11,736,824	
6/30/2033	10,442,968	-	975,000	315,742	11,733,710	
6/30/2034	10,455,661	-	1,005,000	286,492	11,747,153	
6/30/2035	10,451,705	-	1,035,000	255,839	11,742,544	
6/30/2036	10,772,180	-	1,065,000	223,754	12,060,934	
6/30/2037	10,775,375	-	1,100,000	190,207	12,065,582	
6/30/2038	10,775,863	-	1,135,000	155,007	12,065,870	
6/30/2039	10,771,638	-	1,170,000	118,346	12,059,984	
6/30/2040	10,775,075	-	1,210,000	80,321	12,065,396	
6/30/2041	7,532,725	-	1,250,000	40,875	8,823,600	
6/30/2042	7,529,525	-	-	-	7,529,525	
6/30/2043	2,103,600	-	-	-	2,103,600	
6/30/2044	2,100,800	-	-	-	2,100,800	
Totals	\$ 287,377,162	\$ -	\$ 22,900,000	\$ 9,347,353	\$ 319,624,515	

## Exhibit B

### Revenue Bonds - Coverage

Fiscal Year	Composite Debt Service	FY15 Revenues Pledged to Debt Service	Pro-Forma Revenues*	Incremental Pro- Forma Revenues (Brooks Stadium)	Total Pro Forma Pledged Revenues	Pro Forma Coverage Ratio
6/30/2017	\$ 12,985,997	\$ 16,459,744	\$ 16,023,642	\$ 700,000	33,183,386	2.56
6/30/2018	13,669,935	16,459,744	16,019,222	700,000	33,178,966	2.43
6/30/2019	13,304,954	16,459,744	16,022,797	700,000	33,182,541	2.49
6/30/2020	13,303,736	16,459,744	16,025,364	700,000	33,185,108	2.49
6/30/2021	13,305,323	16,459,744	16,103,318	700,000	33,263,062	2.50
6/30/2022	13,304,236	16,459,744	16,180,736	700,000	33,340,480	2.51
6/30/2023	13,313,753	16,459,744	16,265,337	700,000	33,425,081	2.51
6/30/2024	13,301,457	16,459,744	16,349,906	700,000	33,509,650	2.52
6/30/2025	13,302,985	16,459,744	16,434,141	700,000	33,593,885	2.53
6/30/2026	13,301,706	16,459,744	16,516,469	700,000	33,676,213	2.53
6/30/2027	11,744,004	16,459,744	16,603,449	700,000	33,763,193	2.87
6/30/2028	11,739,174	16,459,744	16,689,793	700,000	33,849,537	2.88
6/30/2029	11,736,617	16,459,744	16,775,208	700,000	33,934,952	2.89
6/30/2030	11,741,627	16,459,744	16,859,403	700,000	34,019,147	2.90
6/30/2031	11,733,492	16,459,744	16,948,510	700,000	34,108,254	2.91
6/30/2032	11,736,824	16,459,744	17,038,581	700,000	34,198,325	2.91
6/30/2033	11,733,710	16,459,744	17,130,777	700,000	34,290,521	2.92
6/30/2034	11,747,153	16,459,744	17,224,285	700,000	34,384,029	2.93
6/30/2035	11,742,544	16,459,744	17,318,454	700,000	34,478,198	2.94
6/30/2036	12,060,934	16,459,744	17,406,077	700,000	34,565,821	2.87
6/30/2037	12,065,582	16,459,744	17,504,542	700,000	34,664,286	2.87
6/30/2038	12,065,870	16,459,744	17,601,489	700,000	34,761,233	2.88
6/30/2039	12,059,984	16,459,744	17,695,650	700,000	34,855,394	2.89
6/30/2040	12,065,396	16,459,744	17,792,259	700,000	34,952,003	2.90
6/30/2041	8,823,600	16,459,744	17,889,648	700,000	35,049,392	3.97
6/30/2042	7,529,525	16,459,744	17,986,128	700,000	35,145,872	4.67
6/30/2043	2,103,600	16,459,744	18,086,173	700,000	35,245,917	16.76
6/30/2044	2,100,800	16,459,744	18,187,218	700,000	35,346,962	16.83

\* Pro Forma Revenues consist of (i) the Adjustment for University Place Lease Cancellation and (ii) pro forma revenue from Elvington Residential Halls. The Elvington Residential Halls were financed with the proceeds of revenue bonds issued in 2013 and 2014 of Coastal Carolina University. The first portion of the residential halls was placed in service in fiscal year 2015-2016 and the second will be in 2016-2017.

## ARTICLE 3.

### REVENUE BONDS

#### **SECTION 59-136-300.** Equipment defined.

For purposes of this article "equipment" means items with a useful life of at least fifteen years.

HISTORY: 1993 Act No. 69, Section 1.

#### **SECTION 59-136-310.** Authority to issue revenue bonds.

Coastal Carolina University, in this article referred to as the university, may issue revenue bonds of the university for the purpose of financing or refinancing in whole or in part the cost of construction, reconstruction, improvement, and equipment of buildings for the purposes of the university including, without limiting the generality of the foregoing, dormitories, apartment buildings, dwelling houses, dining halls, cafeterias, parking facilities, sports facilities, and inns or for any one or more of these purposes.

HISTORY: 1993 Act No. 69, Section 1.

#### **SECTION 59-136-320.** Authorizing resolution; resolution to be part of contract; contents of resolution.

Revenue bonds issued under this article must be authorized by a resolution or resolutions of the board of trustees of the university. The resolution of the university may, in the discretion of the board, contain provisions, which must be a part of the contract between the university and the several holders of the bonds, as to any of the following:

- (1) the custody, security, use, expenditure, or application of the proceeds of the bonds;
- (2) the construction and completion of the building or equipment for which the bonds are issued;
- (3) the use, regulation, operation, maintenance, insurance, or disposition of the building or equipment for which the bonds are issued or restrictions on the exercise of the powers of the board of trustees to dispose of or to limit or regulate the use of the building or equipment;
- (4) the payment of the principal of or interest on the bonds and the sources and methods of the payment, the rank or priority of the bonds as to any lien or security or the acceleration of the maturity of the bonds;
- (5) the use and disposition of the revenues derived or to be derived from the operation of the building or equipment;

- (6) the pledging, setting aside, depositing, or trusteeing of the revenues from which the bonds are made payable to secure the payment of the principal of and interest on the bonds or the payment of expenses of operation and maintenance of the building or equipment;
- (7) the setting aside out of the revenues of reserves or sinking funds and the source, custody, security, regulation, and disposition of them;
- (8) the determination of the definition of the revenues or of the expenses of operation and maintenance of the building or equipment for which the bonds are issued;
- (9) the rentals, fees, or other charges from students, faculty members, and others using or being served by, or having the right to use or be served by, the building or equipment for which the bonds are issued and any parts, extensions, replacements, or improvements of them constructed or acquired and the fixing, establishment, collection, and enforcement of them, the amount or amounts of revenues to be produced by them, and the disposition and application of the amounts charged or collected;
- (10) limitations on the issuance of additional bonds or any other obligations or the incurrence of indebtedness payable from the same revenues from which the bonds are payable;
- (11) parietal rules to ensure the use of the building or equipment by students or members of the faculty of the university to the maximum extent to which the building or equipment is capable of serving the students or faculty members;
- (12) the procedure, if any, by which the terms of any covenant or contract with, or duty to, the holders of the bonds may be amended or abrogated, the amount of bonds to which the holders of which must consent, and the manner in which the consent may be given or evidenced; and
- (13) any other matter or course of conduct which, by recital in the resolution or resolutions authorizing or providing for the bonds, is declared to further secure the payment of the principal of or interest on the bonds.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-330.** Particulars of bonds; must be negotiable.

Revenue bonds may be issued in one or more series, may bear such date or dates, may mature at such time or times, not exceeding forty years from their respective dates, may bear interest at such rate or rates, may be payable in such medium of payment and at such place or places, may be in such denomination or denominations, may be in such form, either coupon or registered, may carry such registration privileges, may be subject to such terms of redemption before



maturity, with or without premium, and may contain such terms, covenants, and conditions as the resolution authorizing the issuance of the bonds may provide. The bonds must be fully negotiable within the meaning of and for all the purposes of the Uniform Commercial Code.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-340.** Bonds tax exempt.

The bonds must be exempt from state, county, municipal, and school taxes.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-350.** Signature on bonds and coupons.

The bonds must be signed in the corporate name of the university by the chairman of the board of trustees of the university, under the corporate seal of the university attested by the secretary of the board of trustees. Interest coupons attached to the bonds must be signed by the facsimile signatures of these officers. The bonds may be issued notwithstanding that any of the officials signing them or whose facsimile signatures appear on the coupons have ceased to hold office at the time of the issue or at the time of the delivery of the bonds to the purchaser.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-360.** Sale of bonds.

The bonds must be sold at public or private sale upon such terms and conditions as the board of trustees of the university considers advisable.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-370.** Filing with State Treasurer description of all obligations entered into by board.

The board of trustees or its proper administrative officers shall file with the State Treasurer within thirty days from the date of their issuance a complete description of all obligations entered into by the board, with the rates of interest, maturity dates, annual payments, and all pertinent data.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-380.** Authorizing resolution constitutes binding contract; enforcement.

All provisions of a resolution authorizing or providing for the issuance of the bonds in accordance with Section 59-136-320 and of the covenants and agreements constitute valid and legally binding contracts between the university and the several holders of the bonds, regardless of the time of issuance of the bonds, and is enforceable by the holder or holders by mandamus or other appropriate action, suit, or proceeding at law or in equity in any court of competent jurisdiction.

HISTORY: 1993 Act No. 69, Section 1.

**SECTION 59-136-390.** Sources of payments of bonds; bonds not obligations of state.

The bonds must be made payable solely from the revenues derived by the university from the operation of the building or equipment for which the bonds are issued or, in the discretion of the board of trustees of the university, from the revenues and also from any other revenues of the university except revenues derived from appropriations received from the General Assembly. The bonds are not obligations of the State.

HISTORY: 1993 Act No. 69, Section 1.

**AGENCY:** Department of Commerce, Division of Public Railways

**PROJECT/SUBJECT:** Acquisition of Hampton & Branchville Railroad

Colleton County and Palmetto Railways are partnering in an economic development initiative to restore railroad service to western Colleton County by purchasing and operating the assets of the Hampton & Branchville Railroad. (The County is unable to acquire and operate the Railroad because [a] it is prohibited by law without first conducting a referendum, [b] it does not meet the Surface Transportation Board's definition of a common carrier, and [c] it has no experience in operating a rail line.) Preserving the Railroad and having rail service available to properties adjacent to the rail line will allow the County and State to be more competitive in attracting large economic development projects and investments. Recognizing the importance of the rail line to these efforts, Palmetto Railways has agreed to work with the County to acquire and operate the Railroad.

Description of the Property:

The Railroad originates in Hampton (at a connection with CSX rail lines) and runs to Canadys. In addition to other properties along the rail line, it serves the former SCE&G power-generating station in Canadys, which is being marketed for economic development.

The property/assets consist of 45.77 miles of rail line, 32.07 acres of land (in three separate parcels), and ten buildings.

Cost and Financing:

The cost of the acquisition is \$6,500,000; the property was valued at \$7,577,212 in April 2014.

Colleton County Intermodal Corporation (CCIC), a non-profit corporation created by Colleton County, will provide a non-recourse loan to Palmetto Railways to finance the purchase of the property pursuant to a Loan and Security Agreement. (CCIC will issue revenue bonds of approximately \$7,555,000 to cover cost of acquisition, debt service reserve fund, and cost of issuance.) Repayment of the loan will be made solely from the revenue generated from the operation of the Railroad, specifically (a) ten percent of all gross revenues received by Palmetto Railways in connection with the operation of the Railroad plus (b) 25 percent of the net income, if any. CCIC will use the funds received from Palmetto Railways to pay the debt service payments on the bonds. The term of the loan is ten years beyond the term of the revenue bonds (or 30 years if 20-year revenue bonds are issued).

Colleton County has entered into a Reimbursement Agreement with CCIC which requires the County to satisfy the debt service on the bonds (either from its general fund revenue or from proceeds of general obligation bonds) if the revenue generated from the operation of the Railroad is insufficient to cover the debt. If the County fails to satisfy the debt service, then Palmetto Railways could elect (but will not be obligated) to pay the debt service. If Palmetto Railways

chooses not to pay the debt service, then CCIC could seize the property. Because the loan is non-recourse, CCIC's recovery is limited to the collateral only.

(Colleton County approved the issuance of the revenue bonds by CCIC and the issuance of general obligation bonds, if necessary, by the County via ordinance on November 3, 2015.)

#### Environmental Conditions:

As part of a feasibility study, Palmetto Railways obtained an environmental site assessment of the property which identified varying levels of contamination at each parcel. Legal counsel has advised Palmetto Railways to enter into Non-Responsible Party Voluntary Cleanup Contracts (NRP-VCCs) with DHEC in order to minimize the risk to Palmetto Railways.

#### **COMMITTEE ACTION:**

Review and make recommendation regarding Palmetto Railway's acquisition of the assets of the Hampton & Branchville Railroad in accordance with the Asset Purchase and Sale Agreement and the financing pursuant to the Loan and Security Agreement.

#### **ATTACHMENTS:**

- 1) Executive Budget Office Summary Worksheet dated August 2, 2016
- 2) Letter from Robert M. Hitt, III, Secretary of the Department of Commerce, dated July 25, 2016
- 3) Executive Summary dated June 2, 2016
- 4) Letters of support from Colleton County, Colleton County School District, Colleton County Economic Alliance, Hampton County, Hampton County School District One, South Carolina Regional Development Alliance, and Legislative Delegation
- 3) Memorandum dated May 11, 2016, regarding Environmental Conditions and Protections

#### **AVAILABLE UPON REQUEST:**

- 1) Asset Purchase and Sale Agreement
- 2) Loan and Security Agreement

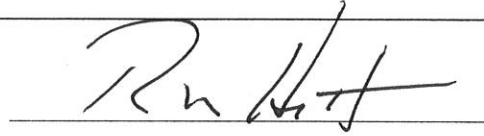
## JOINT BOND REVIEW COMMITTEE AGENDA ITEM WORKSHEET

Meeting Scheduled for: August 2, 2016

Regular Agenda

**1. Submitted By:**

- (a) Agency: Department of Commerce  
Div. of Public Railways d/b/a Palmetto Railways:  
(b) Authorized Official Signature:



**2. Subject:**

Hampton & Branchville Railroad acquisition and loan

**3. Summary Background Information:**

Hampton & Branchville Railroad Company agreed to sell the assets of the Hampton & Branchville Railroad (the "Railroad") located in Hampton County and Colleton County, South Carolina to Colleton County Intermodal Corporation ("CCIC"), a South Carolina nonprofit corporation in a \$7.55 million transaction to be financed by bonds issued by or on the credit of Colleton County (the "County"). Colleton County and Palmetto Railways are partnering in an economic development initiative to restore railroad service to western Colleton County and Hampton County. The nonprofit corporation was established because the County is unable to acquire and operate the Railroad for several reasons: it is prohibited under State law from owning a railroad without first conducting a referendum, it does not meet the Surface Transportation Board's definition of a common carrier, and it has no experience in operating a rail line or staff to do so. The assets would continue to be operated as a railroad by Palmetto Railways.

Palmetto Railways would take possession of the assets, maintain the assets, and operate the Railroad. The Railroad originates in Hampton, SC at its connection with CSX Corp. and then runs from Hampton, SC to Canadys, SC. The Railroad also serves the former South Carolina Electric and Gas Company power generating station in Canadys, which the partners in the initiative are marketing for economic development in addition to other properties along the rail line. Preserving the Railroad and having rail service available to properties adjacent to the rail line allows the County and State to be more competitive in attracting large scale projects and investments. The primary assets to be acquired include: 45.77 miles of rail line, 3 surplus land parcels totaling 32 acres, and 10 buildings. Once the County issues revenue bonds ("Bonds") in its own name in the approximate par amount of \$7,555,000, Colleton County Intermodal Corporation ("CCIC"), a South Carolina non-profit corporation created by the County, will lend the proceeds derived from the sale of the bonds to Palmetto Railways via a non-recourse loan. The proceeds of the loan will then be used to purchase the Railroad, fund a debt service reserve fund for the bonds and pay closing costs and expenses associated with the issuance of the bonds and the acquisition of the railroad.

Debt payments to CCIC for the Bonds will be made by the Palmetto Railways solely from the revenue generated from the operation of the Railroad. Palmetto Railways shall pay to CCIC, on an annual basis, (i) ten percent of all gross revenues received by Palmetto Railways in connection with the operation or use of or otherwise in connection with the Railroad plus (ii) twenty-five percent of the net income generated from the ownership, operation and use of the Railroad. CCIC will use 100% of the funds received from Palmetto Railways to cover its debt service payments on the Bonds. Under the terms of this agreement, the County will satisfy any remaining annual debt payments on the Bonds. After five years, Palmetto Railways has the right to relinquish its rights to the Railroad.

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

Consider approval of the acquisition of the assets of the Hampton & Branchville Railroad in accordance with the Asset Purchase and Sale Agreement and the financing of the acquisition pursuant to the Loan and Security Agreement.

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**5. What is the recommendation of the Executive Budget Office?**

The EBO has determined that the item is complete and ready for JBRC review.

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**6. List of Supporting Documents:**

1. SC Department of Commerce request for approval
2. Executive Summary – Hampton & Branchville Railroad and Related Properties
3. Asset Purchase and Sale Agreement by and Between Hampton & Branchville Railroad Company and South Carolina Division of Public Railways d/b/a Palmetto Railways
4. Loan and Security Agreement by and Between Collection County Intermodal Corporation and South Carolina Division of Public Railways d/b/a Palmetto Railways





**Nikki R. Haley**  
Governor

**SOUTH CAROLINA**  
DEPARTMENT OF COMMERCE

**Robert M. Hitt III**  
Secretary

July 25, 2016

The Honorable Hugh F. Leatherman  
Chairman  
Joint Bond Review Committee  
Gressette Building, Room 109  
Columbia, South Carolina 29201

Mr. Grant Gillespie  
Executive Director  
State Fiscal Accountability Authority  
1200 Senate Street  
Columbia, SC 29201

Dear Chairman Leatherman and Mr. Gillespie:

The purpose of this letter is to notify you of the intention of the South Carolina Department of Commerce ("Commerce") and its Division of Public Railways ("Palmetto Railways") to seek the approval of the Joint Bond Review Committee ("JBRC") and the State Fiscal Accountability Authority ("SFAA") to acquire the assets of the Hampton & Branchville Railroad (the "Railroad") located in Hampton and Colleton Counties for \$6,500,000.

### **PROPOSED ACQUISITION**

This transaction is a very important economic development project for Colleton County, which cannot legally acquire or operate a railroad. The County has partnered with Palmetto Railways and worked very hard for more than a year to structure a transaction that will preserve the Railroad without creating risk for Palmetto Railways or the State of South Carolina. To that end, the County has established a non-profit economic development corporation to serve as issuer of revenue bonds in the amount of approximately \$7,555,000, the proceeds of which will finance the transaction via a non-recourse loan to Palmetto Railways. Palmetto Railways will acquire, own, and operate the Railroad for a minimum of five (5) years while Palmetto Railways and Colleton County market sites along the rail line to economic development prospects. The maintenance costs of the Railroad, anticipated conservatively not to exceed \$50,000 annually, even if no new business locates on the Railroad, will be more than offset by anticipated revenues generated from storing rail cars on the Railroad. Further background concerning the Railroad and the transaction are contained in the Executive Summary included in the package submitted to JBRC and SFAA.

### **STATE BENEFIT**

Preservation of short-line railroads is good for South Carolina because it opens up rural, undeveloped areas of the state to industrial development. Whenever possible, we should support efforts to keep this type of existing infrastructure intact. In many cases, there are often obstacles that cannot be overcome whether it be the cost to rehabilitate existing lines and/or lack of resources. But, in this transaction, the rail infrastructure is in good

condition, and Colleton County has stepped up to finance the transaction and enable Palmetto Railways to offer its assistance without jeopardizing other important state priorities. Additionally, the transaction is structured in a way that allows Palmetto Railways to walk away with no penalty if after five (5) years Palmetto Railways does not believe it is advantageous to continue owning and operating the Railroad. If Palmetto Railways opts to walk away, the County and the non-profit lender can sell the Railroad for its scrap value, which is estimated to be sufficient to satisfy the outstanding loan. Alternatively, if Palmetto Railways and Colleton County are successful in attracting economic development along the rail line and the Railroad becomes profitable, Palmetto Railways can choose to pay off the loan or continue under the current financing arrangement until such time as Colleton County recovers its costs. Under any scenario, the transaction provides low risk for the parties involved with significant upside potential.

### **LOCAL SUPPORT**

Colleton and Hampton Counties clearly win if our joint efforts are successful to attract taxable investment and new job creation along the Railroad. The local legislative delegation, the administrations of Colleton and Hampton Counties, the county economic development organizations, and the affected school districts have all submitted letters of support for the acquisition, which are included in the package submitted to JBRC and SFAA.

### **STAFF REVIEW & APPROVAL OF TRANSACTIONAL DOCUMENTS**

The key transactional documents to implement the acquisition include the (1) Asset Purchase and Sale Agreement, (2) Loan and Security Agreement, Mortgage, and Promissory Note. My understanding is that my legal and finance staff along with Palmetto Railways, the seller, and Colleton County have been working with staff of JBRC, SFAA, and the Department of Administration ("DOA") to ensure that the various transactional documents are in a form that is acceptable to all parties.

### **REQUEST FOR APPROVAL**

As described more fully above, the Department of Commerce and Palmetto Railways respectfully request that the JBRC and the SFAA take the following actions:

1. Approve acquisition of the assets of the Hampton & Branchville Railroad in accordance with Asset Purchase and Sale Agreement, subject to review and approval by SFAA and/or DOA staff.
2. Approve the financing of the acquisition pursuant to the Loan & Security Agreement, Mortgage, and Promissory Note, subject to review and approval by SFAA and/or DOA staff.

Sincerely,



Robert M. Hitt III

cc: Marcia S. Adams, Executive Director, Department of Administration  
Jennifer LoPresti, Capital Budgeting Manager, Executive Budget Office  
Jeff McWhorter, President, Palmetto Railways  
Chris Huffman, Chief Financial Officer

RMHIII/km

## EXECUTIVE SUMMARY

To: Karen Manning, Chief Legal Counsel  
The South Carolina Department of Commerce

From: George J. Bullwinkel, III, Esq.  
Robert H. Mozingo, Esq.  
Nexsen Pruet, LLC

cc: Jeff McWhorter, CEO & President  
Palmetto Railways

Re: Executive Summary - Hampton & Branchville Railroad and Related Properties

Date: June 2, 2016

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### **GENERAL OVERVIEW:**

Colleton County (the "County") and Palmetto Railways ("Palmetto") are partnering in an economic development initiative to restore railroad service to western Colleton County by purchasing and operating the assets of Hampton & Branchville Railroad (such assets being referred to herein as "H&B Railroad" or the "Railroad"). The County is unable to acquire and operate the Railroad because it is prohibited under State law from owning a railroad without first conducting a referendum, it does not meet the Surface Transportation Board's definition of a common carrier, and it has no experience in operating a rail line or staff to do so. However, recognizing the importance of a rail line to the State's and the County's economic development programs, Palmetto has agreed to work with the County and to acquire and operate the Railroad.

### **DESCRIPTION OF RAILROAD:**

The Railroad originates in Hampton, SC at its connection with other rail lines owned by CSX Corp. and then runs from Hampton, SC to Canadys, SC. The Railroad also serves the former South Carolina Electric and Gas Company ("SCE&G") power generating station in Canadys, which the partners in the initiative are marketing for economic development in addition to other properties along the rail line. Preserving the Railroad and having rail service available to properties adjacent to the rail line allows the County and State to be more competitive in attracting large scale projects and investments. The primary assets to be acquired include:

- 45.77 miles of rail line.
- Surplus land parcels (described in more detail below)(the "Surplus Parcels"):
  - Surplus Parcel 1: A tract of land approximately 26.91 acres in area located within the Town of Hampton (Hampton County TMS # 119-06-01-001) (the "Hampton Site").

- Surplus Parcel 2: A tract of land approximately 4.50 acres in area located within the unincorporated community of Miley (Hampton County TMS 146-00-00-005 and 146-00-00-006)(the “1<sup>st</sup> Miley Site”).
- Surplus Parcel 3: A tract of land approximately 0.662 acres in area located within the unincorporated community of Miley (a portion of Hampton County TMS # 146-00-00-005)(the “2<sup>nd</sup> Miley Site”).
- Buildings:
  - Railroad Office, Hampton, SC
  - Hampton Depot, Hampton, SC
  - Commissary Structure, Hampton, SC
  - Lightsey Brothers Office, Miley, SC
  - Miley Depot, Miley, SC
  - Pump House, Miley, SC
  - Power House, Miley, SC
  - Garage/Open Shed, Miley, SC
  - Railroad/Locomotive Shop, Miley, SC
  - Depot Building, Williams, SC

For additional detail on these and the other assets to be acquired, please see the proposed *Asset Purchase and Sale Agreement* attached hereto as Exhibit A.

#### **ENVIRONMENTAL CONDITIONS:**

Palmetto has obtained a Phase I Environmental Site Assessment (a “Phase I”) for each of the above-described Surplus Parcels included in this transaction. In addition, Palmetto has obtained a Phase I for: (i) a 40-mile section of railroad track running from Miley, SC to Canadys, SC (the “40-mile track segment”); and (ii) a site located at the former SCE&G power generating station in Canadys identified as Colleton County TMS # 044-00-00-083 (the “Canadys Site”). Palmetto will not be acquiring fee title to the actual Canadys Site, but will acquire certain access rights over the Canadys Site along with ownership of several sections of railroad track located thereon.

The Phase I’s turned up varying levels of contamination on and/or under each parcel. Environmental counsel has advised Palmetto to enter into Non-Responsible Party Voluntary Cleanup Contracts (“NRP-VCCs”) with the South Carolina Department of Health and Environmental Control (“DHEC”).

A Phase I is performed to qualify for the 1) innocent landowner defense, 2) the contiguous property owner defense, or 3) the bona fide prospective purchaser (“BFPP”) defense under the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), commonly known as Superfund.

Environmental counsel has advised that Palmetto enter into NRP-VCCs with DHEC to minimize environmental risk to Palmetto. NRP-VCCs provide an incentive to conduct response actions at a site by providing Non-Responsible Parties (such as, in this particular case, Palmetto) a 1) covenant not to sue, 2) contribution protection, and 3) third party liability protection. ( S.C. Code Ann. § 44-56-710 *et seq.*). Under environmental law, a “Non-Responsible Party” or “NRP” is generally described as a person who (or an entity which) is not responsible for the presence of hazardous substances at a site.

Due to Palmetto’s status as a NRP and entering into a NRP-VCC, DHEC will likely only require Palmetto to perform subsurface soil, and surface soil, and groundwater testing to gather data on the environmental impact on H&B Railroad. The responsible party(ies) - past owners and operators - would be responsible for corrective actions, environmental cleanup, remediation, and other environmental testing and delineation.

For more information on the environmental conditions of these sites, see the Memo to Karen Manning dated May 11, 2016, regarding Environmental Conditions and Protections, prepared by the Pflug Law Firm, attached hereto as Exhibit D.

#### **ACQUISITION FINANCING:**

The purchase price to be paid by Palmetto for the Railroad is \$6,500,000. Colleton County Intermodal Corporation (“CCIC”), a South Carolina non-profit corporation created by the County, will provide a non-recourse loan in the approximate principal amount of \$7,555,000 (the “Loan”) to Palmetto for the purpose of financing Palmetto’s purchase of the Railroad. First, CCIC will issue revenue bonds in its own name in the approximate par amount of \$7,555,000. Then, CCIC will lend the proceeds derived from the sale of the bonds to Palmetto via the Loan and subject to the terms and conditions set forth in the proposed *Loan and Security Agreement* between CCIC and Palmetto (the “Loan Agreement”) attached hereto as Exhibit B. The proceeds of the Loan will then be used to purchase the Railroad, fund a debt service reserve fund for the bonds and pay closing costs and expenses associated with the issuance of the bonds and the acquisition of the Railroad, all as more particularly set forth and described on the preliminary “*Sources and Uses of Funds*” report dated June 1, 2016, prepared by Oppenheimer & Co., Inc., attached hereto as Exhibit C. Palmetto will grant CCIC a mortgage and security interest in the Railroad as collateral for its obligations under the Loan and the Loan Agreement pursuant to a mortgage and security agreement (the “Mortgage”).<sup>1</sup> Since the Loan is non-recourse, in the event of a default CCIC’s recovery will be limited solely to the collateral (i.e., Palmetto (and thus the State) is not personally liable for the debt).

The term of the Loan is ten (10) years beyond the term of the revenue bond issue. Assuming a 20-year bond issue, the Loan will mature 30 years from the date of closing and the estimated total cost of financing over the term of the 30-year Loan will be \$11,074,065 (rounded), which includes all scheduled principal and interest payments due on the bonds (and, in turn, the Loan) over said 30-year period. For more information on the proposed debt service, see the

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<sup>1</sup> CCIC will then assign its rights under the Mortgage and the Reimbursement Agreement (as defined herein) to the bond trustee as security for the payment of the bonds.



preliminary "Bond Debt Service" report dated June 1, 2016, prepared by Oppenheimer & Co., Inc., attached hereto as Exhibit C.<sup>2</sup>

Debt service payments on the Loan will be made by Palmetto solely from the revenue generated from the operation of the Railroad. More specifically, Palmetto shall pay to CCIC, on an annual basis, (i) ten percent (10%) of all gross revenues received by Palmetto in connection with the operation or use of or otherwise in connection with the Railroad plus (ii) twenty-five percent (25%) of the net income, if any, generated from the ownership, operation, use or disposal of the Railroad. One hundred percent of the funds paid to CCIC will, in turn, be used by CCIC to cover its debt service payments on the bonds. In addition, because the Railroad is not expected to generate substantial revenues during its early years of operations, the County will enter into a Deposit and Reimbursement Agreement with CCIC and the bond trustee for the revenue bonds (the "Reimbursement Agreement"). Under the terms of the Reimbursement Agreement, should the revenue generated from the operation of the Railroad be insufficient to satisfy the annual debt service on the Loan (and, thus, the bonds), then the County will satisfy the debt service on the bonds either from its general fund revenue or from the proceeds of general obligation bonds to be issued by the County for that purpose.

In the event that the County fails to perform under the Reimbursement Agreement and there is insufficient revenue from the operation of the Railroad to satisfy the debt service payments on the Loan (and, thus, the bonds), then Palmetto could elect (but will not be obligated) to make up the difference and cover the debt service payments on the Loan (and, thus, the bonds). If Palmetto chooses not to make up the difference and cover such debt service payments, then CCIC could seize the collateral. Because the Loan is non-recourse, however, CCIC's recovery is limited to the collateral even if the value of the collateral does not cover the remaining outstanding debt and CCIC cannot seek further recovery from Palmetto. According to a "Net Liquidation Value (NLV) Estimate" dated April 21, 2014, and prepared for the Hampton & Branchville Railroad by Kenneth Young & Associates, the estimated "Net Liquidation Value" of the Railroad as of February 25, 2014, was approximately \$7,577,212 (the "NLV Estimate"). A copy of the NLV Estimate is attached hereto as Exhibit E.

The County approved the issuance of the revenue bonds by CCIC and the issuance of general obligation bonds, as necessary, by the County via ordinance on November 3, 2015.

#### **OPERATION AND MAINTENANCE:**

Palmetto will operate and maintain the Railroad. Until the Railroad becomes active, the annual cost to Palmetto of maintaining the Railroad is expected to be less than \$50,000 per year.

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<sup>2</sup> Please note that the attached "Bond Debt Service" report and the figures contained therein are estimates based on current market conditions and assumptions. Actual figures may vary.



**ATTACHMENTS:**

- Exhibit A - Asset Purchase and Sale Agreement
- Exhibit B - Loan and Security Agreement
- Exhibit C - Preliminary Bond Model Reports (Sources and Uses of Funds report, Bond Pricing report, Bond Debt Service report, Net Debt Service report, Cost of Issuance report and Bond Summary Statistics report), dated June 1, 2016, prepared by Oppenheimer & Co., Inc. NOTE: These reports and the figures contained therein are estimates based on current market conditions and assumptions. Actual figures may vary.
- Exhibit D - Memo to Karen Manning dated January 6, 2016, regarding Environmental Conditions and Protections
- Exhibit E - Net Liquidation Value (NLV) Estimate

# Colleton County, South Carolina



June 20, 2016

The Honorable Robert M. Hitt III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.


The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

  
J. Kevin Griffin  
County Administrator

213 N. Jefferies Blvd. • Walterboro, South Carolina 29488  
Telephone 843-782-4525 • Fax 843-782-3502



Franklin L. Foster, EdD  
Superintendent of Education

June 20, 2016

The Honorable Robert M. Hitt III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County School District, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

Franklin L. Foster, EdD  
Superintendent

COLLETON COUNTY  
ECONOMIC ALLIANCE

July 15, 2016

The Honorable Robert M. Hitt, III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street  
Columbia, South Carolina 29201

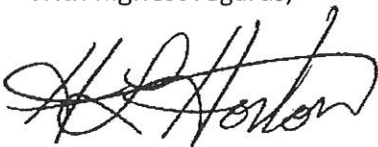
Dear Secretary Hitt:

To follow through on your recommendations that you gave to our H&B Railroad acquisition team a couple of years ago, Colleton County and its allies have endeavored to identify, study and acquire properties along the H&B Railroad that have good potential for industrial development. Since then, we have employed the services of Bruce Facilities Planning Consultants, AMEC-Foster Wheeler and TranSystems to identify and vet candidate sites.

I am pleased to advise you that from the several site possibilities identified by the aforementioned site experts, Colleton has optioned 1400+ acres of a 2000-acre site. Alliance Engineers and S&ME are to commence due diligence thereon before the end of July 2016. We have also negotiated a purchase for a 140-acre site and have had AMEC-FW conduct environmental studies on that property. Lastly, SCANA has agreed to lease up to 167 acres of their Canadys site for Colleton County to sublease to prospective companies. Likewise, Hampton County has worked to identify viable sites on the H&B Railroad and have two primary sites under consideration.

We are excited about the near-term and long-term possibilities for development along the H&B Railroad with the help of Palmetto Railways, South Carolina Department of Commerce and our other key allies. Please call on me if you wish to further discuss our efforts to identify, study and acquire viable industrial sites along the H&B Railroad.

With highest regards,



Heyward Horton  
Executive Director



July 11, 2016

The Honorable Robert M. Hitt, III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, SC 29201

Re: H&B Railroad

Dear Secretary Hitt:

On behalf of Hampton County, I would like to voice my support for the acquisition of the H&B rail line, a private concern, by Palmetto Railways and financed by a bond issued by Colleton County for economic development.

The acquisition of the of the rail line will open many viable sites for economic development in Hampton County, including the 99-acre Lightsey tract adjacent to Downtown Hampton, the 56-acre former Nevamar facility as well as the former Hampton Country Club.

We look forward to working with our regional economic development partners at the Southern Carolina Alliance as well as your team at the Department of Commerce to monetize this project through job creation and capital investment.

The expected closing date is October 2016.

Sincerely,

Rose-Dobson-Elliott  
Administrator, Hampton County

**HAMPTON COUNTY GOVERNMENT**  
200 Jackson Avenue East  
Hampton, South Carolina 29924  
Telephone: (803) 914-2100 Fax (803) 914-2107



## HAMPTON COUNTY SCHOOL DISTRICT ONE

P.O. BOX 177      HAMPTON, SC 29924  
DOUGLAS E. McTEER, JR., Ph.D.  
SUPERINTENDENT

PHONE: (803) 943-4576  
TOREACHER DOBSON  
DEPUTY SUPERINTENDENT

June 30, 2016

The Honorable Robert M. Hitt, III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, SC 29201

Re: H&B Railroad

Dear Secretary Hitt:

On behalf of Hampton School District One, I support the acquisition of the H&B rail line, a private concern, by Palmetto Railways and financed by a bond issued by Colleton County for economic development. Southern Carolina Alliance has assisted with identifying acreage along the rail line that would be viable sites for economic development in both Hampton and Colleton counties.

The expected closing date is October 2016.

Sincerely,

Douglas E. McTeer, Jr., Ph.D.  
Superintendent





Danny R. Black, *President*

1750 Jackson Street, Suite 100 Barnwell, SC 29812

June 23, 2016

The Honorable Robert M. Hitt, III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, SC 29201

Re: H&B Railroad

Dear Secretary Hitt:

On behalf of SouthernCarolina Regional Development Alliance I support the acquisition of the H&B rail line, a private concern, by Palmetto Railways and financed by a bond issued by Colleton County Intermodal Corporation for economic development. SouthernCarolina Alliance has assisted with identifying acreage along the rail line that would be viable sites for economic development in both Hampton and Colleton counties.

We are excited about the possibility of adding additional rail site for marketing within our region.

Sincerely,

A handwritten signature in black ink that reads "D. Black".

Danny Black  
President & CEO

**MARGIE BRIGHT MATTHEWS**

SENATOR, ALLENDALE, BEAUFORT, CHARLESTON,  
COLLETON, HAMPTON AND JASPER COUNTIES  
SENATORIAL DISTRICT NO. 45

**HOME ADDRESS:**

P.O. BOX 499  
WALTERBORO, SOUTH CAROLINA 29488



**OFFICE ADDRESS:**

P.O. BOX 142  
COLUMBIA, SOUTH CAROLINA 29202  
TELEPHONE (803) 212-6056  
FAX (803) 212-6299

**EMAIL:**

MARGIEBRIGHTMATTHEWS@SCSENATE.GOV

July 12, 2016

The Honorable Robert M. Hitt III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

A handwritten signature in dark ink, appearing to read "Margie", with a long, sweeping horizontal line extending to the right.

Margie Bright Matthews

**JOHN W. MATTHEWS**

SENATOR, ORANGEBURG, BERKELEY, CALHOUN,  
COLLETON, AND DORCHESTER COUNTIES  
SENATORIAL DISTRICT NO. 39

**HOME ADDRESS:**

BOX 460  
BOWMAN, SC 29018  
(803) 829-2383  
(803) 829-2423



**COMMITTEES:**

AGRICULTURE AND NATURAL RESOURCES  
BANKING AND INSURANCE  
EDUCATION  
ETHICS AND INVITATIONS  
FINANCE  
INTERSTATE COOPERATION

**SENATE ADDRESS:**

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[FACEBOOK.COM/SENATORJOHNMATTHEWS](https://www.facebook.com/senatorjohnmatthews)

July 13, 2016

The Honorable Robert M. Hitt III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County and as a Senate delegation member, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

A handwritten signature in cursive script that reads "John W. Matthews".

John W. Matthews,

## Brad Hutto

South Carolina Senate District 40  
Orangeburg, Allendale, Bamberg,  
Barnwell, Colleton and Hampton  
Counties

### Committees:

Corrections and Penology  
Education  
Ethics  
Fish, Game and Forestry  
Judiciary  
Medical Affairs  
State Regulation of Public Utilities  
Review Committee  
Joint Citizens and Legislative  
Committee on Children



Senate Office Address:  
Suite 510 Gressette Senate Office  
Building  
Post Office Box 142  
Columbia, South Carolina 29202  
Telephone: (803) 212-6140  
Fax: (803) 212-6299  
Email: bradhutto@scsenate.gov

Home Office Address:  
Post Office Box 1084  
Orangeburg, South Carolina 29116  
Telephone: (803) 534-5218  
Fax: (803) 536-6298

June 20, 2016

The Honorable Robert M. Hitt III  
Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

Please accept this letter in support of Colleton County and their efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCANA/SCE&G to preserve and develop an existing short line railroad in Colleton County.

As the Senator representing a portion of Colleton and Hampton Counties, I am in full support of the railroad which will include over forty miles of industrial-grade rail through Colleton and a portion of Hampton Counties by connecting to CSX in Hampton County, crossing Interstate 95, and running along several candidate industrial sites to the Edisto River in Canadys. This is a very attractive proposal and a potential economic engine for this area. Inasmuch as this is a portion of my Senatorial District, I am very interested in this project.

It is my understanding that Palmetto Railways will ultimately be the purchaser and operator of the railroad with Colleton County Intermodal Corporation (CCIC) and its partners assisting in financing and developing sites along the rail line for users. Further, Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

I ask that you give this your utmost attention and favorable consideration; however, if you wish to speak with me personally, please feel free to contact me.

Sincerely,

A handwritten signature in black ink that reads "Brad Hutto". The signature is written in a cursive style with a large, stylized "B" and "H".

Brad Hutto



## House of Representatives

State of South Carolina

**Kenneth F. Hodges**

District No. 121 - Colleton-Beaufort

Counties

P. O. Drawer 355

Greenpond, SC 29446

434-A Blatt Building  
Columbia, SC 29211

Tel. (803) 734-3062

July 6, 2016

**Committee:**

Agriculture, Natural Resources  
and Environmental Affairs

The Honorable Robert M. Hitt III  
Secretary, SC Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

A handwritten signature in black ink, appearing to read "Kenneth F. Hodges". The signature is stylized with a large, sweeping "H" and "K".

Kenneth F. Hodges

# The House of Representatives



STATE OF SOUTH CAROLINA  
STATE HOUSE  
P. O. BOX 11867  
Columbia 29211  
(803) 212-6907

JUSTIN BAMBERG  
DISTRICT 90  
MEDICAL, MILITARY, PUBLIC  
AND MUNICIPAL AFFAIRS COMMITTEE  
OPERATIONS AND MANAGEMENT  
COMMITTEE

HOME ADDRESS  
216 FAMILY CIRCLE DRIVE  
BAMBERG, SC 29003  
(803) 682-2860

July 14, 2016

The Honorable Robert M. Hitt III, Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

A handwritten signature in black ink, appearing to read "Justin Bamberg".

Justin Bamberg

JB/vhr/2016july14-10



**ST. GEORGE**

District No. 97  
Colleton & *Dorchester* Counties  
P. O. Box 663  
St. George, SC 29477

Fax (843) 563-4701  
Cell (843) 560-2200  
Email [pknight\\_scdist97@bellsouth.net](mailto:pknight_scdist97@bellsouth.net)

**Committees:**

Agriculture, Natural Resources  
and Environmental Affairs  
Operations and Management,  
Secy./Treas.



**House of  
Representatives**  
State of South Carolina

**Patsy G. Knight**

**COLUMBIA**

P.O. Box 11867  
306-B Blatt Building  
Columbia, SC 29211

Tel. (803) 734-2960  
Fax (803) 734-2925

July 14, 2016

The Honorable Robert M. Hitt III, Secretary  
South Carolina Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, South Carolina 29201

Dear Secretary Hitt:

On behalf of Colleton County, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC), and its partners will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance, and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

Sincerely,

A handwritten signature in cursive script that reads "Patsy G. Knight".

Patsy G. Knight



## House of Representatives

State of South Carolina

**Robert L. Brown**

District No. 116 - Charleston-  
Colleton Counties  
5925 Hwy. 162  
Hollywood, SC 29449

330-D Blatt Building  
Columbia, SC 29211

Tel. (803) 734-3170

Fax (843) 889-9035

June 22, 2016

**Committee:**

Education and Public Works

The Honorable Robert M. Hitt III  
Secretary, SC Department of Commerce  
1201 Main Street, Suite 1600  
Columbia, SC 29201

Dear Secretary Hitt:

On behalf of Colleton County, I support the efforts to partner with Palmetto Railways, Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, and SCE&G to preserve and develop an existing, more than forty-mile, short line railroad in Colleton County.

The short line railroad includes over forty miles of well-maintained, industrial-grade rail through Colleton and a portion of Hampton County. The railroad is connected to CSX in Hampton, crosses Interstate 95 and runs along several candidate industrial sites to the Edisto River in Canadys.

Palmetto Railways will ultimately be the purchaser and operator of the railroad. Colleton County, through Colleton County Intermodal Corporation (CCIC) and its partners, will assist with the financing and will be involved in developing sites along the rail line for users.

In addition to the marketing efforts by Palmetto Railways, Colleton County Economic Alliance and Southern Carolina Regional Development Alliance will work with South Carolina Department of Commerce to develop sites and attract industries to the line.

Colleton County Economic Alliance is receiving support from the Southern Carolina Regional Development Alliance, Coastal Electric Cooperative, the SC Power Team and SCANA/SCE&G to identify and secure viable industrial sites along the rail line.

If I can be of further assistance, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Robert L. Brown".

Robert L. Brown

To: Karen Manning, Chief Legal Counsel  
The South Carolina Department of Commerce

From: Chaun Pflug, Esq.  
Will Kleindienst, Esq.  
The Pflug Law Firm, LLC

cc: Jeff McWhorter, CEO & President  
Sheri Cooper, CFO  
Palmetto Railways

Re: Environmental Conditions and Protections  
Hampton & Branchville Railroad and Related Properties

Date: May 11, 2016

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### **Environmental Executive Summary**

The Hampton and Branchville ("H&B") transaction has been broken into four separate sites. There is a 26 acre parcel, TMS # 119-01-00-001 (the "Hampton site"); a 4.5 acre parcel plus a .662 acre parcel, TMS #'s 146-00-00-005 and 146-00-00-006 (the "Miley site")<sup>1</sup>; a 40-mile railroad track, running from Miley, SC to Canadys, SC (the "40-mile track"); and a site located at the former South Carolina Electric and Gas ("SCE&G") Power Generating Station, TMS # 044-00-00-083 (the "Canadys site"). Phase I's have been prepared for each site.

The South Carolina Department of Commerce, Division of Public Railways, DBA Palmetto Railways ("Palmetto Railways") currently has four Non-Responsible Party Voluntary Cleanup Contracts ("NRP-VCCs") from the South Carolina Department of Health and Environmental Control ("SCDHEC"). Palmetto Railways has a NRP-VCC on the Hampton site, the Miley site, and two on areas of the 40-mile track: the Ruffin NRP-VCC and Ducoa NRP-VCC.

### **Historical Use of the Hampton & Branchville Railroad**

The Hampton & Branchville Railroad ("H & B Railroad") was chartered about 1891. The H&B Railroad property at and adjacent to the property was purchased about 1892, with additional property acquired in the 1940s. In 1910, Miley, South Carolina, Hampton County, the Hampton

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<sup>1</sup> Two sections of 40-mile track (no tracks) were covered in the 40-mile track Phase I Environmental Site Assessment ("Phase I") report. The 40-mile track Phase I report reads:

"The subject property is the Hampton and Branchville (H & B) Railroad Right-of-Way property that routes from Canadys, South Carolina to Hampton, South Carolina (approximately 40 miles of track). The subject property also includes abandoned sections of railroad track beds that extend from the main track line near Stokes to Walterboro, South Carolina, and abandoned sections that extend from the main rail line at H & B Junction to Lodge, South Carolina. The section between the main line at H & B Junction and Lodge, South Carolina (approximately 1.4 miles) has not been used since about 1986. The section between the main line near Stokes, South Carolina and Walterboro, South Carolina (approximately 3.5 miles) has not been used since about 1989."

site became the site of a large lumber mill built by the Lightsey Brothers and serviced by H&B Railroad). The H&B Railroad eventually was extended into Colleton County and passenger service was also provided for a time. The saw mill in Miley closed about 1957 and certain segments of H&B Railroad were abandoned. In the early 1960's H&B Railroad began hauling coal to the Canadys site in Canadys, Colleton County, South Carolina. In the early 1960's, H & B Railroad switched from hauling lumber to primarily hauling coal to the Canadys Power Plant owned by SCE&G on the southern bank of the Edisto River. During this time, the Miley site was used as an engine house and support facility for the H&B Railroad.

H&B Railroad operated on the 40-mile track from the Hampton site, through the Miley site, to the Canadys site. Other companies that have operated on the H&B Railroad for shipping include the former Nevamar plywood-plastics plant (the "Nevamar Facility")<sup>2</sup>, f/k/a Westinghouse-Micarta and International Paper Company, in Hampton, SC, the former Ducoa plant, manufacturer of livestock feed additives and animal health products, in Miley, SC (the "Ducoa Facility"), Sanders Farm Supply in Stokes, SC, and several business in Walterboro including a lumber company.

In November 1986, H&B Railroad formed a subsidiary company, known as the Colleton County Railroad, and purchased CSX owned branch-lines, which was the H&B Junction through Stokes to Walterboro and the Stokes to Canadys trackage. The H&B tracks that extended from the main track line near Stokes to Walterboro, SC, and sections that extended from H&B Junction to Lodge, SC have not been used since the 1980's and the tracks along these sections were reportedly removed. Portions of the rail line property near U.S. Interstate 95 in Walterboro were sold. In January 1988 the Colleton County RR was merged into Hampton & Branchville. The hauling of coal to the Canadys Plant ceased in 2013 after SCE&G announced that the power plant was closing.

It is unclear whether the Lightsey brothers or one of the other entities mentioned above has been identified as the responsible party<sup>3</sup> ("RP") for preexisting known and unknown contamination on

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<sup>2</sup> The Nevamar Facility adjoining to the north and west of the Hampton site last operated by Nevamar and closed in 2014 is being managed for contamination of chemicals related to chlorinated solvents. According to reports by Cummings Riter Consultants Inc. ("Cummings Riter") on behalf of CBS Corporation, the contaminant plume currently extends from the Nevamar Facility through the Hampton site continuing to the southeast onto the adjoining Lightsey property. Cummings Riter has been performing environmental assessments at the Nevamar Facility site since the 1990's. Cummings Riter is currently conducting routine monitoring for contamination under the supervision of both the EPA and the SCDHEC. In 2014 Cummings Riter started a pilot remediation project with injections into the contaminated groundwater that was reported positive results. In the areas that were injected, including the source area at the Nevamar Facility, reductions of contamination of 90-95% were noted. The current plan is to conduct full scale remediation at a series of injection points along the contamination plume. Previous monitoring results showed elevated levels of chlorinated solvents on the Hampton site. Groundwater well sampling results from September 2015 for a groundwater sample collected from a monitoring well reported elevated levels of Trichloroethene and cis-1,2-Dichloroethene exceeding regulatory standards. Another groundwater monitoring well was recently installed on the Hampton site and remediation by injection is planned to further reduce the contaminant levels in the groundwater.

<sup>3</sup> S.C. Code of Laws Ann. § 44-56-720 defines a responsible party as:

(a) the owner and operator of a ... facility, as these terms are defined in CERCLA;

(b) any person who at the time of disposal of any hazardous substance owned or operated any facility at which such hazardous substances were disposed of, as these terms are defined in CERCLA;

the H&B Railroad. Under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and the corresponding South Carolina Code § 44-56-720, as set forth below a responsible party will be required to cleanup preexisting and historical contamination on a site.

### **Protections from a Phase I Environmental Site Assessment**

The purpose of the Phase I is to identify, pursuant to American Standards Testing Material ("ASTM") E 1527-13, recognized environmental conditions in connection with the property. A Phase I is performed to assist a purchaser in qualifying for the i) innocent landowner ("IL"), ii) contiguous property owner, or iii) the bona fide prospective purchaser ("BFPP") defense under CERCLA, and to help facilitate a proposed property transaction. A Phase I reflects that there was an all appropriate inquiry ("AAI") into the previous ownership and uses of the land to detect whether recognized environmental conditions, i.e., environmental contamination, exists. An AAI is the basis for all of the CERCLA defenses.

CERCLA §§ 101(40)(A)-(H) and 107(r)(1) lays out the eight factors that must be met to claim the bona fide prospective purchaser ("BFPP") defense. The requirements are:

1. All disposal of hazardous substances at the facility occurred prior to acquisition;
2. The person conducted all appropriate inquiry ("AAI") into the previous ownership and uses of the facility;
3. The person provides legally required notices;
4. The person takes reasonable steps with respect to hazardous substance releases;
5. The person provides cooperation, assistance, and access;
6. The person complies with land use restrictions and institutional controls;
7. The person complies with information requests and administrative subpoenas; and
8. The person is not potentially liable for response costs at the facility or "affiliated" with any such person.

### **Recognized Environmental Conditions**

The environmental conditions on the H&B Railroad are known as "recognized environmental conditions" and may be subject to some semblance of remediation under a regulatory scheme.

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(c) any person who by contract, settlement, or otherwise arranged for disposal or treatment or arranged with a transporter for transport for disposal or treatment of hazardous substances owned or possessed by such person, by any other party or entity, at any facility or incineration vessel owned or operated by another party or entity and containing such hazardous substances, as these terms are defined in CERCLA;

(d) any person who accepts or accepted any hazardous substances for transport to disposal or treatment facilities, incineration vessels, or sites selected by such person, from which there is a release or a threatened release which causes the incurrence of response costs of a hazardous substance, as such terms are defined in CERCLA; and

(e) any person who owns or operates or who owned or operated an above ground or underground storage tank from which petroleum or petroleum products have been released or who owns and operates or who owned or operated a property on which a petroleum release has occurred.

However, the ASTM distinguishes between recognized environmental conditions, historical recognized environment conditions, and controlled recognized environmental conditions.<sup>4</sup>

### Phase I Environmental Site Assessment on the H&B Railroad

Palmetto Railways has conducted four separate Phase I's on the H&B Railroad. Palmetto Railways has completed a Phase I on the Hampton site, Miley site, 40-mile railroad track, and the Canadys site. Palmetto Railways will be able to claim the BFPP defense for any environmental contamination on these four sites, so long as they meet their continuing obligations under CERCLA laid out above. Further, Palmetto Railways will be able to claim third party liability protection (*See* S.C. Code Ann. § 44-56-750(H)) and contribution protection (*See* CERCLA 113.42 U.S.C. § 9613 and § 44-56-200 *et seq.*) under their NRP-VCC after they receive a covenant not to sue and certificate of completion from the SCDHEC.

### Current and Historical Environmental Conditions on H&B Railroad Parcels

#### Hampton site: TMS 119-06-01-001

- The use of the subject property by H&B Railroad as a railroad facility since the late 1800's that has included the storage and use of coal and petroleum products, the likely repair and maintenance of train engines, and the transport and parking of train cars carrying various products including chemicals is considered a *recognized environmental condition*.
- The area southwest of the commissary building that was leased as a fuel and petroleum supply business from about 1945 to 1999 is considered a *recognized environmental condition* due to the lack of information regarding the storage of petroleum products in that area.
- Residential septic systems and water supply wells are generally not considered a significant environmental concern. Therefore, the possibility of these utilities is *not considered a recognized environmental condition*. However, if any water supply wells are discovered at locations of former tenant houses at the subject property, they should be abandoned and closed according to applicable State regulations.

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<sup>4</sup> ASTM E1527-13 defines a recognized environmental condition as "the presence or likely presence of any hazardous substances or petroleum products in, on, or at a property: (1) due to any release to the environment; (2) under conditions indicative of a release to the environment; or (3) under conditions that pose a material threat of a future release to the environment. *De minimis* conditions are not recognized environmental conditions."

ASTM E1527-13 defines a *historical* recognized environmental condition as "past release of any hazardous substances or petroleum products that has occurred in connection with the property and has been addressed to the satisfaction of the applicable regulatory authority or meeting unrestricted use criteria established by a regulatory authority, without subjecting the property to any required controls (for example, property use restrictions, activity and use limitations, institutional controls, or engineering controls)."

ASTM E1527-13 defines a *controlled* recognized environmental condition as "a recognized environmental condition resulting from a past release of hazardous substances or petroleum products that has been addressed to the satisfaction of the applicable regulatory authority (for example, as evidenced by the issuance of a no further action letter or equivalent, or meeting risk-based criteria established by regulatory authority), with hazardous substances or petroleum products allowed to remain in place subject to the implementation of required controls (for example, property use restrictions, activity and use limitations, institutional controls, or engineering controls)."



- The documented groundwater contamination from the nearby Nevamar Facility onto the subject property is considered a *recognized environmental condition* and also represents a potential for vapor migration onto the subject property.

Miley site: TMS # 146-00-00-005 and 146-00-00-006

- The Miley site was a portion of a former saw mill (Lightsey Brothers Lumber Company) that was in operation from 1910 to 1957. The operation of a former saw mill at Miley site is considered a *recognized environmental condition*. The specific mill operations, including the possible lumber treatment processes, are unknown. The saw mill stored and used coal and fuel oil to produce power and much of the original electrical generating equipment, including transformers, are still on the property.
- The use of the Miley site by H&B Railroad as a support and repair facility is considered a *recognized environmental condition*. The H&B Railroad has stored and used petroleum products and, presumably, coal, to service and fuel train engines and vehicles, including the existing aboveground storage tanks ("AST's").
- Some small containers of petroleum products are currently stored on the Miley site, but are considered *de minimis*. Thus, they are *not a recognized environmental condition*.
- An out-of-service heating oil underground storage tank ("UST") is located to the rear (east) of an office building on the Miley site. The contents of the UST have reportedly been removed. It is considered a *recognized environmental condition* due to its unknown age and condition.
- An active water supply well is located on the Miley site and is *not a recognized environmental condition*. If the water supply well will no longer be used, it is recommended that it be abandoned according to applicable SCDHEC regulations.
- Two modern pole-mounted electrical transformers on the Miley site appeared to be in good condition and no leaks have been observed. The transformers are *not a recognized environmental condition* and the utility company is responsible for maintenance and cleanup of any spills from their transformers.
- A former store that was once located adjacent to the north of the office building on the property was also a retail petroleum outlet as evidenced by two petroleum pumps visible at the front of the store in historical photos. It is unknown whether the fuel was stored in aboveground or underground storage tanks and is a *recognized environmental condition*.
- One off-site facility, the Ducoa Facility in Miley, SC, was identified on the state and federal environmental databases review. The information on these databases indicate that the Ducoa Facility stopped reporting to the EPA and the SCDHEC over ten years ago. There were no indications in the SCDHEC or the EPA information review that any violations or significant environmental incidents had occurred at the Ducoa Facility. The facility is located approximately 2,800 feet southwest of the Miley site. The Ducoa Facility does not appear to represent an environmental threat to the Miley site and is *not a recognized environmental condition*.
- The former saw mill and railroad support operations at the Miley site were also conducted on areas adjoining the Miley site. Some remnants of the former saw mill and railroad facilities (e.g., oil storage house on the south side of the railroad tracks, former equipment/material lay-down yards, etc.) could represent potential sources of soil and/or groundwater contamination, and vapor migration. The adjoining areas of the former saw mill and railroad operations are also considered a *recognized environmental condition* due

to the potential source for soil and/or groundwater contamination, and vapor migration in those areas.

#### 40-mile railroad track

- The use of the 40-mile railroad track by H&B Railroad as a railroad facility since the late 1800's that has included the storage and use of coal and petroleum products, the likely repair and maintenance of train engines, and the transport and parking of train cars carrying various products including chemicals is considered a *recognized environmental condition*.
- The documented groundwater contamination from the nearby Nevamar Facility under the Hampton site is considered a *recognized environmental condition* and also represents a potential for vapor migration.
- The out-of-service water supply well next to the rail line in the Crockettville area is *not considered a recognized environmental condition*, but if it will no longer be used, it should be abandoned according to applicable SCDHEC regulations.
- The residual amounts of coal observed beside the rail line between Ashton and H&B Junction do not appear to be an amount of significant concern and are considered a *de minimis* condition, not a recognized environmental condition.
- Old railroad ties observed stacked near the rail line in many locations may contain creosote. This is considered a *de minimis* condition, however; the ties may need to be disposed of properly in the future.
- The location of the former fuel and petroleum supply business adjacent to the rail line in Hampton, SC is considered a *recognized environmental condition* due to the lack of information regarding the storage of petroleum products in that area.
- The documented groundwater contamination at the Nevamar Facility in Hampton, SC is considered a *recognized environmental condition* and also represents a potential for vapor migration.
- Because of its proximity to the subject property, the former saw mill site and H&B Railroad support and repair facility in Miley, SC is considered a *recognized environmental condition* and a potential source for vapor migration under the Miley site.
- Due to the lack of regulatory information and its proximity to the subject property, the Ducoa Facility near Miley, SC is considered a *recognized environmental condition*.
- Ramsey's Union 76 in Ruffin, SC - A conditional no further action status issued for this former gas station site due to remaining petroleum contamination exceeding regulatory levels could represent a potential for vapor migration and is considered a *recognized environmental condition*.
- SCE&G Canadys site - Documented groundwater contamination and past petroleum releases at this former power plant site could represent a potential for groundwater contamination and vapor migration under the subject property. Therefore, it is considered a *recognized environmental condition*.
- Based on their current regulatory status, groundwater flow direction, the likely potential for vapor migration, and proximity to the 40-mile railroad track, the other environmental database listed sites do not appear to represent an environmental threat to the 40-mile railroad track and are *not considered a recognized environmental condition*.

Canadys site: TMS # 044-00-00-083

- The historic use of the parent property as an electric generating facility (SCE&G Canadys Steam Power Station) for over fifty years is considered a *recognized environmental condition* because the operations performed at the facility represent a potential source for soil and groundwater contamination on and under the areas of the subject property.
- Due to the fact that coal residue is present on portions of the H&B Railroad tracks and the tracks are also adjacent to a former coal storage yard, this is considered a *recognized environmental condition*.
- Based on their current regulatory status, assumed groundwater flow direction, the likely potential for vapor migration, and proximity to the Canadys site, the two off-site environmental database listed facilities do not appear to represent an environmental threat to the Canadys and are *not considered a recognized environmental condition*.

### The Voluntary Cleanup Contract Program

Prospective purchasers of property known or perceived to be impacted by a "contaminant,"<sup>5</sup> "petroleum," or a petroleum product" may consider entering into a NRP-VCC with the SCDHEC to address the contamination and obtain a covenant not to sue and other liability protection from the State of South Carolina.

South Carolina Code Annotated § 44-56-710 *et seq.* states that "the purpose of the voluntary cleanup program is to (1) enable the expansion, redevelopment or return to use of industrial and commercial sites whose redevelopment is complicated by real or perceived environmental contamination, (2) provide an incentive to conduct response actions at a site by providing nonresponsible parties a covenant not to sue, contribution protection, and third party liability protection, or by providing responsible parties with a covenant not to sue for the work done in completing the response actions specifically covered in the contract and completed in accordance with the approved work plans and reports, and (3) provide reimbursement to the department for oversight costs."

A VCC provides no protection from actions by the EPA. In 2005, the South Carolina legislature amended the VCC program to provide nonresponsible parties protection from "third-party claims for contribution, equitable relief, or claims for damages arising from a release of contaminants" covered under a VCC.<sup>6</sup> These protections apply to nonresponsible parties and "to the nonresponsible party's *lenders, signatories, parents, subsidiaries, and successors*."

In 2008, the environmental protections granted under the VCC program were expanded further by the South Carolina legislature.<sup>7</sup> Under the 2008 amendments, the SCDHEC's certificate of completion must provide a covenant not to sue the nonresponsible party for liability for "existing contamination." Therefore, once the nonresponsible party successfully completes the VCC and receives a certificate of completion, actions against the nonresponsible party by the SCDHEC are precluded pursuant to South Carolina state laws for existing contamination.

<sup>5</sup> The term "contaminant" is broadly defined but does not include petroleum, crude oil or any fraction of crude oil unless specifically listed or designated *See* S.C. Code Ann. § 44-56-720(2). In 2008, the VCC Program was amended to allow coverage for "petroleum" and "petroleum product" in addition to "contaminants." *See* 2008 Act No. 342, § 1.

<sup>6</sup> 2005 S.C. Acts 123 (codified at S.C. Code Ann. § 44-56-750(H)).

<sup>7</sup> 2008 S.C. Acts 342

#### Palmetto Railways NRP-VCCs on H&B Railroad

Palmetto Railways currently has four NRP-VCCs from the SCDHEC. Palmetto Railways has a NRP-VCC on the Hampton site, the Miley site, and two on areas of the 40-mile track: the Ruffin NRP-VCC and Ducoa NRP-VCC.

#### Palmetto Railways Assessment Work under the NRP-VCCs

Due to Palmetto Railways' status as a NRP and entering into the VCC program as such, the SCDHEC requires Palmetto Railways to perform a baseline environmental assessment (sampling and analysis of subsurface soil, and surface soil, groundwater, surface water / sediment, if applicable) to gather current data on the environmental condition of the H&B Railroad property. Further testing is unlikely, but is possible if the SCDHEC seeks to gather additional data based on the baseline assessment (for example, confirming a possible "hotspot", etc.). As a NRP, Palmetto Railways would not be responsible for the total remediation of identified contamination, but would be responsible to render the property conducive for the intended use and to remove "Segregated Sources" - defined in the NRP-VCC as "drums, tanks, or similar discrete containers that potentially hold substances that may cause [c]ontamination upon release to the environment." This is known as corrective action. Some examples of corrective action under the terms of a VCC may include the removal and proper disposal of containers of waste material (e.g., used oil drums), limited removal of soil containing contaminants at concentrations that pose a threat to groundwater, the installation of a cap or vapor barrier preventing exposure to contaminants in the soil below, or, most commonly, the development of management plans describing the protocol the manage waste material during development.

For NRPs, the purpose of the VCC program is to enable the expansion, redevelopment, or return to use of abandoned industrial and commercial facilities where redevelopment is complicated by real or perceived environmental contamination; to provide an incentive to conduct response actions at a site by providing NRPs 1) a covenant not to sue, 2) contribution protection, and 3) third party liability protection. See S.C. Code Ann. § 44-56-710.

Once all VCC requirements have been satisfied, Palmetto Railways may request a Certificate of Completion pursuant to S.C. Code Ann. § 44-56-750(C)(1) after the response actions are completed and any required declaration of covenants and restrictions are recorded against the Property as required by the SCDHEC. The SCDHEC will issue a Certificate of Completion with its covenant not to sue and all the protections under the NRP-VCC shall inure to Palmetto Railways. In order to retain the benefits, Palmetto Railways has a continuing obligation not to contaminate or exacerbate preexisting environmental contamination.

**JOINT BOND REVIEW COMMITTEE**

**Item Number 5**

Meeting of August 2, 2016

**AGENCY:** Department of Administration, Executive Budget Office

**PROJECT/SUBJECT:** Permanent Improvement Project Requests

There are 19 additional Permanent Improvement projects pending as follows:

- 7 Establish Phase I, Pre-Design Budget (4 carried over from June meeting)
- 9 Establish Phase II, Construction Budget
- 2 Increase Construction Budget
- 1 Establish Project for Preliminary Land Studies

**COMMITTEE ACTION:**

Review and approve projects for transmittal to State Fiscal Accountability Authority or Department of Administration.

**ATTACHMENTS:**

Project Requests Worksheet - Summary 1-2017

**Executive Budget Office – Capital Budgeting Unit**  
**Summary of Permanent Improvement Project Actions Proposed by Agencies**  
**April 27, 2016 through July 1, 2016**

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**Forwarded to JBRC 07/26/16**

Item. 1.	<u>Agency:</u> N04 Department of Corrections	Project: 9726, Headquarters Building Chiller Replacement	CHE Approval Date: Committee Review Date: SFAA Approval Date:	N/A
<u>Action Proposed:</u>	Establish Project for A&E Design – Carried Over from 6/1/16 Meeting			Budget After Action Proposed
Total budget	.....	\$8,100.00	<u>Source</u>	<u>Amount</u>
[6] Appropriated State - FY 15 Carry Forward	.....	\$8,100.00	Appropriated State - FY15 Carry Forward	8,100.00
<u>Purpose:</u>	To begin design work to replace the chiller system at the Department of Corrections' Headquarters building on Broad River Road. The 51,000 square foot office building was constructed in 1969 making the facility/systems approximately 47 years old. The preliminary drawings and project cost estimate will be completed by a mechanical contractor. The scope of work includes the following: replace the 160-ton chiller, replace chill water pump, replace heat exchanger, replace control system for chiller/cooling tower, add a hand auto switch for condenser water pump, and replace all necessary/associated piping. There are 184 employees assigned to the building and a varying number of inmate workers and outside vendors. The agency estimates that the completed project will cost approximately \$538,000.			8,100.00
<u>Ref:</u>	Supporting document pages 1-7			N/A
Item. 2.	<u>Agency:</u> N04 Department of Corrections	Project: 9727, CGCI - Dana Dorm Fire Alarm Renovations	CHE Approval Date: Committee Review Date: SFAA Approval Date:	N/A
<u>Action Proposed:</u>	Establish Project for A&E Design – Carried Over from 6/1/16 Meeting			Budget After Action Proposed
Total budget	.....	\$7,000.00	<u>Source</u>	<u>Amount</u>
[9] Other, Law Enforcement Surcharge	.....	\$7,000.00	Other, Law Enforcement Surcharge	7,000.00
<u>Purpose:</u>	To begin design work to replace the fire alarm system in the Dana Dorm of the Camille Graham Correctional Institution. The 19,610 square foot dorm was constructed in 1975 making the facility/systems approximately 41 years old. The final design documents will require the approval of the State Engineer and the State Fire Marshall. The scope of work will include the demolition of the existing system, new detection devices, control panels and control system. The dorm currently houses 96 female inmates with a capacity of 192 inmates. The existing fire system is currently not operational. The system is obsolete and cannot be repaired or replaced without updating the fire alarm system to current code requirements. Currently, the housing unit is operating under a 15-minute fire watch which is encumbering work effort of the understaffed institution and endangering the life and safety of the inmates and staff. A fire watch is the action of an on-site person whose sole duty is to watch for the occurrence of fire which requires patrols of the entire facility for any type of fire incident. The inspections must be accomplished every 15 minutes with the entire facility inspected in under 15 minutes. The agency estimates that the completed project will cost approximately \$469,600.			7,000.00
<u>Ref:</u>	Supporting document pages 8-15			



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Item. 3.	<u>Agency:</u> N04 Department of Corrections	<u>Project:</u> 9728, MacDougall CI - Elevated Water Storage Tank Renovations	<u>CHE Approval Date:</u> <u>Committee Review Date:</u> <u>SFAA Approval Date:</u>	N/A
	<u>Action Proposed:</u> Establish Project for A&E Design – Carried Over from 6/1/16 Meeting		Budget After Action Proposed	
	<u>Total budget</u> ..... \$4,395.00		<u>Source</u>	<u>Amount</u>
	[6] Appropriated State - FY15 Carry Forward..... \$4,395.00		Appropriated State, FY15 Carry Forward	4,395.00
	<u>Purpose:</u> To begin design work for the maintenance and repairs of the existing elevated water storage tank located on the property but outside the security perimeter that serves the MacDougall Correctional Institution. Security perimeter will not be affected by the maintenance work. The 150,000 gallon elevated water storage tank was constructed in 1955 making the facility/systems approximately 61 years old. The scope of work will include the maintenance and repairs of the existing elevated water storage tank that had been found during a DHEC required inspection (interior and exterior) of the SCDC owned and operated water system. The inspection report denoted critical deficiencies, non-critical deficiencies, OSHA structural and preventative maintenance. Per the Consent Order the repairs are to be completed by August 4, 2016 and the coatings by March 4, 2017. The Order also stipulates a \$5,000 per day per violation civil penalty and a \$12,000 civil penalty for failure to comply with the implementation schedule. There are two wells which provide water to the elevated storage tank which serves population of approximately 670 inmates and 160 staff at the MacDougall Correctional Institution plus provides fire protection for facilities of the institution. The agency estimates that the completed project will cost approximately \$293,000.		Total Funds	4,395.00
	<u>Ref:</u> Supporting document pages 16-34			
Item. 4.	<u>Agency:</u> N04 Department of Corrections	<u>Project:</u> 9729, BRCl & LCI - Motion Detection Camera System Installations	<u>CHE Approval Date:</u> <u>Committee Review Date:</u> <u>SFAA Approval Date:</u>	N/A
	<u>Action Proposed:</u> Establish Project for A&E Design – Carried Over from 6/1/16 Meeting		Budget After Action Proposed	
	<u>Total budget</u> ..... \$11,300.00		<u>Source</u>	<u>Amount</u>
	[6] Appropriated State – FY15 Carry Forward..... \$11,300.00		Appropriated State – FY15 Carry Forward	11,300.00
	<u>Purpose:</u> To begin design work for the installation of motion detection camera systems on the rooftops of each inmate housing unit within two correctional facilities. Broad River Correctional and Liber Correctional Institutions are level 3 – High Security, which house the most violent offenders with the longest sentences, and all movement within these institutions are highly restricted. The scope of work is to add motion detection camera systems. These camera systems will also allow the agency to detect items being thrown over into or out of the housing areas. These new motion cameras will be integrated into the existing surveillance system. The agency estimates that the completed project will cost approximately \$787,500.		Total Funds	11,300.00
	<u>Ref:</u> Supporting document pages 35-42			

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Item. 5.	Agency: H09 The Citadel	Project: 9616, Duckett Hall HVAC Replacement	CHE Approval Date: Committee Review Date: SFAA Approval Date:	06/02/16
<u>Action Proposed:</u>				
Establish Project for A&E Design				
Total budget.....				
[9] Other, Institutional Capital Project Fund.....				
				\$30,000.00
				\$30,000.00
<u>Purpose:</u>	To begin design work to replace the HVAC system at Duckett Hall at The Citadel. The 23,900 square foot facility was constructed in 1969 making the facility/systems approximately 47 years old. There are four mechanical rooms in the building, one on each floor and one on the roof. The current HVAC systems are in extremely poor condition and they are unable to adequately keep the facility at proper temperatures and humidity levels, especially at peak demands. The air handlers, piping, pumps, control valves and the controls are antiquated and beyond repair. The duct work and duct insulation is in very poor condition and coming apart in sections. In addition, asbestos insulation is used to insulate the chilled water and hot water pipes throughout the facility and needs to be abated. System failures would preclude the use of educational areas of the building. No alternative is a viable option. This project is imperative to provide proper heating and air-conditioning on all three floors of Duckett Hall. Approximately 100 students and 12 faculty and staff use this facility. The agency estimates that the completed project will cost approximately \$2,500,000.			
<u>Ref:</u>	Supporting document pages 43-48			
Item. 6.	Agency: H09 The Citadel	Project: 9617, Boat Center Redevelopment	CHE Approval Date: Committee Review Date: SFAA Approval Date:	06/02/16
<u>Action Proposed:</u>				
Establish Project for A&E Design				
Total budget.....				
[9] Other, Gifts.....				
				\$45,000.00
				\$45,000.00
<u>Purpose:</u>	To begin design work to replace the waterfront facilities at The Citadel with new code compliant, energy efficient construction. The 7,759 square foot facility was constructed in 1920. The facility has outlived its useful life expectancy and numerous improvements are required to meet the college's intended purpose and use. The structure has termite damage and the interior finishes have not been updated since the 1970s. The deteriorated condition of the existing facility has a negative impact on the facility's use. Furthermore, the existing marina channel is un-navigable during periods of low tide and cannot support activities such as boating and sailing. Renovation of the existing facility was considered but deemed cost prohibitive to meet flood requirements. The relocation of the marina to another location was also considered but did not provide the same access and amenities required. The proposed facility will be comprised of approximately 10,000 gross square feet and will include staff offices, classroom, boat storage, and floating docks. The agency estimates that the completed project will cost approximately \$3,000,000.			
<u>Ref:</u>	Supporting document pages 49-54			

**Executive Budget Office – Capital Budgeting Unit**  
**Summary of Permanent Improvement Project Actions Proposed by Agencies**  
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**Item. 7. Agency:** D50 Department of Administration      **Project:** 9970, Hayne Laboratory Clean Steam Boiler Replacement

**Action Proposed:** Establish Project for A&E Design

Total budget.....	\$5,576.00
[9] Other, Depreciation Reserve.....	\$2,788.00
[9] Other, SCDHEC.....	\$2,788.00

**Purpose:** To begin design work to replace a clean steam or culinary boiler in the Hayne Laboratory Building located on Parklane Road in Columbia. The clean steam boiler ruptured in spring 2016 and is beyond repair. It will be condemned by SCLLR and needs to be replaced. The clean steam boiler is critical to the function of DHEC's laboratory programs. The agency estimates that the completed project will cost approximately \$404,428.

**Ref:** Supporting document pages 55-75

CHE Approval Date: N/A  
 Committee Review Date:  
 SFAA Approval Date:

Budget After Action Proposed

Source	Amount
Other, Depreciation Reserve	2,788.00
Other, SC DHEC	2,788.00
Total Funds	5,576.00

**Item. 8. Agency:** H12 Clemson University      **Project:** 9923, Electrical Distribution System Upgrades and Replacements

**Action Proposed:** Establish Construction Budget for \$75,000,000.00

(Add \$50,000,000.00 [2] Institution Bond)
(Add \$23,875,000.00 [9] Other, Maintenance and Stewardship Funds)

**Purpose:** To begin construction upgrading the University's main campus electrical system. This project was established in April 2015 for pre-design work, which is now complete. The work will be a multi-year project to replace vulnerable sections of the electrical infrastructure and will include the replacement of the aging electrical distribution infrastructure, a redundant loop feed system which will prevent system failure possibilities, integration of a utility provider substation and infrastructure for heat and power generation, adding communication and distribution capability to all switches to reduce outage durations, and the development of a central operations location for monitoring and control of the Distribution Automation System. This phase will also include converting overhead electrical to underground while adding metering and controls to the equipment in campus buildings. The existing electrical system was constructed during the late 1950's through mid-1960's. More than 70% of the main substation gear and manual switching transformation, system protection, and electrical conductors are more than 50 years old. This system upgrade will improve the reliability of the overall system but especially in those areas with a higher probability of failure which would impact major academic, research, and student life activities which includes approximately 22,700 students, 1,400 faculty, and 3,600 staff. The agency reports the total projected cost of this project is \$75,000,000 and no additional annual operating costs will result from the project. The agency also reports the projects date for execution of the construction contract is June 2017 and for completion of construction is January 2020.

**Ref:** Supporting document pages 76-82

CHE Approval Date: 04/21/16  
 Committee Review Date:  
 SFAA Approval Date:

Budget After Action Proposed

Source	Amount
Institution Bonds	50,000,000.00
Other, Maintenance and Stewardship Funds	25,000,000.00
Total Funds	75,000,000.00

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<u>Item.</u> 9.	<u>Agency:</u> H27 University of South Carolina	<u>Project:</u> 6112, North Energy Plant Expansion and Chilled Water Loop Extension	<u>CHE Approval Date:</u> 05/20/16 <u>Committee Review Date:</u> <u>SFAA Approval Date:</u>
	<u>Action Proposed:</u> Establish Construction Budget for \$12,310,000.00		
	(Add \$12,132,250.00 [9] Other, Institutional Funds)		
	<u>Purpose:</u>		

To begin construction to increase the chilled water capacity for the western portion of the campus at USC Columbia by adding a 3,000 ton chiller and cooling tower to the existing 7,762 GSF North Energy Plant. This project was established in September 2015 for pre-design work, which is now complete. The plant will be expanded by 5,076 GSF to accommodate the new equipment and include space and electrical/piping infrastructure for a second 3,000 ton chiller/cooling tower to support construction in the West Campus District. Also included in this project is site work for the installation of new underground chilled water piping to allow the North Energy Plant to provide emergency backup cooling to the West Energy Plant chilled water loop and also backup portions of the East Energy Plant chilled water loop. The expansion will provide additional capacity and backup cooling for facilities in the west area of the campus and provides a critical emergency backup cooling source for the core campus and portions of the east campus. The chilled water line extension will provide emergency backup for campus buildings served by the West Energy Plant, especially in summer months, and increase system efficiency in the winter months by allowing the West Energy Plant to shut down. The agency reports the total projected cost of this project is \$12,310,000 with additional operating costs of \$191,439 in year one, \$183,939 in year two, and \$183,939 in year three. The agency also reports the projected date for execution of the construction contract is March 2017 and for completion of construction is March 2019.

Budget After Action Proposed

<u>Source</u>	<u>Amount</u>
Other, Institutional Funds	12,310,000.00
Total Funds	12,310,000.00

Ref:

Supporting document pages 83-121

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<u>Item.</u> 10.	<u>Agency:</u> H59 State Board for Technical and Comprehensive Education	<u>Project:</u> 6036, York - Library Expansion and Learning Commons Construction	<u>CHE Approval Date:</u> 06/02/16 <u>Committee Review Date:</u> <u>SFAA Approval Date:</u>
	<u>Action Proposed:</u> Establish Construction Budget for \$9,972,925.00		<u>Budget After Action Proposed</u>
	(Add)	\$9,823,335.00 [9] Other, College Capital Reserve Fund	<u>Source</u> <u>Amount</u> Other, College Capital Reserve Fund 9,972,925.00 Total Funds 9,972,925.00
	<u>Purpose:</u>	To begin construction for the Library Expansion and Learning Commons Construction project at York Technical College. This project was established in October 2012 for pre-design work, which is now complete. The existing Library will be renovated and an addition will be added to the East and South ends of the current building. Approximately 20,480 SF of the existing building will be renovated and 14,130 SF will be added to allow additional space for student/group work areas as well as café/dining seating. Total project square footage is estimated at 34,610. The renovation and expansion of the library has a twofold purpose: First, the Library/Learning Commons will essentially serve as the hub of student campus life and will provide library resources, private study areas, group collaboration areas, bookstore & food service operations. Secondly, other programs/services will be brought to this building to support student retention and job placement. Some of these programs include Academic Coaching & Tutoring, Career Resources, Information Services Help Desk, Work-Based Learning, and Instruction Development. The purpose of the Library/Learning Commons concept is to create an atmosphere of community and a place for students and faculty to gather and collaborate. The agency reports the total projected cost of this project is \$9,972,925 with additional operating costs of \$38,992 in year one, \$40,162 in year two, and \$41,367 in year three. The agency also reports the projected date for execution of the construction contract is May 2017 and for completion of construction is August 2018.	
	<u>Ref:</u>	Supporting document pages 122-138	

<u>Item.</u> 11.	<u>Agency:</u> H59 State Board for Technical and Comprehensive Education	<u>Project:</u> 6109, Orangeburg-Calhoun - Buildings A - J and Connecting Corridors Roofing Project	<u>CHE Approval Date:</u> 06/02/16 <u>Committee Review Date:</u> <u>SFAA Approval Date:</u>
	<u>Action Proposed:</u> Establish Construction Budget for \$2,754,068.00		<u>Budget After Action Proposed</u>
	(Add)	\$2,704,068.00 [9] Other, College Local Funds	<u>Source</u> <u>Amount</u> Other, College Local Funds 2,754,068.00 Total Funds 2,754,068.00
	<u>Purpose:</u>	To begin construction for the roof replacement for Buildings A thru J (and connecting corridors) at Orangeburg Calhoun Technical College. This project was established in June 2015 for pre-design work, which is now complete. The 10 buildings being re-roofed contain the following: offices for 85 faculty and/or staff, 20 classrooms with an average capacity of 21 each, 15 labs with an average capacity of 21, one large computer lab with a capacity of 90, one large lecture room with a capacity of 180, and the college's library. The scope includes all components of roof replacement to include addressing any secondary drainage. The institution initially had plans to do the work as multiple projects over several years but decided to lump them together in hoping to save in construction costs. The current roofs are over 25 years old and recent assessments have confirmed the need to expedite their replacement. The agency reports the total projected cost of this project is \$2,754,068 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2016 and for completion of construction is October 2017.	
	<u>Ref:</u>	Supporting document pages 139-149	

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Item. 12. Agency: D50 Department of Administration      Project: 9960, SC Works Midlands, Columbia Center Roof Replacement      CHE Approval Date:      N/A  
Committee Review Date:  
SF/AA Approval Date:

Action Proposed: Establish Construction Budget for \$317,564.00  
(Add      \$313,346.00    [9]    Other, DEW Contingency)      Source      Amount  
Budget After Action Proposed      317,564.00  
Total Funds      317,564.00

Purpose: To begin design documents and construction to replace the existing roof at SC Works Midlands. This project was established in December 2015 for pre-design work, which is now complete. The existing roof is 30 years old and there are numerous active leaks causing damage to the building interior and they are affecting the working conditions inside the building. Approximately 110 employees and approximately 200 clients use the facility each day. The agency reports the total projected cost of this project is \$317,564 with annual operating savings of \$437 in year one and \$1,749 in years two and three. The agency also reports the projected date for execution of the construction contract is November 2016 and for completion of construction is March 2017.

Ref: Supporting document pages 150-172

Item. 13. Agency: D50 Department of Administration      Project: 9961, Blatt Building Rooftop Air Handlers Replacement      CHE Approval Date:      N/A  
Committee Review Date:  
SF/AA Approval Date:

Action Proposed: Establish Construction Budget for \$636,965.00  
(Add      \$627,910.00    [9]    Other, Depreciation Reserve)      Source      Amount  
Budget After Action Proposed      636,965.00  
Total Funds      636,965.00

Purpose: To begin final design and construction services for the replacement of two (2) chilled water rooftop air handlers serving the 5th floor of the Blatt Building. This project was established in January 2016 for pre-design work, which is now complete. The rooftop chilled water air handlers serve 29,700 square feet on the 5th floor. The existing air handlers are original to the building (38 years old) and beyond the expected life for this type of equipment. The existing air handlers and related components are inefficient, difficult to repair and replacement parts are not readily available. The new units will be more efficient and will save on operational costs. The agency reports the total projected cost of this project is \$636,965 with annual operating savings of \$3,250 in year one and \$13,000 in years two and three. The agency also reports the projected date for execution of the construction contract is December 2016 and for completion of construction is April 2017.

Ref: Supporting document pages 173-183



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Item. 14. <u>Agency:</u>	J12 Department of Mental Health	Project: 9745, Bryan Hospital/Morris Village Energy Plant Cooling Tower Replacement	CHE Approval Date: Committee Review Date: SFAA Approval Date:	N/A
<u>Action Proposed:</u>	Establish Construction Budget for \$480,350.00		Budget After Action Proposed	
(Add	\$475,850.00	[9] Other, Capital Improvement and Maintenance Fund)	<u>Source</u>	<u>Amount</u>
<u>Purpose:</u>	To begin design and construction services for replacement of the 750 ton cooling tower with a new 1200 ton unit at Bryan Hospital. This project was established in September 2015 for pre-design work, which is now complete. The Bryan Hospital/Morris Village Energy Center provides chilled water for cooling to more than 40 individual buildings housing staff and patients spread across both campuses. There are two 1200 ton chillers in the energy plant with one being primary and the second as backup in case of primary failure. Two cooling towers provide condenser cooling water to the chillers. The large unit is 1200 tons and has ample capacity to provide condenser cooling to either chiller. The second cooling tower is only 750 tons and cannot provide the required condenser cooling capacity at temperatures above 80 degrees. If the 1200 ton cooling tower fails while the outside temperature is above 80 degrees Fahrenheit, then the second cooling tower will be unable to achieve required condenser cooling set points, significantly reducing chiller capacity. Temperatures inside buildings on both campuses could begin to climb and potentially become unsafe for patients and employees. The agency reports the total projected cost of this project is \$480,350 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is January 2017 and for completion of construction is April 2017.		Other, Capital Improvement and Maintenance Fund	480,350.00
			Total Funds	480,350.00
<u>Ref:</u>	Supporting document pages 184-192			
Item. 15. <u>Agency:</u>	J16 Department of Disabilities & Special Needs	Project: 9901, Coastal Center Roof Repairs	CHE Approval Date: Committee Review Date: SFAA Approval Date:	N/A
<u>Proposed:</u>	Establish Construction Budget for \$750,000.00		Budget After Action Proposed	
(Add	\$722,000.00	[4] Excess Debt Service)	<u>Source</u>	<u>Amount</u>
<u>Purpose:</u>	To begin construction on the life cycle repair and replacement of Coastal Center's five Hillside Dorms and Hillside Program Building. This project was established in June 2016 for pre-design work, which is now complete. The Hillside Dorm Buildings total approximately 33,677 square feet. The current ages of the building system(s) vary widely; however, all systems to be replaced exceed twenty years. The facilities are used by 66 consumers and 79 staff for a total of 145 stakeholders. The October 2015 storm resulted in numerous leaks in most of Coastal Center's buildings due to the unprecedented 1000 year rain volume. From post storm roofing evaluation and recommendations for repairs and replacement by one of DDSN's IDC roofing consultants, the Hillside Buildings have been identified as the first priority in DDSN's three year plan to address Coastal Center's roofing issues. Leaking roofs create health and safety hazards and must be corrected for those individuals with disabilities that DDSN serves, as well as staff safety. Maintaining roofs in good condition is a necessity. The agency reports the total projected cost of this project is \$750,000 and no additional annual operating costs will result from the project. The agency also reports the projected date for execution of the construction contract is August 2016 and for completion of construction is July 2017.		Excess Debt Service	750,000.00
			Total Funds	750,000.00
<u>Ref:</u>	Supporting document pages 193-201			

**Executive Budget Office – Capital Budgeting Unit**  
**Summary of Permanent Improvement Project Actions Proposed by Agencies**  
**April 27, 2016 through July 1, 2016**

**SUMMARY 1-2017 Page 9 of 10**  
**Forwarded to JBRC 07/26/16**

Item. 16. Agency: R36 Department of Labor, Licensing and Regulation      Project: 9508, SCFA Upper and Lower LP System Repairs

Action Proposed: Establish Construction Budget for \$621,627.60

Total budget.....\$621,627.60

[9] Other, SCFA Bank Account.....\$621,627.60

Purpose: To begin an emergency project for the repair/replacement of an estimated 2600 feet of 3" pipe that is used to supply gas to the fire props used in the hands on training at the Fire Academy. The existing lines are 24 years old. During an inspection of the lines completed while planning to have the underground propane lines painted, they found there were issues with the electrical grounding and some possible deterioration of the actual lines. Due to the deterioration there is the potential of the electrical charge igniting the underground propane lines and causing an explosion. There lies an immediate threat to life safety to their employees and students until identified hazards are mitigated. They have been working with the State Engineer's Office and SEO has deemed this to be an emergency procurement. The agency reports the total projected cost of this project is \$585,000.00 and no additional operating costs will result from the project. The agency reports the date of execution of the construction contract is July 2016 and for the completion of construction is October 2016.

Ref: Supporting document pages 202-212

Item. 17. Agency: H59 State Board for Technical and Comprehensive Education      Project: 6096, Trident - SC Aeronautical Center

Action Proposed: Increase Budget from \$12,855,000.00 to \$69,750,000.00

(Add \$35,445,000.00 [5] Capital Reserve Fund)

(Add \$ 700,000.00 [6] Appropriated State, FY16-17 Proviso 118.16)

(Add \$20,750,000.00 [9] Other, Local)

Purpose: To provide additional funding to proceed with final design and construction of the SC Aeronautical Center. This project was established in November 2014 for pre-design work, which is now complete. This new facility will be approximately 164,432 SF and will be located on a portion of an approximately 67 acre tract of property at Trident Technical College's main campus in North Charleston. The SC Aeronautical Training Center will be a center for aeronautical studies and will have areas for advanced manufacturing training. Spaces in the building will include, but are not limited to, high bay training areas, shops and labs, classrooms, office and administration, conferencing and other public areas, support and services. The project will be constructed to meet two Green Building Initiative's Green Globes standards. The agency estimates that the completed project will cost approximately \$69,750,000 with additional operating costs of \$1,162,535 in year one, \$1,197,410 in year two, and \$1,233,333 in year three. The agency also reports the projected date for execution of the construction contract is October 2016 (site work) and July 2017 (building) and for completion of construction is July 2019.

Ref: Supporting document pages 213-230

CHE Approval Date: N/A  
 Committee Review Date:  
 SFAA Approval Date:

Budget After Action Proposed

Source	Amount
Other, SCFA Bank Account	621,627.60
Total Funds	621,627.60

CHE Approval Date: 07/21/16  
 Committee Review Date:  
 SFAA Approval Date:

Budget After Action Proposed

Source	Amount
Capital Reserve Fund	46,300,000.00
Appropriated State, FY16-17 Proviso 118.16	700,000.00
Federal	2,000,000.00
Other, Local	20,750,000.00
Total Funds	69,750,000.00

Executive Budget Office – Capital Budgeting Unit

Summary of Permanent Improvement Project Actions Proposed by Agencies

April 27, 2016 through July 1, 2016

SUMMARY 1-2017 Page 10 of 10

Forwarded to JBRC 07/26/16

Item. 18.	Agency: E24 Office of the Adjutant General	Project: 9785, McCrady Multi-Purpose Machine Gun Range	CHE Approval Date: Committee Review Date: SFAA Approval Date:	N/A
	<u>Action Proposed:</u> Increase Budget from \$92,942.00 to \$365,636.00			
	(Add \$272,694.00 [7] Federal)		Budget After Action Proposed	
	<u>Purpose:</u> To provide additional funding for the Multi-purpose Gun Range's planning and design. This project was established in October 2014 for pre-design work, which is still being completed. This new facility will be a Multi-Purpose Machine Gun Range. The facilities will consist of 6 firing points with automated target system. The supporting facilities include the range control tower (256 sq. ft.), operations/storage building (800 sq. ft.), latrines (200 sq. ft.), range operation and maintenance building (1,902 sq. ft.), covered mess (800 sq. ft.), ammo breakdown building (240 sq. ft.), covered bleachers (725 sq. ft.), classroom (800 sq. ft.) and utilities. The range will train the individual on the skills necessary to identify, engage, and hit stationary infantry targets. The agency estimates that the completed project will cost approximately \$6,196,120.		<u>Source</u>	<u>Amount</u>
			Federal	365,636.00
			Total Funds	365,636.00
Ref:	Supporting document pages 231-236			
Item. 19.	Agency: P24 Department of Natural Resources	Project: 9953, Greenville - Chestnut Ridge WMA Land Acquisition	CHE Approval Date: Committee Review Date: SFAA Approval Date:	N/A
	<u>Action Proposed:</u> Establish Project for Preliminary Land Studies		Budget After Action Proposed	
	Total budget.....		<u>Source</u>	<u>Amount</u>
	[7] Federal, Forest Legacy Grant.....		Federal, Forest Legacy Grant	20,000.00
			Total Funds	20,000.00
	<u>Purpose:</u> To procure investigative studies required to adequately evaluate property prior to purchase. The Department of Natural Resources is considering the purchase of approximately 318 acres of land in Greenville County. The property is adjacent to Chestnut Ridge Wildlife Management Area and is offered to the Department of Natural Resources by The Conservation Fund of Arlington, VA. Located within the Blue Ridge Escarpment, the tract contains cove forests, rock outcrops, hemlock ridges, bogs, springs and streams. It provides habitat for big and small game species. Acquisition of the tract will expand a large conservation area that includes the Greenville Watershed. After acquisition, the land would be managed as part of the Chestnut Wildlife Management Area and would be open to the public for hunting, hiking, viewing wildlife and enjoying nature. An appraisal conducted in March 2016 valued the tract at \$1,275,000. The agency estimates that the complete project will cost approximately \$993,000.			
Ref:	Supporting document pages 237-246			

**JOINT BOND REVIEW COMMITTEE**  
Meeting of August 2, 2016

**Item Number 6**

**AGENCY:** Joint Bond Review Committee

**PROJECT/SUBJECT:** Future Meeting Schedule

**JANUARY**

S	M	T	W	T	F	S
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3	4	5	6	7	8	9
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31						

**FEBRUARY**

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28	29					

**MARCH**

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**APRIL**

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**MAY**

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**JUNE**

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**JULY**

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**AUGUST**

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**SEPTEMBER**

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**OCTOBER**

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**NOVEMBER**

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**DECEMBER**

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25	26	27	28	29	30	31

**The next tentatively-scheduled meeting of the State Fiscal Accountability Authority is September 20, 2016.**

**COMMITTEE ACTION:**

Schedule next meeting.

**ATTACHMENTS:**

None