

**SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY**

**ANNUAL ACCOUNTABILITY REPORT**

**FOR**

**FISCAL YEAR 2008-09**

## **SECTION I: EXECUTIVE SUMMARY**

### **1. MISSION AND VALUES**

The South Carolina Jobs-Economic Development Authority (JEDA), created by an act of the General Assembly by Section 41-43-10 is a quasi-public instrument of the State. JEDA promotes the business and economic welfare of South Carolina by assisting in the financing of public and private projects throughout the State. JEDA serves as a statewide conduit issuer of special obligation revenue bonds and acts on behalf of the borrower to access financial markets and capital. JEDA serves manufacturers, hospitals, nonprofit organizations and other entities that qualify for tax-exempt and taxable financing. Its mission is to develop the business and economic welfare of the State of South Carolina with efforts aimed at the creation and retention of jobs in the State.

#### Values – TIIP

Timeliness – provide the best service as quickly as possible

Integrity – our work is honest and straightforward

Innovative – we provide solutions to financial situations

Personal – conducting business is a relational art and pursuit

### **2. MAJOR ACHIEVEMENTS**

For fifteen years, Business Carolina, Inc., a 501(c)(4) public corporation administered JEDA's programs through a Memorandum of Understanding. JEDA's Board of Directors determined during FY 2003 that reorganization and separation would be advisable. The reorganization encompassed a complete programmatic break with Business Carolina, Inc. Under this reorganization JEDA became the state's primary issuer of tax-exempt and taxable debt (Industrial Revenue Bonds). Business Carolina assumed total responsibility for all other lending programs. In April 2007, JEDA moved its offices from 1441 Main Street to 1201 Main Street, adjacent to the SC Department of Commerce. All of our business needs including office space, information technology, accounting, and telephones are part of our annual rental contract with the Department of Commerce.

The slowdown in the national and local economy is reflected in the decline in IRB bond financings through JEDA this past year. JEDA closed sixteen (16) bonds for a total of \$564,585,000 during 2008-09. This is down from the two prior years in which JEDA closed over 20 bonds for approximately \$700 million each year. The effect of the economy was particularly felt in the manufacturing area where there were no bonds closed during the year. Of the sixteen bond closings, there were eight hospitals, two schools, two solid waste disposal projects and four nonprofits. This bond activity assured a profitable fiscal year and is shown in the Financial Results section at the end of this report.

### **3. KEY STRATEGIC GOALS**

- a. Maintain profitability

- b. Fully develop and market new Taxable Bond Program as well as expand the issuance of bonds to eligible non-profits
- c. Cultivate new market with existing industries
- d. Market bond programs to banks and economic developers across the state

#### **4. OPPORTUNITIES**

- a. Expand marketing plan to more effectively reach more manufacturing entities in the State of South Carolina
- b. Expand marketing plan to educate bankers, CPA's, nonprofits, and economic developers in the State as to the benefits of the JEDA bond program
- c. Expand client base through new Taxable Bond Program to include commercial real estate developers, the growing health care industry, community service organizations, such as YMCA's, YWCA's, private schools and institutions of higher learning and cultural organizations such as art museums.

#### **5. BARRIERS**

- a. Due to the current economic conditions, there has been a slowdown in industry expansion.
- b. The recent upheaval in financial markets is shrinking the available market for purchasing the bonds issued by JEDA.
- c. There is only one "AAA" bond insurer (down from seven two years ago), which hospitals and other nonprofits have relied heavily on credit enhancements in the past.
- c. Economic growth in rural South Carolina is limited.

### **SECTION II BUSINESS OVERVIEW**

#### **1. NUMBER OF EMPLOYEES – 2**

#### **2. OPERATION LOCATION(S)**

Headquartered at 1201 Main St., Suite 1600, Columbia, SC 29201.  
No additional locations.

#### **3. EXPENDITURES**

The summary of annual expenditures for JEDA is below. It is important to note that JEDA no longer receives any appropriation for administrative expenses or programs. JEDA had been receiving a matching administrative expense as required by HUD, but that was discontinued in 2008. Also, all of our business needs including office space, information technology, accounting, and telephones are part of our annual rental contract with the Department of Commerce. JEDA is self-funded through the fees generated by the issuing of industrial revenue bonds.

Major Budget Categories	2007-08 Actual Expenditures		2008-09 Actual Expenditures		2008-09 Budgeted Expenditures	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	171,270	0	127,857	0	127,000	0
Other Operating	112,291	0	113,304	0	149,800	0
Special Items	0	0	0	0	0	0
Fringe Benefits	34,460	0	21,549	0	21,000	0
Non-recurring Refunds to Grantor	650,000	0	0	0	0	0
<b>Total</b>	968,021	0	262,710	0	297,800	0

#### 4. KEY CUSTOMERS

Our key customer base is as follows:

- a. Existing Traded Sector Firms – These companies are small to medium sized firms in a variety of traded sector industries – those, which sell goods and services outside of their community – most of which are locally owned. These firms are typically more established medium-growth companies and provide a tremendous amount of stability in the economy.
- b. Potential High Growth Firms, especially technology based – These companies often gain a significant competitive advantage by applying and/or developing technological innovations, although the vast majority of these firms are not in traditional “high-tech” industries. These companies typically start small and grow very rapidly.
- c. Rural and Community based firms – This group of companies represents a wide range of business enterprises in rural, low-income, or predominantly-minority communities. Most of these companies are traditional, non-traded sector businesses and micro-enterprises.
- d. The growing health care community to include hospitals, nursing homes, assisted living facilities, retirement homes, hospice facilities, etc.

e. Nonprofit associations represent an increasing percentage of our bond issues. These are 501(c)(3) organizations which are able to borrow on a tax-exempt basis under federal tax laws. JEDA is the only statewide issuer of tax-exempt bonds able to serve that market.

f. Regional and Local Economic Development Organizations – A need exists among local economic development officials, the ten regional councils of governments and community development corporations.

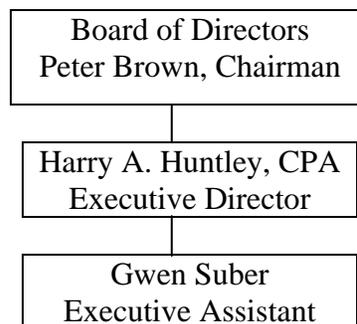
**5. KEY STAKEHOLDERS**

- a. Capital Markets (IRB)
- b. National, Regional and State Banking Sector
- c. Department of Treasury
- d. Local and statewide elected officials

**6. KEY SUPPLIERS**

- a. Bank of America
- b. Wachovia Bank
- c. BB&T
- d. First Citizens Bank
- e. Carolina First Bank
- f. NBSC
- g. Regions Bank
- h. South Carolina Bank & Trust
- i. Independent Banks of South Carolina (as a group)
- j. Federal Home Land Bank of Atlanta
- k. Merchant Capital
- l. Major law firms in State that have bond practices to include:
  - (a) Haynsworth Sinkler Boyd
  - (b) McNair Law Firm
  - (c) Nexsen Pruet Jacobs & Pollard
  - (d) Parker Poe Adams & Bernstein
  - (f) McGuire Woods
  - (g) Howell Linkous & Nettles, LLC

**7. ORGANIZATIONAL STRUCTURE**



## **SECTION III**

### **Category 1 – Leadership**

Clearly, the mission of the South Carolina Jobs-Economic Development Authority (JEDA) remains that of providing an alternative source of capital for businesses that will either expand their existing facilities or start new enterprises in South Carolina. In either case, the quality of life is significantly impacted through new and better jobs, increased taxes for the respective communities as well as the state as a whole and all of the benefits that flow from the increased revenue – i.e. schools, infrastructure, health care, police protection, etc. For the investment through loans and other services provided by JEDA, the quality of life for all citizens must be improved.

Traditionally the Board of Directors of the South Carolina Jobs-Economic Development Authority (JEDA) has provided leadership through the establishment of policies and attendant guidelines. The Executive Director has the responsibility to interpret and articulate board policy to staff and to provide the leadership style that not only directs staff on a day-to-day basis but also motivates.

JEDA operates in a rather unique manner by contracting its loan analysis, servicing and accounting to The South Carolina Department of Commerce. This arrangement requires additional communication between the staffs and offers new opportunities for JEDA's financing programs.

### **Category 2 – Strategic Planning**

JEDA's Strategic Plan is very straightforward. We have transitioned into an agency that issues tax-exempt and taxable Industrial Revenue Bonds. The new dimensions for the tax-exempt program are further expansion of JEDA Health Care Bonds (i.e. hospitals, nursing homes, retirement homes, etc.), hospice facilities, cultural organizations, tax-exempt entities (501(c)(3)'s, educational facilities, and existing industries, etc. The Taxable Bond is a new product recently introduced into the marketplace. We continue actively marketing this program along with Merchant Capital among South Carolina banks that are members of the Federal Home Land Bank of Atlanta.

### **Category 3 - Customer Focus**

1. Identify Key Customers and Stakeholders
  - a. Existing traded sector firms
  - b. Potential high-growth firms
  - c. Rural and community based firms
  - d. Health care organizations
  - e. Nonprofit organizations
  - f. Regional and local economic development organizations (Economic Development Allies)
  - g. SC Department of Commerce
  - h. SC Economic Developers Association (SCEDA)
  - i. Capital Markets

2. How do you determine who your customers are and what are their key requirements?

JEDA's customer base continues to be the traditional traded and non-traded small business community having capital needs between \$2,000,000 and \$500,000,000. Two new additions to the customer base are the non-profit health care industry and the cultural organization community, which generally require funding between \$5,000,000 and \$500,000,000.

3. How do you keep your listening and learning methods current with changing customer/business needs?

JEDA participates in financial and educational seminars, trade shows, and conventions hosted by banking and economic development trade organizations, to stay abreast of current events and methodologies in applicable fields.

4. How do you use information from customer/stakeholders to improve services or programs?

In its efforts to meet the financial needs of its client base, JEDA has periodically performed and updated its marketing and operating plan. The sole purpose of the update is to determine if the products and services are meeting the needs of our client base as outlined in the operating plan.

5. How do you measure customer/stakeholder satisfaction?

Critical to the development of the marketing and operating plan update is the input from the existing customer/client base. We extract information provided by them, analyze the data and develop new products or enhance our customer service to meet those needs that the survey identified.

6. How do you build positive relationships with customers and stakeholders?

Relationships are built over time and through networking. JEDA cultivates its customers and stakeholders in the same manner. We are active in trade organizations germane to our primary focus

#### **Category 4 – Measurement, Analysis, and Knowledge Management**

The change contractually to the South Carolina Department of Commerce for measurement, analysis, etc. has resulted in a change of information technology systems. All historic loan and loan servicing information is processed by a system call TRAKKER. All other system capabilities remain essentially the same.

Year-end financial audits are performed by outside accounting firms. The audits include a review of all financial records, technological systems, program requirements, and system processes. In addition to the year-end financial audits, periodic audits are performed on the programs by third-party agencies to ensure that specific program requirements are adhered to and that program records are accurately maintained.

Our financial agency data, lending reports and loan monitoring information are all reviewed and analyzed in the decision making process. This critical information is necessary in that it is used to measure our performance, both past and present, and to develop additional lending programs, policies and regulations that meet the needs of businesses around the State.

The tracking of data allows for specific comparisons (i.e. # loans made; # jobs created per program; # loans per County; average dollar amount per loan; etc.). This information is used to project future goals, to measure program performances, and to determine the effectiveness of lending guidelines. With these types of comparisons, we are able to continuously revise/develop effective lending strategies and/or programs that meet the needs of the State.

### **Category 5 - Human Resources**

1. Our small staff has dictated that we now employ a more informal system rather than the sophisticated one previously in place. Goal setting for individual employees remains essentially the same. This facet of the organizational culture continues to be one that embodies a high standard of excellence. This is a point that is stressed from the initial interview and then continuously throughout an individual's tenure with JEDA. Conversations are held from time to time between employees discussing their goals and aspirations in life and how that correlates to utilizing and realizing their full potential professionally.

The formal process is held during the discussion of an employee's annual evaluation. In this setting, not only are weaknesses discussed but also strengths and how one can improve in all aspects. Various staff luncheons, ice cream socials and birthday celebrations are held to serve as motivational tools.

2. We utilize the Office of Human Resource Management, State of South Carolina for guidance and direction in this critical area.

Management and their evaluation of training needs often recommend specific training needs for individuals. Frequently individual employees also request training.

3. Our employee performance management system is a dialogue between supervisor and the individual employee. Where there is an area of strength, employees are praised for their performance and examples given of how they can improve. When there are weaknesses, care is given to outlining or detailing how an individual employee can improve their performance. When necessary, periodic meetings are held to measure an individual's progress to date.
4. The building landlord maintains a safe work environment. Security is provided before, during and after work hours to ensure safety. Cameras are used to monitor areas such as the parking garage, elevator areas and common areas. Mailboxes and trashcans are located in common use areas for safety. To ensure a healthy work environment, staff has the opportunity to participate in health screenings and attend conferences focusing on chronic diseases, fitness, health and nutrition

programs sponsored by the SC Budget and Control Board, Office of Insurance Services. Our office is also smoke free.

5. The extent of our involvement in the community is through various community organizations and churches. Staff has the opportunity to volunteer their services with various programs provided by these various community organization campaigns each year. Staff supports very generously the United Way campaign each year.

#### **Category 6 - Process Management \*(Services provided by the South Carolina Department of Commerce under contract to JEDA)**

As previously stated, the Community Development Block Grant Program (CDBG) will continue to be phased out over this fiscal year. The marketing firm hired by JEDA (Stratagem) will continue to develop all marketing materials in close concert with our Executive Director. The web site is constantly updated and newsletters published. We have utilized the “email blast” to inform our constituency of program highlights.

The Key Process for marketing was revamped for JEDA by our marketing firm. This research included an examination of our current customers and an evaluation of competitive services. The existing market was examined and segmented to determine if the products that we offer are the ones that are most needed. A Marketing Strategy was developed which enables us to provide the greatest service to our State. A major component of the Marketing Strategy has been the identification of underserved areas, the financial institutions that served those areas and a call plan to approach these financial institutions for partnering.

Key partner interactions are with our attorneys, other commercial lenders and our economic development allies. Our participation and leadership in and with professional groups support our economic development allies – these include Independent Banker’s Association, the SC Banker's Association, and the SC Economic Developers Association. The relationships we build with other commercial lenders and our allies result in business participations or even financing a deal that they cannot service.

#### **Category 7 – RESULTS**

JEDA realizes that customer service and customer satisfaction are, as in almost any business endeavor, paramount to the success of the organization.

Since we do little advertising, satisfied customers are a key source of new business for us. We depend heavily on referrals from state and federal government agencies, the financial community, economic developers, bond attorneys and from satisfied customers.

Our staff interacts with customers and potential customers on a daily basis and is constantly receiving valuable feedback. We listen to what the customers say and react by making adjustments and changes where practical.

We have always tried to be proactive in our ongoing effort to improve customer relations, and believe those relations are excellent.

## **Human Resource Focused Results**

JEDA is a relatively small lending entity of two employees. Our size requires a much greater degree of involvement by each employee as compared to the requirements of a larger organization. Each person is a significant “cog” in the operation and, as such, each job correspondingly carries greater responsibility. We demand and receive a higher level of excellence from everyone. We make sure the candidate is qualified for the job and we make sure he/she understands exactly what the position will entail and require. This initial understanding has been a contributor to our having experienced few problems with excessive absenteeism or high turnover.

Being a small agency makes everyone a contributor; it fosters a sense of belonging and it encourages teamwork. The feeling of ownership and partnership has instilled a sense of pride and enhanced overall good morale.

During the periodic employee review, much interaction takes place between the parties involved. The results of these reviews indicate that a very high percent of our employees are satisfied with their jobs. Combined with that feeling of belonging we provide a safe, quiet, private professional environment in which to work.

The statistics and numbers tell us that we are doing the right things and our employees are responding. Even so, the effort is ongoing as we strive everyday to make JEDA a better place in which to work.

## **Supplier Focused Results**

As JEDA has transitioned into an agency that issues tax-exempt and taxable Industrial Revenue Bonds, our “suppliers” are the financial institutions and underwriters that provide the funding for our bond programs. Our “suppliers” must also include the bond attorneys that work with all of our customers. JEDA works hard to provide a transparent, flexible and cost effective method of financing that serves the needs of the borrowers.

Over the years, we have enjoyed excellent relations with all of our “funding sources”. As outlined in the “Compliance Section” of this report we must conform to certain regulations and requirements as mandated by the individual funding entities. As a part of the effort to ensure that these requirements are met, we make our records available at all times for review. These reviews come in the form of monthly, quarterly and annual reporting as well as onsite inspections by various governmental and financial audit teams.

The JEDA staff has daily contact with almost all of its suppliers, has established, and nurtured an excellent working relationship. The knowledge and trust that has evolved over the years only goes to reinforce the formal ties that have been established.

In the final analysis, the best measure of our success with suppliers is that we have been able to maintain a good working relationship with all of them over the years. In fact, in twenty-five years of existence, JEDA has not lost a single funding source.

## **Compliance Focused Results**

JEDA is very aware of and involved in meeting regulatory and compliance requirements.

The records and practices of JEDA are reviewed and audited for compliance by an outside independent audit firm as selected by the State Auditor. We receive an unqualified opinion each year with no problems reported.

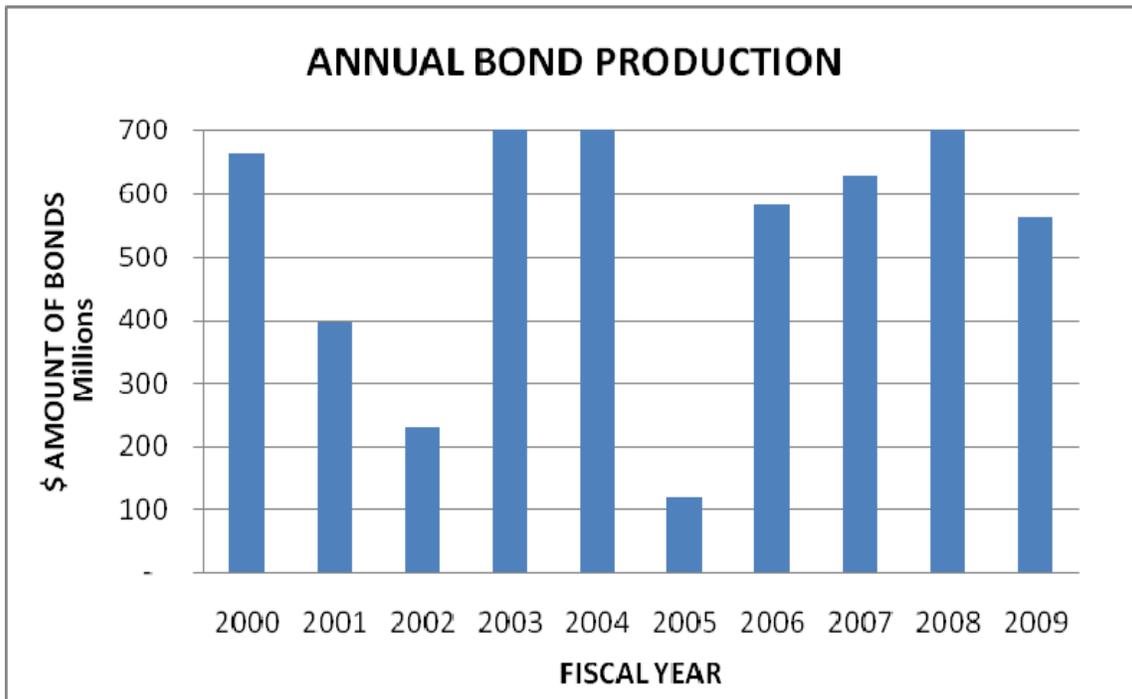
We are required to furnish monthly, quarterly and annual reports of various kinds to our CPA firm and trustee banks.

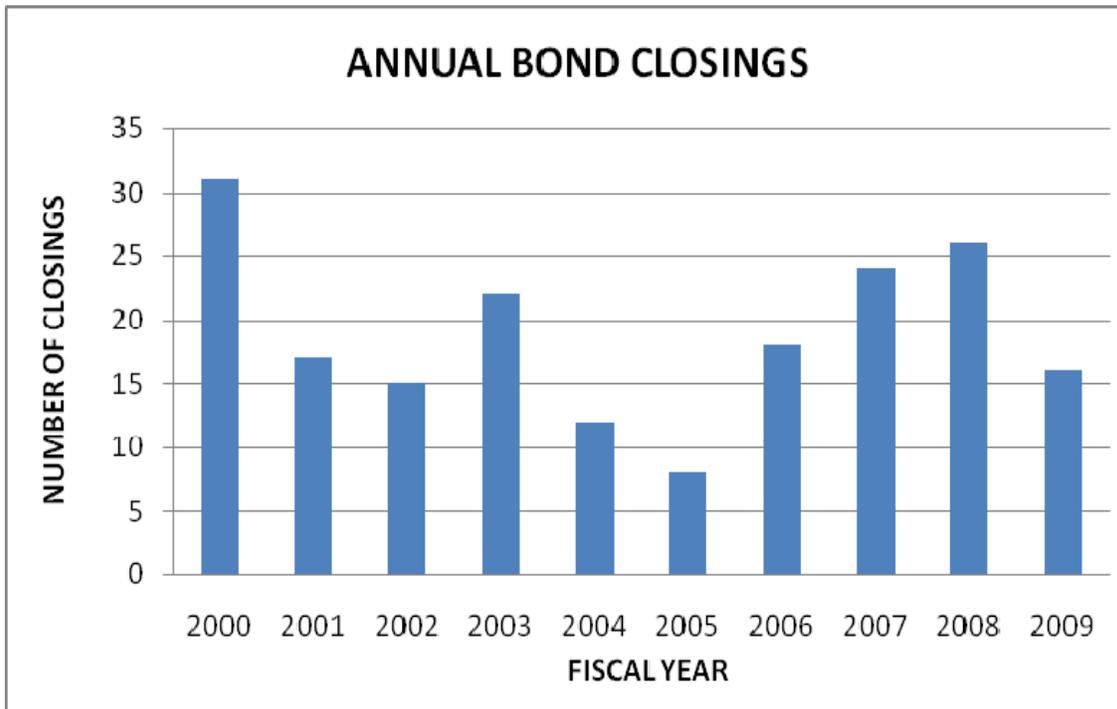
## **Financial Focused Results**

JEDA continues to maintain a stable financial condition through an ever-increasing menu of program offerings and sound fiscal management. Our success is due to the hard work of our dedicated staff and board.

Bond attorneys throughout the state recognize JEDA as being flexible and dependable. Attorneys initiate the majority of our bond closings and the mutual trust and excellent working relationship is the key to our bond production increasing over the past few years.

The graphs below show JEDA's annual bond production. During the fiscal year ending June 30, 2009, we issued 16 new bonds for \$564,585,000. JEDA has issued over \$6 billion in bonds since inception and continues to lead the State in tax-exempt bond financing for industries, hospitals, and tax-exempt organizations.





We understand the valuable part that JEDA plays in the creation of new jobs in the State. It is our goal to continue our current relationships and develop new ones so that the citizens of South Carolina prosper and enjoy a better quality of life.