

Accountability Report Transmittal Form

Agency Name: **South Carolina Jobs-Economic Development Authority**

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SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY

ANNUAL ACCOUNTABILITY REPORT

FOR

FISCAL YEAR 2011-2012

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

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 and telephones are part of our annual rental contract with the Department of Commerce.

Under the SSBCI Act of 2010, Congress appropriated funds to the US Department of Treasury to be allocated and disbursed to States that have created programs to increase the amount of capital private lenders make available to small businesses. Act No. 30 of the Acts and Joint Resolution of 2011 of the General Assembly of the State of South Carolina, signed by the Governor of the State and effective May 23, 2011, determined that JEDA has the necessary authority and functions to implement the State Small Business Credit Initiative (“SSBCI”) program within and on behalf of the State, and accordingly designated, authorized and directed JEDA to implement the SSBCI within the State; to apply for and receive the South Carolina SSBCI allocation; to execute and deliver the requisite application related thereto on behalf of the State, to implement one or more capital access programs and/or other credit support programs as permitted under and supported by the SSBCI and to contract with Business Development Corporation in order to administer such programs.

In July 2011, JEDA received an allocation of \$17,990,415 from the US Department Treasury for the administration of the South Carolina State Small Business Credit Initiative. JEDA contracted with Business Development Corporation (“BDC”) to serve as administrator and custodian of the allocated funds under the South Carolina SSBCI capital access program. BDC is a state tax-exempt business development corporation created in 1958, established and existing pursuant to Chapter 37 of Title 33 (the “BDC Act”) of the South Carolina

Code, which has the functions and duties under applicable law to act in conjunction with public and/or private organizations to promote economic development and job creation in South Carolina, through loan programs to encourage and assist in the location of new business and industry, and to rehabilitate and assist existing business and industry in South Carolina. At the time of execution of its contract with JEDA, BDC was already operating the South Carolina Capital Access Program, and had in place the necessary contacts and experience in supporting capital assistance programs and other credit support programs to effectively promote and market this program to businesses throughout the State. In May 2012, JEDA amended its Allocation Agreement with the Department of Treasury to include loan participation programs with commercial banks under the SSBCI capital access program.

In February 2012, the South Carolina Energy Office (SCEO) requested that JEDA accept the transfer of certain de-obligated funds remaining in its possession as of April 30, 2012, which were received by that agency from the US Department of Energy under the American Recovery and Reinvestment Act (ARRA) of 2009. The SCEO and JEDA entered into an Award Agreement on 4/13/2012 under which JEDA received these funds in the form of a grant award to develop, administer, promote and report the activities of an Energy Efficiency Revolving Loan Fund to assist small business and designated others to undertake energy efficiency, conservation and renewable/alternative energy projects. These funds may be used to augment any existing small business loan programs, but are also available to any South Carolina entity, including industries, utilities, non-profits, agricultural operations and government entities for any energy efficiency retrofits or upgrades to high efficiency equipment and the addition of renewable technologies which meet the DOE eligibility requirements. On 4/13/2012, JEDA entered into an agreement for the administration of the Energy Efficiency Revolving Loan Fund Program with Business Development Corporation (BDC). BDC will develop and implement a financing program that may include loan participation, revolving loans, loan loss reserve fund and/or third party loan insurance and will comply with all applicable requirements identified by the SCEO.

The downward trend experienced during FY 08-09 and FY 09-10 improved slightly in FY 10-11. At the end of December 2010, Recovery Zone facility bonds were eliminated, and ongoing and continuing concerns affecting both the capital markets and banking industries caused a decrease in the number of bond closings during from FY 2011 to FY 2012. JEDA closed sixteen (16) bonds for a total of \$362,566,591 during FY11-12, and reissued and/or modified eight (8) bonds for a total of \$304,590,000. The effect of the economy was again noticeable in the manufacturing industry, where only one bond closed during the year. Of the sixteen bond closings, there were eleven hospitals, three educational facilities, one non-profit organizations, and one manufacturing facility. Of the eight (8) reissues and/or modifications, five were for hospitals, one non-profit facility, one multi-county business park and one empowerment zone project.

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
- d. Attract more commercial banks to the private placement of tax-exempt bonds

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
- d. The cost of bank letters of credit has increased substantially, effectively ending this method of credit enhancement
- e. Economic growth in rural South Carolina is limited
- f. Use of IDB's by manufacturers is limited by Federal tax laws

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 was discontinued in 2008. In addition, 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	2010-11 Actual Expenditures		2011-2012 Actual Expenditures		2011-12 Budgeted Expenditures	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	143,998	0	148,688	0	160,000	0
Other Operating	113,492	0	109,500	0	129,850	0
Special Items	20,267	0	-	0		0
Fringe Benefits	39,847	0	41,005	0	52,650	0
Non-recurring Refunds to Grantor	64,490	0	58,000	0	66,000	0
Total	382,094	0	357,193	0	408,500	0

4. KEY CUSTOMERS

Our key customer base is as follows:

a. Small Manufacturing Facilities – Small manufacturers are engaged in (a) making or processing raw material into a final product; (b) recycling; (c) distribution and are eligible for up to \$10 million in tax-exempt financing. Their total capital expenditure may not exceed \$20 million over a 6 year period.

b. 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.

c. 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.

d. The growing health care community which includes 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. This market represents a majority of JEDA’s new issues- private schools, YMCA’s, educational foundations and museums are examples.

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

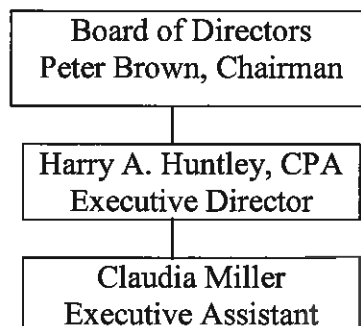
5. KEY STAKEHOLDERS

- 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. Major law firms in State that have bond practices to include:
 - (1) Haynsworth Sinkler Boyd
 - (2) McNair Law Firm
 - (3) Nexsen Pruet Jacobs & Pollard
 - (4) Parker Poe Adams & Bernstein
 - (5) Pope Zeigler
 - (6) Howell Linkous & Nettles, LLC
- b. Regional & National Banks
- c. Independent Banks of South Carolina (as a group)
- d. Federal Home Loan Bank of Atlanta
- e. Merchant Capital

7. ORGANIZATIONAL STRUCTURE



SECTION III

Category 1 – Leadership

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 must be significantly impacted through creation of new and better jobs, increased tax revenue for the respective communities and the State as a whole, which benefits flow to schools, infrastructure, health care, police protection, etc. Investment through conduit bond issues provided by JEDA must improve the quality of life for all citizens in the municipality, county and the State of South Carolina.

The Board of Directors of the South Carolina Jobs-Economic Development Authority (JEDA) provides leadership through the establishment of policies and attendant guidelines, while the Executive Director has the responsibility to interpret and articulate board policy, and to provide the leadership style that directs and motivates.

Category 2 – Strategic Planning

JEDA's Strategic Plan is very clear-cut. We are an agency that serves as conduit issuer for 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. Taxable bonds are a relatively recent addition to the marketplace.

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. Education Facilities
 - f. Nonprofit organizations
 - g. Regional and local economic development organizations (Economic Development Allies)
 - h. SC Department of Commerce
 - i. SC Economic Developers Association (SCEDA)
 - j. Capital Markets

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

JEDA's primary customer base continues to be small manufacturers and solid waste facilities with capital needs between \$2,000,000 and \$10,000,000 and 501(c)(3) organizations consisting of the non-profit health care industry, cultural

organizations, K through 12 schools and private colleges, which generally require funding between \$2,000,000 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 periodically performs and updates its marketing and operating plan. The primary purpose of these updates is to determine whether the offered 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 through feedback, analyze the data, to enhance existing programs and develop new products to meet those needs identified.

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

Relationships are developed over time and through continual networking and interfacing. 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

JEDA is a self-supporting agency funded by the fees generated by its own operations. Its financial system is maintained independently by a contracted accountant. All transactions are reviewed by staff, compared with budgeted projections and provided to its Board of Directors on a quarterly basis.

The year-end financial audit is performed by an outside accounting firm. The audit includes a review of all financial records, technological systems, program requirements, and system processes.

Our financial agency data and bond 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 past and present performance, and to develop additional programs, policies and regulations that meet the needs of businesses around the State.

The tracking of data allows for specific comparison (i.e. number of bonds issued; dollar amount of bonds issued; number of jobs retained and/or created per bond issued; number of bond issues by County).

Category 5 - Human Resources

1. The JEDA staff consists of only two individuals; the Executive Director and Executive Assistant. As such, the existing Human Resource guidelines are in place at the time of hire, and communication channels are always open. Goals are outlined and discussed with emphasis on professionalism and mission accomplishment.

A formal discussion is conducted during the annual employee evaluation, addressing strength and identifying potential areas where improvements could be made. 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.

The evaluation of training needs are made as they arise and as appropriate.

3. The Employee performance management system is a dialogue between the Executive Director and Executive Assistant, and occurs on an ongoing basis.

4. The building management 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, opportunities 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 are offered. 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.

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 (Blue Avenue) 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 offered meet those 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 bond attorneys, commercial lenders and our economic development allies. Our participation and leadership in and with professional groups support our economic development allies – these include Independent Bankers Association, the SC Bankers Association, and the SC Economic Developers Association. The relationships formed with commercial lenders and our allies result in business participations, and identifying other financing structures for a particular deal.

Category 7 – RESULTS

JEDA realizes that customer service and customer satisfaction are paramount to the success of the organization.

Since our advertising efforts are limited to our key partners, creating and maintaining high levels of satisfaction are a key source of new business. We depend heavily on referrals from state and federal government agencies, the financial community, economic developers, bond attorneys and ultimately, from satisfied customers.

JEDA interacts with existing and potential customers on a daily basis, receiving feedback and comments, which are invaluable tools to formulate plans and make adjustments or changes where practical or necessary.

Human Resource Focused Results

JEDA is a very small entity of two employees, which in itself requires a great degree of involvement by each employee in every transaction, and places great demand for responsibility on each member. Employees are qualified and understand the duties and responsibilities required of their respective position.

Being a two-member agency makes everyone a contributor, fosters feeling of ownership, partnership, sense of pride and enhanced morale.

Our employees are highly satisfied with their jobs and the feeling of belonging to a safe, private professional organization.

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 selected to work with our customers. JEDA provides an extremely transparent, flexible and cost effective method of financing.

The JEDA staff has frequent contact with its suppliers with whom it has established and nurtured an excellent working relationship. 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.

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.

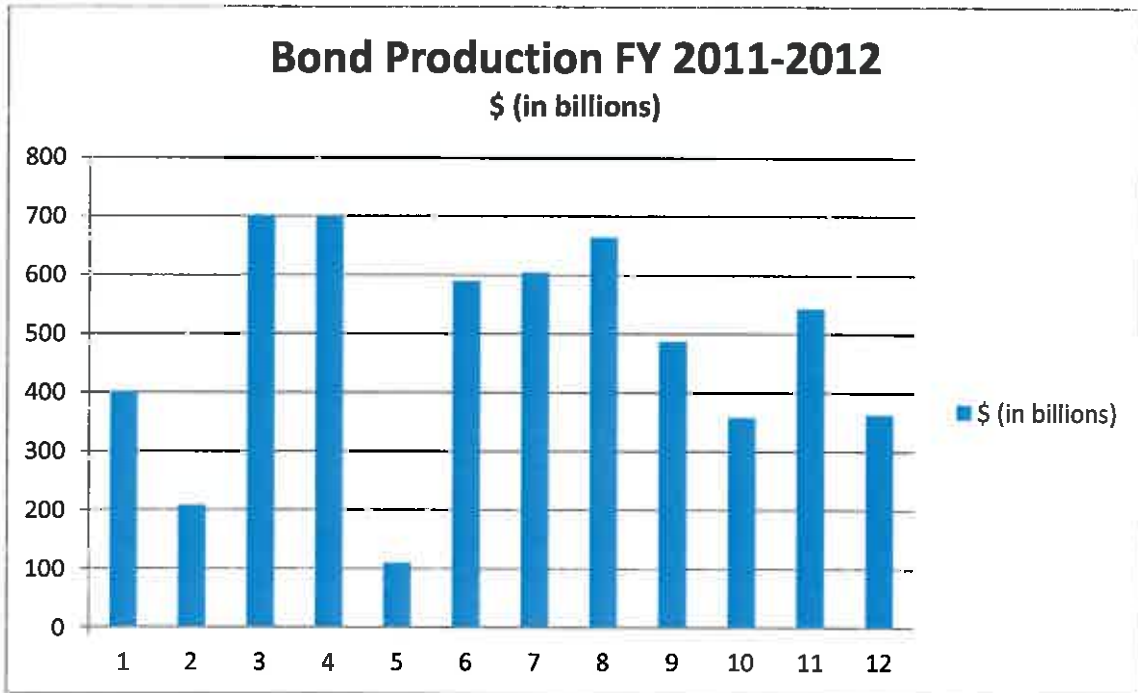
Financial Focused Results

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, 2012, we issued 16 new bonds totaling \$362,566,591. JEDA has issued over \$7.5 billion in bonds since inception and continues to lead the State in tax-exempt bond financing for industries, hospitals and tax-exempt organizations.

**ANNUAL BOND PRODUCTION
BY FISCAL YEAR**



**ANNUAL BOND CLOSINGS
NEW ONLY**

