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## SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY ANNUAL ACCOUNTABILITY REPORT FOR FISCAL YEAR 2011-2012

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## Accountability Report Transmittal Form

Agency Name: **SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY**

Date of Submission: **September 11, 2013**

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**SOUTH CAROLINA JOBS-ECONOMIC DEVELOPMENT AUTHORITY**

**ANNUAL ACCOUNTABILITY REPORT**

**FOR**

**FISCAL YEAR 2012-2013**

## **SECTION I: EXECUTIVE SUMMARY**

### **1. STATED PURPOSE, MISSION, VISION 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 a borrowing entity to access financial markets and capital. JEDA serves nonprofit organizations including educational facilities (K-12, charter schools and private colleges), healthcare facilities and other non-profits such as foundations, museums, Goodwill Industries, YMCA's, small manufacturing facilities as well as solid waste disposal facilities entities which qualify for tax-exempt and taxable financing. JEDA's mission is to advance and grow the business and economic welfare of the State of South Carolina with its focus on job creation and retention and economic development throughout the State.

#### Values

Professionalism- striving for excellence and quality

Accountability – responsibility for service through commitment and responsiveness

Integrity – operate using moral, ethical, truthful, dependable, and fair actions

Reliability- consistent ethical behavior to maintain trustworthiness and credibility

### **2. MAJOR ACHIEVEMENTS**

In May 2012, JEDA submitted a request, and received approval from the US Department of Treasury to modify the use of its \$17,990,415 allocation for the South Carolina State Small Business Credit Initiative to include reappropriation of funds into "Other Credit Support Program", specifically, a Loan Participation Program. Business Development Corporation ("BDC") continues to serve as administrator and custodian of the allocated funds under the South Carolina SSBCI capital access program. In March 2013, South Carolina became the second state in the US to receive its third and final tranche of the funding for this program, and is often cited by the Department of Treasury as example of how the SSBCI program was intended to function. The various capital access programs were established to take advantage of this allocation by encouraging lenders to act in conjunction with public and/or private organizations to promote economic development and job creation, assisting in the location of new business and industry and rehabilitation and support existing business and industry in South Carolina. As of June 2013, \$17,148,248 have been committed, reserved or expended in loan participation programs with a total of \$17,225,079 of the allocated funds having been utilized, which resulted in the retention of 1,379 jobs and the creation of 310 new jobs.

In November 2012, JEDA held its first annual bond summit, which brought together bond attorneys, bankers, financial advisors, underwriters, trustees and rating agencies which work in conduit finance. The summit was attended by over 85 individuals, with 9 expert speakers from New York, Washington and Chicago working in the municipal bond industry, and featured Mr. Bobby Hitt, South

Carolina Secretary of Commerce, as keynote speakers. In addition to sharing and learning about current and upcoming issues affecting the bond industry and focused on ensuring the continued economic development success for South Carolina, this summit allowed for the people engaged in this industry to have one-on-one conversation time with other professional in a more relaxed setting, which is rare in today's technology-oriented environment. The summit was a great success, and the second summit has already been scheduled for Nov. 2013.

JEDA offers Financial Advisory Services (FAS) to local governments and school districts in South Carolina in conjunction with Merchant Capital. The scope of these services combines Merchant Capital's extensive advisory and transaction execution expertise with JEDA's longstanding record as conduit of critical funding for private and public projects throughout the State. In June 2013, the JEDA FAS closed an \$8.44MM installment purchase revenue bond for Bamberg County. Funding was provided by Rosemawr Management (New York), which relationship established a South Carolina connection when one of its principals, Greg Usry, served as speaker at the 2012 JEDA Bond Summit.

During FY 2013, JEDA closed ten (10) bonds for a total of \$357,110,000 during and reissued and/or modified six (6) bonds for a total of \$117,123,000. The effect of the continued slow-down in the economy was again noticeable in the manufacturing industry, where only one bond closed during the year. Of the ten bond closings, there were four (4) hospital and healthcare facilities, two (2) educational facilities, one (1) non-profit organization, one (1) manufacturing facility, one (1) utility and one (1) other. Of the six (6) reissues and/or modifications, two were for hospitals, two for educational facilities, one non-profit facility, and one manufacturer.

Despite a challenging economic environment and market volatility, JEDA continues to develop innovative financial structuring to assist borrowers and advance economic development and job growth in South Carolina. JEDA receives no state or federal funding, is completely self-supporting, and operates solely on revenues generated by its bond issuing activities.

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

- 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 Taxable Bond Program
- d. Attract more commercial banks to the private placement of tax-exempt bonds
- e. Market bond programs to banks and economic developers across the state.

- f. Maintain profitability

#### **4. KEY STRATEGIC CHALLENGES**

- a. Financial market fluctuations create uncertainty and decreases the available market for purchasing bonds issued by JEDA
- b. In Oct. 2007, there were seven bond insurers which were AAA rated by Moody's Investor Services, Standard & Poor's and Fitch. Due to subprime exposure, lack of adequate capital and loss of demand for bond insurance, no triple-A rated insurers remain today. Hospitals and other nonprofits relied heavily on credit enhancements from these insurers in the past
- c. The cost of bank letters of credit has increased substantially, effectively ending this method of credit enhancement
- d. Economic growth in rural South Carolina is limited
- e. Manufacturer use of IDB's is limited by Federal tax laws
- f. Federal government is proposing to eliminate or cap tax-exempt bonds

#### **5. HOW REPORT IS USED TO IMPROVE ORGANIZATIONAL PERFORMANCE**

The agency used the Accountability Report to monitor, measure, and document the agency's progress in achieving goals.

### **SECTION II ORGANIZATIONAL PROFILE**

#### **1. MAIN PRODUCTS & SERVICES AND PRIMARY METHOD OF DELIVERY**

Serve as statewide conduit issuer of bonds on behalf of borrowing entity to allow access to capital markets.

#### **2. KEY CUSTOMERS GROUP**

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.

### **3. KEY STAKEHOLDERS GROUP**

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

### **4. KEY SUPPLIERS AND PARTNERS**

- 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
- f. Davenport & Company

### **5. OPERATING LOCATIONS**

1201 Main Street, Suite 1600, Columbia, SC 29201. No additional locations

### **6. NUMBER OF EMPLOYEES – 2**

### **7. REGULATORY ENVIRONMENT**

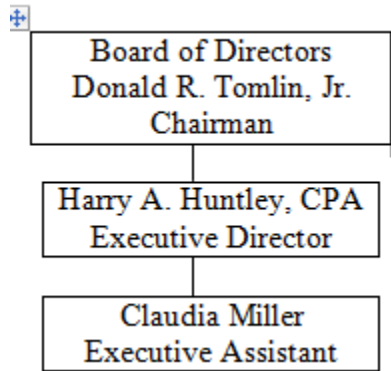
The issuance of tax-exempt bonds is strictly governed by Federal tax laws, the Securities & Exchange Commission (SEC) and state laws. The regulatory environment under which this agency operates is much the same as other State agencies. Additionally, this agency is subject to certain banking regulations, the

Municipal Securities Rulemaking Board in connection with debt disclosure and other financing transactions, and arbitrage and post issuance compliance requirements of the Internal Revenue Service.

**8. PERFORMANCE IMPROVEMENT SYSTEM**

JEDA operates to ensure that its business is being conducted in the most efficient, transparent and accountable way possible. Being only a two person agency, that work ethic is shared and job responsibilities and goals are evaluated and refined on a continual basis.

**9. ORGANIZATIONAL STRUCTURE**



**10. EXPENDITURE/APPROPRIATIONS CHART**

It is important to note that since 2008, JEDA receives no appropriation for administrative expenses or programs. In addition, all business needs including office space, information technology, accounting and telephones are part of an 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	2011-12 Actual Expenditures		2012-2013 Actual Expenditures		2013-14 Appropriations Act	
	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	148,688	0	157,750	0	160,000	0
Other Operating	109,500	0	126,360	0	116,500	0
Special Items	0	0		0	0	0
Permanent Improvements	0	0		0	0	0
Case Services	0	0		0	0	0
Distrib.to Subdivisions	0	0		0	0	0
Fringe Benefits	41,005	0	44,778	0	52,650	0
Non-Recurring Refunds to Grantor	58,000	0	18,000	0	66,000	0
<b>Total</b>	<b>357,193</b>	<b>0</b>	<b>346,888</b>	<b>0</b>	<b>395,150</b>	<b>0</b>

### 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 and non-profits to expand their existing facilities or start new enterprises in South Carolina. In either instance, the project to be financed must make a significant impact through retention of existing employment, creation of new jobs and increased tax revenues both for the respective community and the State as a whole, which benefit schools, infrastructure, health care facilities, police protection, etc. JEDA conduit bond issues improve the quality of life for a 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 a further expansion of JEDA healthcare 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. JEDA also looks for opportunities and initiatives to partner with others where it can have an impact in economic development across the State; for example the State Small Business Credit Initiative [SSBCI] in

partnership with Business Development Corporation and Qualified Energy Conservation Bonds [(QECBs)] & Energy Efficiency Revolving Loan Fund [EERLF] in collaboration with the South Carolina Energy Office.

### **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 consists of:

- a. Small Manufacturers with capital needs between \$2MM - \$10MM
- b. Solid Waste Disposal facilities with capital needs between \$2MM- \$100MM
- c. 501(c)(3) Organizations consisting of the non-profit health care industry, cultural organizations, K-12 schools and private colleges with typical funding requirements between \$2MM- \$500MM.

#### 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?

JEDA develops and cultivates its customers and stakeholder relationships through continual evaluation of feedback, networking and interfacing. We are active in relevant trade organizations operating in areas of our primary market.

#### **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 budget projections and furnished to and reviewed by its Board of Directors on a quarterly basis.

The year-end financial audit is performed by an outside accounting firm selected by the State Auditor and reviewed by the Comptroller General. 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.

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

Evaluation of training requirements 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, attendance at conferences focusing on chronic diseases, fitness, health and nutrition programs sponsored by the SC Budget and Control Board, Office of Insurance Services are provided. Our building and office space is 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, with only one loan remaining open. Blue Avenue, the marketing firm hired by JEDA, continues to develop all marketing materials in collaboration with the Executive Director. The website is continuously updated and newsletters and press-leases are published. Additionally, JEDA began to use “email blasts” to inform the community, clients and the public of program highlights.

The Key Process for marketing was revamped for JEDA by our marketing firm. Research included an assessment of current customers and evaluation of competitive services, and examination of the existing market to determine whether the products offered met those needs. A Marketing Strategy was developed to enable JEDA to provide the greatest service to the State. A major component of the Marketing Strategy was to identify underserved areas, the financial institutions that served those areas and the development of a partnership plan with those institutions.

Key partner interactions are bond attorneys, commercial lenders and economic development allies. Participation and leadership in or with professional groups support economic development allies, which include Independent Bankers Association, the SC Bankers Association, and the SC Economic Developers Association. The relationships formed with commercial lenders and allies result in business participations, and aid in identifying other financing structures.

**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 the Department of Commerce and other 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 revisions where appropriate or necessary.

### **Human Resource Focused Results**

JEDA is a very small entity consisting 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 each 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, therefore our “suppliers” are the financial institutions and underwriters that provide the funding for our bond programs, as well as the bond attorneys selected to work with the our customers. JEDA provides an extremely transparent, flexible and cost effective method of financing.

JEDA staff has frequent contact with its suppliers with whom it has established and continues to nurture an excellent working relationship. In the final analysis, the best measure of success with our suppliers is that we continue to maintain that excellent working relationship with each over the course of 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 identified or reported.

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

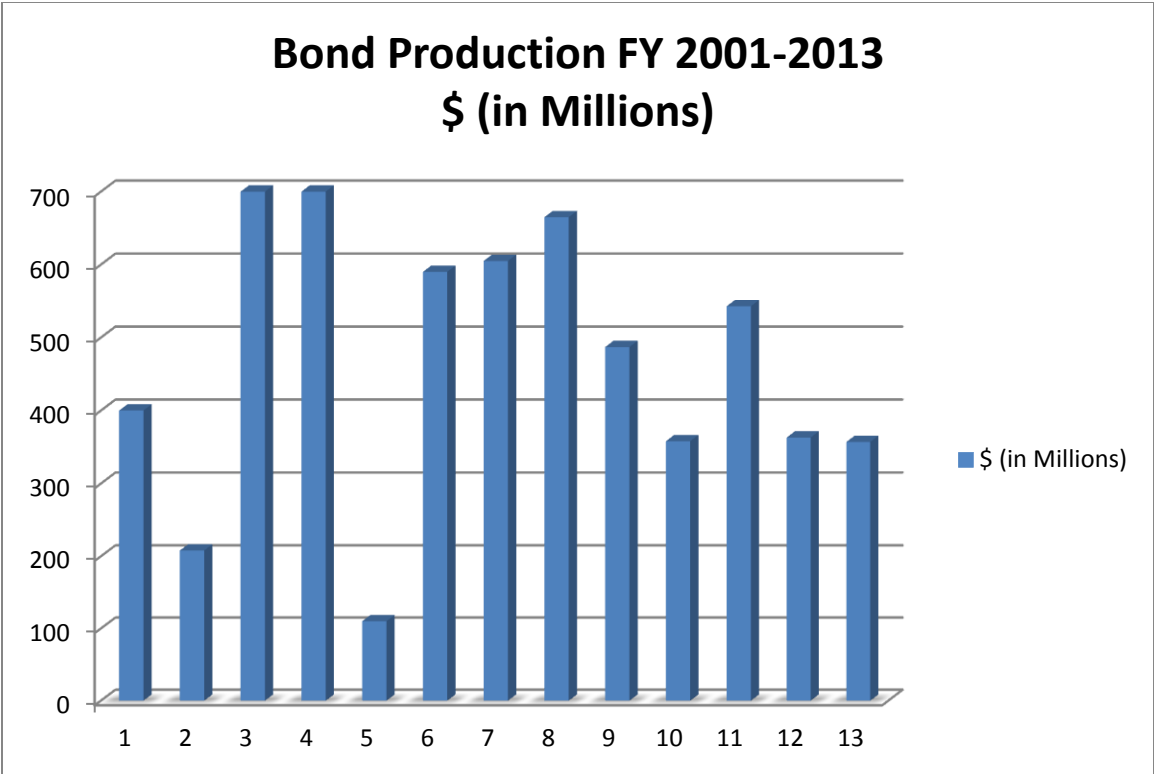
### **Financial Focused Results**

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.

The graphs below show JEDA's annual bond production. During the fiscal year ending June 30, 2013, we issued 10 new bonds totaling \$357,110,000. JEDA has issued over \$8 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**

