

MINUTES OF BUDGET AND CONTROL BOARD MEETING

FEBRUARY 26 1974

The State Budget and Control Board met in the Conference Room of the Governor's Office at 11:00 a.m. on February 26, 1974, with the following members in attendance.

Governor John C. West
Mr. R. J. Aycock
Mr. Henry Mills
Mr. Grady L. Patterson, Jr.

Also in attendance were Messrs. P. C. Smith and William T. Putnam.

The following business was conducted.

MINUTES OF THE PREVIOUS MEETING - Minutes of the Budget and Control Board meeting of February 5, 1974 had previously been furnished to the members. These minutes were approved as written.

HILTON HEAD HOSPITAL CENTER - Mr. Brantley Harvey, member of the House from Beaufort County, and Dr. Peter LaMotte appeared before the Budget and Control Board to present preliminary plans for the construction of a hospital at Hilton Head Island, South Carolina and to request financing under the provisions of Act 379, Acts of 1973 (Hospital Facilities Act).

Mr. Art Hinkle of Booz, Allen and Hamilton, a prominent hospital consulting firm, presented financial data and discussed cost figures as well as projected revenues. Dr. LaMotte outlined the need for the facility and the services which it would render to the community.

After a thorough discussion of this project, the Budget and Control Board approved the petition of Beaufort County for the issuing of Hospital Facilities Bonds in the amount of \$11,200,000.

Data pertaining to the proposed hospital has been retained in these files and is collectively identified as Exhibit I.

CHEM-NUCLEAR SYSTEMS, INC. - In its meeting of October 29, 1973 the Budget and Control Board approved the refunding of a \$20,000 cash bond which had been posted by Chem-Nuclear Systems, Inc. However, this approval was conditioned upon receipt of a statement of the South Carolina Department of Health and Environmental Control certifying that satisfactory plans for the decommissioning of the nuclear site had been submitted and that an economic assessment had been made of the demurrage charge.

The Budget and Control Board received a letter of certification dated February 6, 1974 from the South Carolina Department of Health and Environmental Control and, therefore, gave formal approval to the refund at the present meeting.

The letter from the South Carolina Department of Health and Environmental Control has been retained in these files and is identified as Exhibit II.

FOREIGN TRAVEL - SPECIAL REQUEST - In a letter dated February 8, 1974, officials of the University of South Carolina advised the Budget and Control Board that a continuing geological study was being conducted in North Africa and was being funded entirely by the National Science Foundation. In view of the fact that this project requires regular travel by participants, the University has requested "blanket" approval for foreign travel as it pertains to this endeavor.

The Board approved this request.

The letter of request of the University of South Carolina has been retained in these files and is identified as Exhibit III.

FOREIGN TRAVEL - SPECIFIC ITEMS - The State Budget and Control Board approved the following items.

A request of the University of South Carolina for travel to Canada by Robert K. Todd and Robert E. Alexander.

A request of the University of South Carolina for travel to Tokyo, Japan by Nortimitsu Watabe.

A request by the University of South Carolina for travel to Montreal, Canada by Dr. Sarah Wise.

A request of the Department of Health and Environmental Control for travel in Montreal Canada by Ms. Lee Stang.

A request by Clemson University for travel to Zurich, Switzerland by Dr. Tah-teh Yang.

Letters of request for the above mentioned travel have been retained in these files and are collectively identified as Exhibit IV.

CAPITAL IMPROVEMENT BOND REQUESTS - Mr. P. C. Smith furnished all Board members with data pertaining to the current status of the Capital Improvement Bond program and a list of requests which has been compiled for the fiscal year 1974-75.

After reviewing the data furnished and discussing various problems involved in the Capital Improvement Bond program, the Board instructed Mr. Smith to give further consideration to the various requests and to try to establish a list of priorities for further Board consideration.

Copies of each of the statements furnished by Mr. Smith have been retained in these files and are collectively identified as Exhibit V.

GENERAL SERVICES DIVISION - The Budget and Control Board approved the following requests of the General Services Division.

(1) The use of approximately \$60,000 of funds provided under the provisions of Act 508, Acts of 1971, for the construction of a building for use by the Division of Geology of the State Development Board.

(2) The use of \$750 of funds of the General Services Division to defray part of the cost of the regional spring conference of State agencies for surplus property.

The Board received as information, reports of the General Services Division pertaining to the purchase of State vehicles, space rental, records dispositon, tidelands permits and the purchase of other special equipment.

Data pertaining to the requests of the General Services Division and the various reports have been retained in these files and are collectively identified as Exhibit VI.

PERSONNEL DIVISION - The Budget and Control Board approved seventeen items of dual employment as recommended by the Personnel Division.

At the request of Dr. Jack Mullins, the Board extended until April, 1974, the time for the submission of proposed guidelines for dual employment.

A copy of the dual employment request has been retained in these files and is identified as Exhibit VII.

GRIEVANCE COMMITTEE - The Budget and Control Board accepted as information a report of the grievance proceedings in the case of Robert N. Stanley of Orangeburg, South Carolina but took no action with respect to this matter.

A copy of the grievance proceedings has been retained in these files and is identified as Exhibit VIII.

There being no further business, the meeting was adjourned at 12:30 p.m.

EXHIBIT I
FEB. 26, 1974

HARVEY, BATTEY, MACLOSKIE & BETHEA, P. A.

ATTORNEYS AT LAW

THE PEOPLES BANK BUILDING

POPE AVENUE

P. O. BOX 5010

HILTON HEAD ISLAND, S. C. 29928

(803) 785-2171

W. BRANTLEY HARVEY
W. BRANTLEY HARVEY, JR.
COLDEN R. BATTEY, JR.
CHARLES B. MACLOSKIE
WILLIAM L. BETHEA, JR.

GEORGE R. CEER, JR.
J. THOMAS MIKELL
JAMES S. GIBSON, JR.
C. PINCKNEY ROBERTS

OFFICE
BEAUFORT, S. C.
1001 CRAVEN STREET
P. O. DRAWER 1107
(803) 524-3109

January 31, 1973

Mr. P. C. Smith
State Auditor, State of South Carolina
Secretary, South Carolina State Budget
and Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Re: The Hilton Head Hospital Center

Dear Pat:

As you may be aware, the expanding population on Hilton Head Island has demonstrated the need for the construction of a good quality hospital. During the past several years a group of interested citizens headed by Dr. Peter LaMotte has been studying the feasibility of constructing and operating such a facility on the Island to take care of the hospital needs of the entire Island population. I am pleased to report at this time that, after much hard work by all members concerned, the Hospital is prepared to proceed with the final financing for its construction. The financing is contemplated to take place under the new South Carolina Hospital Revenue Bond Act bearing ratification number R-617 of the acts of the General Assembly of South Carolina for the year 1973, as approved by the Governor on June 22, 1973.

The Hilton Head Hospital will operate as a nonprofit hospital to provide medical care to the residents of the Hilton Head area. The first phase of the Hospital will include forty acute care hospital beds and forty skilled nursing home beds for extended care patients. The skilled care beds are being built to hospital specifications and comprise the third floor of the Hospital building. As soon as the percent of occupancy justifies the expansion of the Hospital, these forty beds can easily be converted into an additional acute care floor with new facilities being built to handle the skilled nursing patients. The Hospital will include the necessary ancillary support facilities including operating rooms, intensive care wards, laboratories, X-ray facilities and a 24-hour a day emergency room. As such, it has received the support of the entire Island community. This support is being demonstrated by the time, effort and money being contributed by the entire community. The community will raise approximately one million dollars as the initial capital contribution prior to the issuance of the bonds.

Page 2
Mr. P. C. Smith
January 31, 1974

As you can determine from the enclosed documents, the planning and development of this Hospital project has received the most careful consideration. The final cost projections call for the construction price of the Hospital to be a maximum of \$7,706,980.00 with a total project cost, which includes architectural fees and equipment, of \$9,065,348.00. The various contracts were signed on January 25, 1974, with Morrison-Knudsen Company as the general contractor and Henningson, Durham & Richardson as the architect. Prior to the execution of these contracts, preliminary and final feasibility studies were performed by the management consulting firm of Booz, Allen and Hamilton of Washington, D. C. It was their conclusion that both the need for the Hospital and its financial feasibility exists. Its feasibility is further borne out of the desire of Kidder, Peabody & Company and Robinson and Humphrey Company's desire to act as investment bankers for the underwriting of the bond issue.

It is Kidder, Peabody's present schedule to plan on marketing the bond issue during the month of April. Therefore, I am requesting that the State Budget and Control Board during one of their February meetings consider a petition by the Beaufort County Council for the bond issue under the Hospital Revenue Bond Act for an amount of approximately \$11,000,000.00.

In order that you might have a full opportunity to review the feasibility of this Hospital, I am enclosing herewith the following:

- A. A study of program plans and functional requirements for The Hilton Head Hospital Center prepared by Booz, Allen & Hamilton, management consultants. The original study dated June, 1973, along with its Appendix, August 1, 1973, provide the basic feasibility material for the Hospital. This preliminary study has been revised to show the current costs and nonprofit operating status. A final feasibility study has been completed. This study, which should be available in the near future, will show that the Hospital will be financially feasible and will be able to conservatively carry its debt amortization and interest requirements.
- B. An Application for Recognition of Exemption under Section 501 (c) (3) of the Internal Revenue Code of 1954. This application was submitted to the Internal Revenue Service in Atlanta, Georgia on January 7, 1974. A favorable reaction has been orally communicated from the Service.

Page 2
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Page 3
Mr. P. C. Smith
January 31, 1974

- C. Xerox copies of the original Resolution of the Beaufort County Council and the Interim Agreement, together with its amendment between the Beaufort County Council and The Hilton Head Hospital Center. These agreements were unanimously adopted by the Council. A formal petition to the State Budget Control Board will be considered by the County Council in the next several weeks.
- D. Copies of the Certificate of Need from the State Department of Health showing the need and the authorization for the construction of a 40-bed acute care facility and a 40-bed skilled nursing home.

Mr. Huger Sinkler has been working closely with the members of the Board of Trustees of the Hospital during the past several months. I am by separate letter asking him to make available to you any additional information which you may desire. I am sure that he will be contacting you on this matter in the very near future. In addition, Michael L. M. Jordan of the Hilton Head office of our Firm can provide you with any additional information.

I am looking forward to discussing this matter with you further in the near future. With best personal regards, I am,

Very truly yours,

HARVEY, BATTEY, MACLOSKIE &
BETHEA, P. A.

W. Brantley Harvey, Jr.
W. Brantley Harvey, Jr.

WBHJr:des
enclosures

cc: Mr. Huger Sinkler
Sinkler, Gibbs, Simons & Guerard
Post Office Box 340
Charleston, South Carolina 29402

Dr. Peter LaMotte
The Hilton Head Hospital Center
Post Office Box 5928
Hilton Head Island, South Carolina 29928

Page 4
Mr. P. C. Smith
January 31, 1974

cc: Mr. Clarence C. McPherson, Director
Divisions of Planning and Programs
Bureau of Health Facilities and Services
State Department of Health and
Environmental Control
2600 Bull Street
Columbia, South Carolina 29201

Mr. Michael L. M. Jordan
Harvey, Battey, Macloskie & Bethea, P. A.
Post Office Box 5010
Hilton Head Island, South Carolina 29928

Outman

SINKLER GIBBS SIMONS & GUÉRARD
ATTORNEYS & COUNSELLORS AT LAW
PROFESSIONAL ASSOCIATION

TELEPHONE 722-3366
AREA CODE 803

HUGER SINKLER
CHARLES H. GIBBS
ALBERT SIMONS, JR.
THEODORE B. GUÉRARD
G. DANA SINKLER
THOMAS A. HUTCHESON
ROBERT H. HOOD
CHARLES F. AILSTOCK
M. WILLIAM YOUNGBLOOD, JR.
JOHN H. WARREN, III

2 PRIOLEAU STREET

CHARLESTON, S. C. 29402

POST OFFICE BOX 340

March 18, 1974

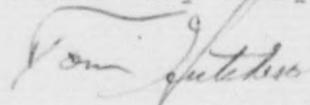
Honorable P. C. Smith
State Auditor
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

Re: \$11,200,000 Beaufort County, South Carolina,
Hospital Facilities Revenue Bonds, Series 1974
(Hilton Head Hospital Center).

I am enclosing herewith a revised draft of a Resolution for the State Budget and Control Board in connection with the above bonds; The revised Petition has previously been forwarded to you by Mr. Michael Jordan. If this Resolution is satisfactory, I would appreciate your completing and executing the certificate thereon and returning them to me at your earliest convenience.

Yours very truly,



TAH:wjh

Enclosures

A RESOLUTION
APPROVING THE UNDERTAKING OF BEAUFORT COUNTY TO ISSUE
\$11,200,000 BEAUFORT COUNTY, SOUTH CAROLINA, HOSPITAL
FACILITIES REVENUE BONDS, SERIES 1974 (HILTON HEAD
HOSPITAL CENTER) PURSUANT TO ACT NO. 379 OF 1973.

WHEREAS, the County Council of Beaufort County (the County Board), pursuant to Act No. 379 of the Acts of the General Assembly of the State of South Carolina for the year 1973 (the Act), has petitioned the State Budget and Control Board of South Carolina (the State Board) seeking the approval of the State Board to an undertaking by the County Board pursuant to the Act; and

WHEREAS, the proposed undertaking consists of the issuance of \$11,200,000 Beaufort County Hospital Facilities Revenue Bonds, Series 1974 (Hilton Head Hospital Center) (the Bonds) by the County Board pursuant to the Act, the proceeds of which will be loaned to Hilton Head Hospital Center, a nonprofit, nonsectarian corporation (the Hospital) and used in order to defray the cost of acquiring and constructing hospital facilities (the Facilities) on Hilton Head Island in Beaufort County, South Carolina; and

WHEREAS, the County and the Hospital propose to enter into a Loan Agreement pursuant to which the Hospital will agree to make payments sufficient to provide for the payment of the Bonds above described; and

WHEREAS, the County proposes to enter into a Trust Indenture with a Bank yet to be named as Trustee prescribing the terms and conditions upon which the Bonds will be issued and pledging to the payment of the Bonds the loan repayments to be made pursuant to the Loan Agreement; and

WHEREAS, the forms of the Loan Agreement between Beaufort County and the Hospital and of the Trust Indenture

will be in substantially the form used in previous financings considered by this Board;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD, IN MEETING DULY ASSEMBLED:

1. It has been found and determined by the State Board:

A. That the statement of facts set forth in the recitals of this Resolution are in all respects true and correct.

B. That the County Board has filed a proper petition to the State Board in accordance with the provisions of Section 18 of the Act, setting forth a brief description of the Facilities, the action taken by the South Carolina Department of Health and Environmental Control in connection therewith (the Certificate of the said Department having been filed with the State Board prior to this meeting), a reasonable estimate of the cost of the Facilities, and a general summary of the terms and conditions of the Loan Agreement and Trust Indenture.

C. The financing of the Facilities by the County Board through the issuance of the Bonds will promote the purposes of the Act.

2. On the basis of the foregoing findings, the proposed undertaking of the County Board (i) to enter into the Trust Indenture and issue the Bonds; (ii) to loan the proceeds thereof to the Hospital for the purpose of defraying the cost of acquiring and constructing the Facilities (which will be owned by the Hospital and in which the County will have no interest); and (iii) to enter into a Loan Agreement with the Hospital, providing for the payment of the Bonds, which shall be payable solely from the revenues to be derived by the County under the Loan Agreement, all pursuant to the Act (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking) be, and the same is hereby approved, and the County Board may proceed therewith.

3. Notice of the action taken by the State Board in giving approval to the above described undertaking of Beaufort

County shall be published in THE GAZETTE, a newspaper having general circulation in Beaufort County.

4. That the Notice to be published shall be in form substantially as set forth in EXHIBIT "A" of this Resolution.

EXHIBIT "A"

NOTICE PURSUANT TO ACT NO. 379 OF THE
ACTS OF THE GENERAL ASSEMBLY OF THE
STATE OF SOUTH CAROLINA FOR THE YEAR
1973

NOTICE IS HEREBY GIVEN that following the filing of a Petition by the County Council of Beaufort County (the County Board) to the State Budget and Control Board of South Carolina (the State Board), approval has been given by the State Board to the following undertaking (including changes in any details of the said undertaking as finally consummated which do not materially affect the said undertaking), viz:

The issuance by the County Board of \$11,200,000 Hospital Facilities Revenue Bonds, Series 1974 (Hilton Head Hospital Center) (the Bonds) pursuant to Act No. 379 of the Acts of the General Assembly of South Carolina for the year 1973 (the Act), the proceeds of which shall be loaned by Beaufort County to Hilton Head Hospital Center (the Hospital) and used to provide hospital facilities (the Facilities) on Hilton Head Island in Beaufort County; the execution and delivery of a Loan Agreement between Beaufort County and the Hospital, pursuant to which the Hospital will unconditionally agree to make payments sufficient to repay the principal and interest on the Bonds when due; and the execution and delivery of a Trust Indenture between Beaufort County and a Bank yet to be named, as Trustee, prescribing the terms and conditions under which the Bonds will be issued and pledging to the payment of the Bonds, the loan repayments to be made pursuant to the Loan Agreement.

The Facilities to be financed with the proceeds derived

from the sale of the Bonds will be owned by the Hospital and the County will have no interest therein.

A draft of the said Loan Agreement and the Trust Indenture is on file at the office of the County Board, located in the Beaufort County Courthouse, Beaufort, South Carolina.

The South Carolina Department of Health and Environmental Control has issued its certificate of need for the Facilities as required by Act No. 379 of 1973.

NOTICE IS FURTHER GIVEN that any interested party may at any time within twenty days after the date of publication of this Notice, but not afterwards, challenge the validity of the action of the State Board in approving the said undertaking of the County Board, by action, de novo, instituted in the Court of Common Pleas for Beaufort County.

THE STATE BUDGET AND CONTROL
BOARD OF SOUTH CAROLINA

By: P. C. SMITH, Secretary

PUBLICATION DATE:

_____, 1974

STATE OF SOUTH CAROLINA,
COUNTY OF RICHLAND.

I, P. C. SMITH, Auditor of the State of South Carolina,
and Secretary of the State Budget and Control Board, DO HEREBY
CERTIFY:

That the said State Budget and Control Board is composed
of the following:

His Excellency, John C. West, Governor of South
Carolina and Chairman of the Board;

The Honorable Grady Leslie Patterson, Jr., State
Treasurer;

The Honorable John Henry Mills, Comptroller General
of South Carolina;

The Honorable Rembert C. Dennis, Chairman of the
Senate Finance Committee; and

The Honorable Robert James Aycock, Chairman of
the House Ways and Means Committee.

That due notice of meeting of said Board, called to be
held at the office of the State Auditor, in the Hampton Office
Building, at Columbia, South Carolina, at _____. M., _____
__, 1974, was given to all members in writing, and at least
four (4) days prior to said meeting; that all members of said
Board were present at said meeting, with the exception of:

That at said meeting, a Resolution, of which the
attached is a true, correct and verbatim copy, was introduced
by _____, who moved its adoption; said
motion was seconded by _____, and upon
vote being taken and recorded it appeared that the following
votes were cast:

FOR MOTION

AGAINST MOTION

That the Chairman thereupon delivered the Resolution un-
animously adopted, and the original thereof has been duly
entered in the permanent records of minutes of said Board,
in my custody as its Secretary.

Secretary

_____, 1974.

RESOLUTION

WHEREAS, HILTON HEAD HOSPITAL CENTER, a non-profit corporation, organized and existing under the laws of the State of South Carolina (the Hospital), has advised County Council of Beaufort County (County Council) that it proposes to construct and equip a hospital, with clinic and related facilities, which will provide forty (40) acute care beds and forty (40) nursing care beds on Hilton Head Island in Beaufort County, South Carolina, and has requested County Council to exercise powers vested in it by Act bearing Ratification No. R-617 of the Acts of the General Assembly of South Carolina for the year 1973, approved by the Governor of South Carolina on June 22, 1973 (the Act) and make provision for the issuance of Beaufort County Hospital Facilities Revenue Bonds (Hilton Head Hospital Center) whose proceeds would be made available to the Hospital for the payment of costs and expenses incurred for such purposes; and

WHEREAS, after due consideration County Council has determined to grant such assistance and to that end has agreed to enter into a contract with the Hospital making provision for the issuance of bonds pursuant to the Act.

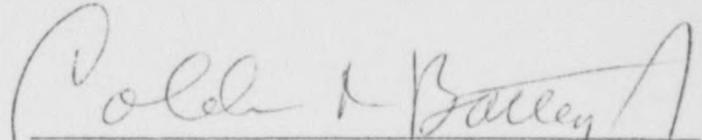
NOW, THEREFORE, BE IT RESOLVED BY County Council in meeting duly assembled:

1. That Beaufort County shall issue its Beaufort County Hospital Facilities Revenue Bonds (Hilton Head Hospital Center) in such amount as may prove necessary to finance hospital facilities for the Hospital for its Hilton Head Island hospital facility.

2. That an agreement to that effect in substantially the form presented to this meeting (and attached hereto) shall be executed and delivered on behalf of Beaufort County by the Chairman of County Council under the Seal of Beaufort County, the same to be duly attested by the Secretary of County Council.

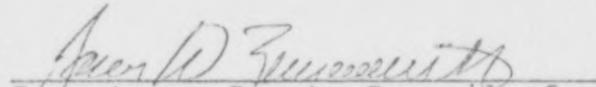
3. Resolved further that County Council and its duly elected officers shall take any and all further action as may become necessary to effectuate the action herewith taken.

Done in meeting duly assembled this 19th day of November, A. D., 1973.


Chairman, County Council of
Beaufort County

(SEAL)

Attest:


Secretary, County Council of
Beaufort County

STATE OF SOUTH CAROLINA

COUNTY OF BEAUFORT

I, the undersigned, Secretary of Beaufort County Council, State and County aforesaid, DO HEREBY CERTIFY:

That the foregoing constitutes a true, correct and verbatim copy of a Resolution adopted by said County Council, at a meeting duly called and regularly held on the 19th day of November, 1973, at which the following Arthur B. Hornsby, Vice Chairman, Presiding, Leroy E. Browne, Harry B. Fordham, William Hunt, David Jones, Walter T. Rodgers, Hardy D. Thomas

_____, constituting ~~21~~ a majority of the members of said County Council were present, and voted unanimously in favor of the adoption of said Resolution.

That the original of said Resolution is duly entered in the permanent records of minutes of meetings of said Council in my custody as such Secretary.

IN WITNESS WHEREOF, I have hereunto set my Hand and the Seal of Beaufort County Council, this 20th day of November, A. D., 1973.

(SEAL)

Hardy D. Thomas
Secretary

INTERIM AGREEMENT

4

THIS AGREEMENT, made and entered into by and between BEAUFORT COUNTY, (the County), a body politic and corporate, and a political subdivision of the State of South Carolina, acting by and through its governing body as duly established by law, and HILTON HEAD HOSPITAL CENTER, (the Hospital), a non-profit corporation organized and existing under the Laws of the State of South Carolina.

W I T N E S S E T H:

ARTICLE I

RECITATION OF FACTS

Section 1.01.

As a means of setting forth the matters of mutual inducement which have resulted in the making and entering into of this Agreement, the following statements of fact are herewith recited:

1. The County is a body politic and corporate, and a political subdivision of the State of South Carolina, and is authorized and empowered by the provisions of Act bearing Ratification No. R-617 enacted at the 1973 Session of the General Assembly of South Carolina, and approved by the Governor of South Carolina on the 22nd day of June, 1973 (the Act), to finance the acquisition of Hospital Facilities (as defined in the Act) by the Hospital.

2. The Hospital has advised the County that Hilton Head Island Medical Services Inc., a corporation organized and existing under the laws of the State of South Carolina, owns approximately 50.8 acres of land on Hilton Head Island in Beaufort County, South Carolina. The Hospital proposes to lease all or a portion of said real property on a long-term basis for the purpose of constructing thereon a hospital, together with a clinic and other related facilities for the

purpose of providing hospital services to the residents of Hilton Head Island. The Hospital proposes initially to construct a Hospital Facility containing forty (40) acute care beds and forty (40) nursing care beds. It is contemplated that this Hospital Facility will in the future be substantially expanded. The cost of the initial eighty (80) bed Hospital Facility, together with the clinic and related facilities, is estimated to be approximately \$9 Million.

3. The County has agreed to cooperate with and to assist the Hospital in providing the means of funding the aforesaid Hospital Facilities by and through the issuance and sale of revenue bonds pursuant to the Act, the proceeds whereof would be applied to defray the cost of the acquisition and construction of such Hospital Facilities.

4. On the basis of the facts above recited, the County is minded to enter into this Interim Agreement in order that the Hospital may proceed with the acquisition and construction of the required Hospital Facilities.

ARTICLE II

UNDERTAKINGS ON THE PART OF THE COUNTY

Section 2.01

The County shall forthwith authorize the initial issuance of its Beaufort County, South Carolina, Hospital Facility Revenue Bonds, Series 1974 (Hilton Head Hospital Center) in the aggregate amount of \$9,000,000. Such bonds shall be issued either as a single issue or from time to time as several issues.

Section 2.02

The County will permit the Hospital to attempt to market the bonds for the County, and if successful marketing arrangements can be made agreeable to the County and to the Hospital, the County will adopt such proceedings as are or may be necessary, desirable or expedient, for the making of an ap-

propriate agreement as provided and described in Section 2.05 hereof, and for the issuance and securing of the bonds.

Section 2.03

If the Bonds shall be sold, the County will provide that the proceeds thereof shall be applied to the payment of all costs, fees and expenses theretofore, and thereafter to be incurred either by the County and/or the Hospital in the acquisition and construction of the Hospital Facilities, including all costs incidental thereto including the establishment of a debt service reserve for the Bonds to the extent permitted by the Act.

Section 2.04

Prior to the issuance of the Bonds aforesaid, the County will enter into an Indenture with a bank to be selected and approved by the Hospital to serve as Trustee, pursuant to which Indenture the bonds shall be issued. Such Indenture shall be in a form satisfactory to the County, to the Hospital and to the trustee bank; and may provide for the issuance of additional revenue bonds of the County for completion, improvement and expansion of the Hospital Facilities.

Section 2.05

Simultaneously with the issuance of the Bonds aforesaid, the County will enter into an agreement with the Hospital (the Agreement). Under the terms of the Agreement the County will make available to the Hospital the net proceeds of the Bonds in order that the Hospital may pay for and acquire the Hospital Facilities, and the Hospital, for its part, will agree to provide and pay to the County all sums required to pay the principal, interest and premium, if any, on the said Bonds, as and when the same become due and payable, together with any and all costs, fees or expenses which have been or may thereafter be incurred by the County in the performance of its obligations under the Agreement, to the end that the undertakings of the County will not result in any cost or charge against the County in any way.

Section 2.06

The County will perform such other acts and adopt such further proceedings and enter into such additional engagements and agreements as may be required faithfully to implement its undertakings as herein described, and if requested by the Hospital, will make application to the Internal Revenue Service for such Tax Ruling, if any, as may be necessary in the opinion of the Hospital. To that end, the Chairman of County Council is authorized to execute Internal Revenue Service Power of Attorney form, naming therein, to act in the matter, counsel selected by the Hospital for such purpose.

ARTICLE III

UNDERTAKINGS ON THE PART OF THE HOSPITAL

Section 3.01

The Hospital covenants and agrees forthwith to make all necessary arrangements to attempt to market the bonds on behalf of the County to the extent required to finance the acquisition and construction of the Hospital Facilities.

Section 3.02

If the contemplated bonds can be sold on terms satisfactory to it,

(a) the Hospital will enter into the Agreement with the County referred to in Section 2.05 hereof, under the terms of which it will obligate itself to pay to or for the account of the County all sums required to pay any and all costs, fees and expenses incident to the issuance of the bonds, the establishment of any and all reserves or sinking funds therefor, and the payment of the principal, interest and premium, if any, on the bonds as and when the same become due and payable;

(b) the Hospital will indemnify and hold harmless the County from and against all pecuniary liability of any kind or nature whatsoever and irrevocably binds itself to reimburse the County for all costs and expenses to which the County may

become liable or which it may incur in the fulfillment of the County's obligations under this Agreement and under the terms and provisions of the Agreement; and

(c) the Hospital will perform such further and additional acts, enter into such engagements and agreements, and adopt such further proceedings as may be necessary, advisable or expedient faithfully to implement its undertakings and obligations hereunder and under the Agreement.

Section 3.03

Should the program herein described fail for any reason to materialize or to be successfully completed, the Hospital agrees to indemnify and hold harmless the County from and against any and all reasonable expenses incurred by the County up to the time that the program aforesaid is terminated.

ARTICLE IV

GENERAL PROVISIONS

Section 4.01

All obligations and commitments of the County under this Agreement and specifically under ARTICLE II hereof are contingent upon and subject expressly to the condition that nothing contained in this Agreement or in the Agreement referred to in Section 2.05 hereof is intended, nor shall it be construed, as constituting or giving rise to any pecuniary liability whatsoever of or against the County, nor shall it constitute any charge or liability against the County's general credit or taxing powers.

Section 4.02

All undertakings, obligations and commitments of the County and/or the Hospital hereunder are expressly contingent upon, and subject to the expressed condition that the County and the Hospital shall and will finally agree on mutually acceptable terms and conditions of all documents, agreements

and undertakings, including the Agreement referred to in Section 2.05 hereof, the execution and delivery whereof are contemplated by or provided for herein.

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Agreement as of November 19, 1973, but on the respective dates indicated below each.

BEAUFORT COUNTY, SOUTH CAROLINA

(SEAL)

By Gold H. Rette
Chairman, County Council of
Beaufort County, South Carolina

Attest:

Carol D. [Signature]
Secretary, County Council of
Beaufort County, South Carolina

Dated: November 20, 1973.

HILTON HEAD HOSPITAL CENTER

(SEAL)

By [Signature]
Its President

Dated: 11/21/73, 1973.

INTERIM AGREEMENT

THIS AGREEMENT, made and entered into by and between BEAUFORT COUNTY, (the County), a body politic and corporate, and a political subdivision of the State of South Carolina, acting by and through its governing body as duly established by law, and HILTON HEAD HOSPITAL CENTER, (the Hospital), a non-profit corporation organized and existing under the Laws of the State of South Carolina.

W I T N E S S E T H:

WHEREAS, the parties hereto entered into an Interim Agreement on November 20, 1973 for the purpose of issuing Beaufort County, South Carolina, Hospital Facility Revenue Bonds; and,

WHEREAS, the estimated issue amount for the financing of the Hospital at that time was approximately NINE MILLION and No/100 (\$9,000,000.00) DOLLARS; and,

WHEREAS, current economic conditions have greatly increased the cost of hospital construction; and,

WHEREAS, the parties are desirous of revising their previous understanding;

NOW, THEREFORE, it is mutually agreed by and between the parties hereto as follows:

FIRST: That Section 2.01 of the November 20th Agreement be amended to read:

Section 2.01

The County shall forthwith authorize the initial issuance of its Beaufort County, South Carolina, Hospital Facility Revenue Bonds, Series 1974 (Hilton Head Hospital Center) in the aggregate amount of approximately Eleven Million Two Hundred Thousand and No/100 (\$11,200,000.00) Dollars. Such bonds shall be issued either as a single issue or from time to time as several issues.

SECOND: That the other provisions of that Agreement be affirmed.

IN WITNESS WHEREOF, the parties hereto, each after due authorization, have executed this Agreement as of January 14, 1974, but on the respective dates indicated below each.

BEAUFORT COUNTY, SOUTH CAROLINA

(SEAL)

By *Colde R. Botley*
Chairman, County Council of
Beaufort County, South Carolina

Attest:

Gar W. Fossuth
Secretary, County Council of
Beaufort County, South Carolina

Dated: *JANUARY 14*, 1974.

HILTON HEAD HOSPITAL CENTER

(SEAL)

By *Robert L. Talley*
Its *MEMBER*

Dated: *JANUARY 14*, 1974.

STATE OF SOUTH CAROLINA

COUNTY OF BEAUFORT

TO THE STATE BUDGET AND CONTROL)
BOARD OF SOUTH CAROLINA)

P E T I T I O N

The Petition of the County Council of Beaufort County (the County Board) pursuant to Act. No. 379 of the Acts of the General Assembly of the State of South Carolina for the year 1973, and in particular Section 18 thereof, respectfully shows:

1. The County Board is the governing body of Beaufort County, as established by Article I, Chapter 23, Title 14, Code of Laws of South Carolina, 1962, as amended, and as such is the "County Board" of Beaufort County referred to in Act No. 379 of 1973 aforesaid (the Act).

2. The Act authorizes the County Board, subject to obtaining the approval and findings from the State Budget and Control Board and the South Carolina Department of Health and Environmental Control, required by Sections 18 and 9 of the Act, respectively, to enter into agreements with any agency operating a hospital located or to be located in the County to acquire and construct hospital facilities, to enter into loan agreements with such agency prescribing the terms and conditions of the payments to be made by the agency to the County or its assignee to meet the payments that shall become due on bonds issued pursuant to the Act; and to issue bonds for the purpose of defraying the cost of acquiring Hospital facilities.

3. The County Board did heretofore agree with Hilton Head Hospital Center, a non-sectarian, non-profit corporation (the Hospital) which proposes to build, equip and operate a hospital in Beaufort County, South Carolina, that the County Board would undertake to finance the acquisition, construction and equipping of hospital facilities on Hilton Head Island in Beaufort County consisting of 40 acute care beds, a unit of 40 skilled nursing beds and related laboratory and treatment facilities.

4. The County Board is advised by the Hospital that the cost of acquiring, constructing and equipping the said hospital facilities (the Facilities) including the cost of issuing the bonds hereinafter described, requires at this time the borrowing of \$11,200,000 and that it will therefore be necessary that the County Board issue at this time \$11,200,000 Beaufort County Hospital Facilities Revenue Bonds, Series 1974 (Hilton Head Hospital Center) (the Bonds) the proceeds of which shall be loaned to the Hospital and used to defray the cost of acquiring, constructing and equipping the Facilities.

5. The Hospital has advised the County Board that the Hospital has applied to the South Carolina Department of Health and Environmental Control for the certificate required by Section 9 of the Act, and in that connection there is included with this Petition a certificate of need relating to the Facilities issued by the South Carolina Department of Health and Environmental Control.

6. Pursuant to Section 18 of the Act, the County Board sets forth the following information:

A. The Facilities to be financed out of the proceeds of the Bonds comprise a hospital containing 40 acute care beds, 40 skilled nursing beds and related laboratory and treatment facilities.

B. Pursuant to the request of the hospital, the South Carolina Department of Health and Environmental Control has given the approval required by Section 9 of the Act.

C. The amount now required to meet the cost of the Facilities is \$11,200,000.

D. The proposed Loan Agreement, a copy of which is enclosed with this Petition, provides in general:

(a) To finance the cost of the acquisition, construction and installation of the Facilities, the County will issue at this time \$11,200,000 of Bonds which will be secured by a pledge of the payments to be made by the Hospital pursuant to the Loan Agreement, and will be issued pursuant to a Trust Indenture, between the County and a bank to be chosen as Trustee.

(b) Proceeds derived from the sale of the Bonds will be deposited with the Trustee under the said Trust Indenture and will be applied solely for the payment of the costs incident to the acquisition, construction and equipping of the Facilities (including the repayment to the Hospital of advances made for such purposes) and the issuance of the Bonds.

(c) Under the terms of the Loan Agreement, the Hospital obligates itself to effect the completion of the Facilities, to pay the amount necessary to meet the payment of principal and interest and premium, if any, on the Bonds as the same become due, and to pay the cost of maintaining the Facilities in good repair and the cost of keeping them properly insured.

(d) As permitted by the Act, the Loan Agreement provides that the Facilities are to become the property of the Industry and the County shall have no interest therein.

(e) The Loan Agreement contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

7. The proposed Trust Indenture is in conventional form and prescribes the terms and conditions upon which the Bonds will be issued. A copy of the Trust Indenture is enclosed with Petition. The Trust Indenture makes provision of the initial issuance of Bonds in the amount of \$11,200,000 pursuant thereto. It provides for the payment and redemption of the Bonds, the establishment of a Sinking Fund in which the proceeds of the payments made by the Hospital pursuant to the Loan Agreement are placed, and for the use of the said fund for the payment of the Bonds. The Trust Indenture contains no provision imposing any pecuniary liability upon the County or which would create a charge upon its general credit or taxing power.

8. As additional security for the Bonds, the Hospital will mortgage the real property including the Facilities to the Trustee and will grant the Trustee a security interest in the personal property included in the Facilities for the benefit of the bond holders.

9. It is the intent of the County Board that the Loan Agreement and Trust Indenture shall be finally executed and delivered in substantially the form of those documents as enclosed herewith, and although changes may be made in the enclosed forms, there will be no changes which will substantially affect the undertaking of the County as now outlined therein.

Upon the basis of the foregoing, the County Board respectfully prays that the State Budget and Control Board accept the filing of this Petition and the documents enclosed herewith above described, and that the State Board do as soon as practical make such investigation as it deems advisable, and that if it finds that the Facilities are intended to promote the purposes of the Act and may be reasonably anticipated to effect such result, that it approve the Facilities and the proposed financing thereof by the County through the issuance of the Bonds pursuant to the Act, including changes in any details of the said financing as finally consummated which do not materially affect the said undertaking of the County, give published notice of its approval in the manner set forth in Section 18 of the Act.

MARCH 12, 1974, 1974.

Respectfully submitted,

BEAUFORT COUNTY, SOUTH CAROLINA

By

Colle A. Battey
Chairman of the County Council
of Beaufort County

Attest:

James D. Zuercher
Secretary of the County Council
of Beaufort County

Autism

HARVEY, BATTEY, MACLOSKIE & BETHEA, P. A.

ATTORNEYS AND COUNSELLORS AT LAW

THE PEOPLES BANK BUILDING

POPE AVENUE

P. O. BOX 5010

HILTON HEAD ISLAND, S. C. 29928

(803) 785-2171

W. BRANTLEY HARVEY
W. BRANTLEY HARVEY, JR.
COLDEN R. BATTEY, JR.
CHARLES B. MACLOSKIE
WILLIAM L. BETHEA, JR.

GEORGE R. CEER, JR.
J. THOMAS MIKELL
JAMES S. GIBSON, JR.
C. PINCKNEY ROBERTS
MARY A. BREAKFIELD
MICHAEL L. M. JORDAN

OFFICE
BEAUFORT, S. C.
1001 CRAVEN STREET
P. O. DRAWER 1107
(803) 524-3109

March 13, 1974

Mr. Pat C. Smith
State Auditor, State of South Carolina
Secretary, South Carolina State
Budget and Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Re: The Hilton Head Hospital Center

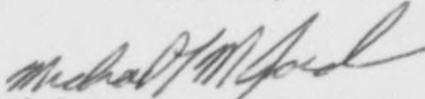
Dear Mr. Smith:

Enclosed please find a revised Petition from the Beaufort County Council to the State Budget and Control Board requesting your approval of the 11.2 million dollar bond issue for The Hilton Head Hospital Center. I believe by this time Tom Hutcheson of Sinkler, Gibbs, Simons & Guerard has forwarded directly to your attention the necessary Resolutions for your execution.

Should you require any other additional information, please do not hesitate to contact me directly. With best personal regards, I am,

Very truly yours,

HARVEY, BATTEY, MACLOSKIE &
BETHEA, P. A.


Michael L. M. Jordan

MLMJ/des
enclosures

Outstanding

HARVEY, BATTEY, MACLOSKIE & BETHEA

ATTORNEYS AT LAW
THE PEOPLES BANK BUILDING
POPE AVENUE
P. O. BOX 5010

HILTON HEAD ISLAND, S. C. 29928

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C. PINCKNEY ROBERTS

OFFICE
BEAUFORT, S. C.
1001 CRAVEN STREET
P. O. DRAWER 1107
(803) 524-3109

March 1, 1974

Mr. P. C. Smith
State Auditor, State of South Carolina
Secretary, South Carolina State Budget
and Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Re: The Hilton Head Hospital Center

Dear Mr. Smith:

It was a pleasure to see you again at our meeting with the State Budget Control Board last Tuesday. We were certainly enlightened to receive the support of Governor West and the other members of that Board.

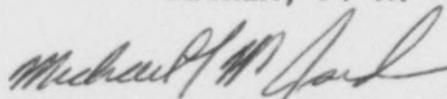
As requested, I am enclosing xerox copies of both our Certificate of Need, dated November 6, 1972, and its extension dated November 2, 1973, for the forty acute care beds and a xerox copy of our Certificate of Need for the forty skilled nursing beds. If you require any further information on the approval from the South Carolina State Board of Health, please feel free to contact either myself or Mr. Clarence C. McPherson, Director of the Divisions of Planning and Programs for the Bureau of Health Facilities and Services.

A new petition will be presented to and approved by the Beaufort County Council at their next meeting, which will be March 11, 1974. I will forward that petition to you immediately after its approval.

With best personal regards, I am,

Very truly yours,

HARVEY, BATTEY, MACLOSKIE &
BETHEA, P. A.


Michael L. M. Jordan

MLMJ/des
enclosures

933

South Carolina State Board of Health



CERTIFICATE OF NEED

THIS Certificate of Need is issued to: Hilton Head Medical Services, Inc., Harvey, Battey, Macloskie & Bethea, for the conversion of 40 Shelled-in Acute Care Beds to 40 Nursing Care Beds, Hilton Head Island, South Carolina.
(Name of Applicant and Project)

For Project No. SC-F-44 in accordance with the Code of Laws of South Carolina.

In determining the need for this project, the State Board of Health has taken into consideration the recommendations of the:

Lowcountry Regional Planning Council
(Areawide Health Planning Commission)

This Certificate of Need is valid for a period of twelve months only from the date of issuance unless the applicant has awarded a construction contract or has made substantial progress toward implementation of the Project, as approved by the Board, within the twelve month period.



In Witness Whereof we have hereunto
set our hands and seal of the State
Board of Health this the 13th
day of August, 19 73

Clarence C. McPherson
Director, Division of Planning and
Programs - Bureau of Health Facilities
and Services

South Carolina State Board of Health

J. MARION SIMS BUILDING
COLUMBIA 29201

EXECUTIVE COMMITTEE

JOHN B. MARTIN, JR., M.D., CHM. - - ANDERSON
GERALDINE LABECKI, Ed.D., R.N.V. CHM. CLEMSON
R. W. HANCKEL, M.D. - - - - CHARLESTON
WINSTON Y. GODWIN, M.D. - - - - CHERAW
KEITT H. SMITH, M.D. - - - - GREENVILLE
J. HOWARD STOKES, M.D. - - - - FLORENCE
WILLIAM H. HUNTER, M.D. - - - - CLEMSON



EXECUTIVE COMMITTEE

CHARLES A. VASSY, D.D.S. - - - COLUMBIA
RAY G. WHITLOCK, PH.G. - - - SPARTANBURG
W. WYMAN KING, M.D. - - - - BATESBURG
L. D. RODGERS, D.V.M. - - - - GREENWOOD
DANIEL R. MCLEOD, ATTY. GEN. - COLUMBIA
HENRY MILLS, COMP. GEN. - - - COLUMBIA

E. KENNETH AYCOCK, M.D., M.P.H.
SECRETARY AND STATE HEALTH OFFICER

November 6, 1972

Re: Construction of a new 40-bed Hospital
Hilton Head Island, South Carolina

Harvey, Battey, Macloskie & Bethea
Attorney at Law
The Peoples Bank Building
Pope Avenue
P. O. Box 5010
Hilton Head Island, South Carolina 29928

Attn: Mr. William L. Bethea

Gentlemen:

The Lowcountry Regional Planning Council has reviewed and approved your request on behalf of Dr. Peter LaMotte concerning the above named project.

The State Board of Health has reviewed the request and finds that it is in accordance with the bed requirement as specified in the South Carolina State Plan for Construction and Modernization of Hospital and Related Medical Facilities and, therefore, grants its approval.

This letter will serve as your Certificate of Need and is valid for a period of one year from the above date.

The Division of Health Facilities Construction of the Bureau of Health Facilities and Services is available for consultation on technical matters.

At the time of completion of construction, a license must be obtained from the above referenced Bureau prior to the admission of patients.

Sincerely,

Clarence C. McPherson, Director
Division of Planning and Programs
Bureau of Health Facilities and Services

CCM:EBH:gad

cc: Lowcountry Regional Planning Council
Division of Licensing and Certification
Division of Health Facilities Construction

L 935



South Carolina Department of Health
and
Environmental Control

E. Kenneth Aycock, M.D., M.P.H.
Commissioner

2600 Bull Street
Columbia, S.C. 29201

November 2, 1973

Re: Construction of a 40 general bed
hospital including 40 nursing care
beds
Hilton Head Island, S. C.

Mr. Michael L. M. Jordan
Harvey, Battley, Macloskie & Bethea
P. O. Box 5010
Hilton Head Island, SC 29928

Dear Mr. Jordan:

In reply to your letter of November 1, 1973, the Certificate of
Need for referenced project is hereby extended to November 6, 1974.

Please notify this office if any condition arises that would possibly
interfer with the normal progression of this project.

I appreciate your invitation to attend your meeting on November 9
and will notify you later whether or not I'll be there.

Sincerely,

Clarence C. McPherson

Clarence C. McPherson, Director
Division of Planning and Programs
Bureau of Health Facilities & Services

CCM:nmh

cc: Lowcountry Regional Planning Council

Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code

To be filed in the District
in which the organization
has its principal office or
place of business.

This application, when properly completed, shall constitute the notice required under section 508(a) of the Internal Revenue Code in order that organizations may be treated as described in section 501(c)(3) of the code, and the notice under section 508(b) appropriate to those organizations claiming not to be private foundations within the meaning of section 509(a).

Part I.—Identification (See instructions)

1 Full name of organization The Hilton Head Hospital Center		2 Employer identification number (If none, attach Form SS-4) 57-0563434				
3(a) Address (number and street) P. O. Box 5928						
3(b) City or town, State and ZIP code Hilton Head Island, S. C. 29928		4 Name and phone number of person to be contacted Peter LaMotte, M.D. (803) 785-5251				
5 Month the annual accounting period ends June 30	6 Date incorporated or formed August 22, 1973	7 Activity Codes (see instructions) <table border="1"><tr><td>150</td><td>152</td><td></td></tr></table>		150	152	
150	152					

Part II.—Organizational Documents (See instructions)

- 1 Attach a conformed copy of the organization's creating instruments (articles of incorporation, constitution, articles of association, deed of trust, etc.).
- 2 Attach a conformed copy of the organization's by-laws or other rules for its operation.
- 3 If the organization does not have a creating instrument, check here (See instructions)

Part III.—Activities and Operational Information (See instructions)

- 1 What are or will be the organization's sources of financial support? List in order of magnitude. If a portion of the receipts is or will be derived from the earnings of patents, copyrights, or other assets (excluding stock, bonds, etc.), identify such item as a separate source of receipt. Attach representative copies of solicitations for financial support.

Fees generated by providing inpatient care, outpatient emergency care, and rents derived from the leasing of office space to the attending doctors. Additionally, contributions will be solicited from the community (see below).

- 2 Describe the organization's fund-raising program and explain to what extent it has been put into effect. (Include details of fund-raising activities such as selective mailings, formation of fund-raising committees, use of professional fund raisers, etc.)

A fund-raising campaign will be instituted to raise funds from the entire Island community to be used in the construction and maintenance of the Hospital. The Board of Trustees anticipates the hiring of a professional fund-raiser and the establishment of several committees. The membership on these committees will be Island-wide and will include members from all social and economic groups, and races represented on the Island. The campaign will include (1) charitable contributions, (2) bequests and (3) memorial gifts.

In addition, a Volunteer Auxiliary will be formed to support the activities of the Hospital. Their activities include an annual charity ball and other presently undefined activities.

I declare under the penalty of perjury that I am authorized to sign this application on behalf of the above organization and I have examined this application, including the accompanying statements, and to the best of my knowledge it is true, correct and complete.



Peter LaMotte, M.D.

President

(Title or authority of signer)

(Date)

Part III.—Activities and Operational Information (Continued)

- 3 Give a narrative description of the activities presently carried on by the organization, and also those that will be carried on. If the organization is not fully operational, explain what stage of development its activities have reached, what further steps remain for the organization to become fully operational, and when such further steps will take place. The narrative should specifically identify the services performed or to be performed by the organization. (Do not state the purposes of the organization in general terms or repeat the language of the organizational documents.) If the organization is a school, hospital, or medical research organization, include sufficient information in your description to clearly show that the organization meets the definition of that particular activity that is contained in the instructions for Part VII-A on page 3 of the instructions.

The Hilton Head Hospital Center is a nonprofit corporation chartered under the laws of the State of South Carolina. Its purpose is to provide hospital care, promote health and operate in a manner so as to further its charitable goals. As such, it will be providing hospital care and skilled nursing care on a nonprofit basis to all the members of its community. The Hospital intends to operate an emergency room facility open on a 24-hour a day basis for the purpose of providing emergency care to all members of the community, whether or not able to pay for such service. The Board of Trustees intends to invest any surplus funds in (1) the construction or purchase of new facilities and equipment and (2) to provide medical and emergency care to those unable to pay for such care. The medical staff of the Hospital will be open to all qualified physicians in the area, consistent with the size and the nature of the facilities. The staff will include both permanent staff of full-time doctors and a courtesy staff for those using the Hospital on a part-time basis.

Both the Certificate of Incorporation and the By-Laws of the Corporation provide that no part of the net earnings of the Corporation shall inure to the benefit of any private individual but shall always be devoted solely to its stated charitable purposes. In addition, if dissolution should occur at any future date, all the assets of the Corporation shall only be distributed to a similar nonprofit corporation. It is therefore not possible for any of the benefits of this Corporation to go to any private person or group of persons.

When construction is completed in July, 1975, The Hilton Head Hospital Center will be a nonprofit hospital operating on Hilton Head Island for the purpose of supplying all members of the community with both inpatient and emergency hospital care. The first phase of construction will include a forty bed acute care hospital facility and a forty bed skilled nursing home for extended care. Included in the acute facility will be an intensive care unit comprised of four X-ray facilities, food preparation, administrative and the other usual support facilities. Some of the ancillary support facilities will be used jointly by the Hospital and the doctors. In such cases, all income and expenses will be shared equitably between the parties. In addition, the Hospital will build and maintain office space for those doctors who are working in the Hospital. (See attached Schedule D, Question 7 for details.)

At the filing of this application, the following activities have been completed.

1. A feasibility study showing the need for a hospital was completed by the management consulting firm of Booz, Allen & Hamilton of Washington, D. C.

THE HILTON HEAD HOSPITAL CENTER
APPLICATION FOR RECOGNITION
FORM 1023

E.I.N. 57-0563434

PART III - Activities and Operational Information (Continued)

2. A favorable installment sale has been executed for the purchase of land. The term of that agreement allows the purchase of the property at a price below fair market value with deferred payments until a year after the Hospital goes into operation. (A copy of this Agreement is attached.) The sales price for this land is approximately 1/4 to 1/3 of the present fair market value for the property as determined by independent appraisers.
3. Certificates of Need have been obtained from the State of South Carolina for the construction of a Hospital comprised of forty acute care beds and forty skilled nursing home beds. The State by issuing the Certificate recognizes the acute need for a hospital on the Island. At the present time, the closest medical facility of any stature is fifty miles away.
4. The architectural design firm of Henningson, Durham and Richardson of Omaha, Nebraska has been retained. They have completed the entire schematic phase of design and are approximately 25% through the structural, electrical and mechanical drawing.
5. The construction firm of Morrison-Knudsen of Boise, Idaho has been retained to build the Hospital.
6. Necessary site work is being completed, including boundary surveys and soil borings.
7. Discussions have been initiated with investment bankers (Kidder Peabody and Company and Robinson-Humphrey) toward the issuance of Hospital revenue bonds in the early months of 1974, pursuant to South Carolina statutes. A letter of intent has been signed between the Hospital Corporation and the Investment Bankers.
8. Preliminary activities have been undertaken for the securing of professional, technical, and support staff members. Applications for staff positions are being accepted.
9. The Hospital Corporation has entered into a favorable long term lease for the rental of the doctors' offices. This agreement, a copy of which is attached for reference, provides for rental at a fair market rate. In addition, the Hospital Corporation has retained adequate means of controlling the use of the offices.

THE HILTON HEAD HOSPITAL CENTER
APPLICATION FOR RECOGNITION
FORM 1023

E.I.N. 57-0563434

PART III - Activities and Operational Information (Continued)

10. Since in its present size, the Hospital cannot support by its own usage an adequate laboratory, radiology, or physical therapy facilities, the Hospital Corporation has entered into an operating agreement with a Professional Association, which will comprise some of the doctors practicing at the Hospital. This Agreement (a copy of which is attached for reference) requires that the Association allow the Hospital to do all of its work, for which the Hospital has the proper facilities. As consideration for this requirement, the Professional Association is to receive an equitable proportion of any profits which relate to outpatient usage generated by the Professional Association.

This agreement requires that members of the Professional Association provide certain licensed physicians and management responsibility.

11. The Hilton Head Hospital Auxiliary has been formed to provide volunteer support to the Hospital. This Auxiliary is a separate non-profit Corporation, which in the near future will submit its application for recognition. Strong community support has been shown for the Auxiliary. They currently have a membership of approximately 280 members, who represent all areas of the Island community. The Auxiliary plans to provide support for the Hospital through various fund raising activities.

It is anticipated that initial construction will start in January, 1974 and be completed in July, 1975. The Booz, Allen & Hamilton Study shows that by 1995, the Hospital will have to expand to approximately 500 beds to serve the needs of the community.

Part III.—Activities and Operational Information (Continued)

4 The membership of the organization's governing body is:

(a) Names, addresses, and duties of officers, directors, trustees, etc.	(b) Specialized knowledge, training, expertise, or particular qualifications
See attached	

(c) Do any of the above persons serve as members of the governing body by reason of being public officials or being appointed by public officials? Yes No
 If "Yes," please name such persons and explain the basis of their selection or appointment.

(d) Are any members of the organization's governing body "disqualified persons" with respect to the organization (other than by reason of being a member of the governing body) or do any of the members have either a business or family relationship with "disqualified persons"? (See specific instructions 4(d).) . . . Yes No
 If "Yes," please explain.

5 Does the organization control or is it controlled by any other organization? Yes No
 Is the organization the outgrowth of another organization, or does it have a special relationship to another organization by reason of interlocking directorates or other factors? Yes No
 If either of these questions is answered "Yes," please explain.

see attached

6 Is the organization financially accountable to any other organization? Yes No
 If "Yes," please explain and identify the other organization. Include details concerning accountability or attach copies of reports if any have been rendered.

7 What assets does the organization have that are used in the performance of its exempt function? (Do not include income producing property.) If any assets are not fully operational, explain what stage of completion has been reached, what additional steps remain to be completed, and when such final steps will be taken.

As outlined in Part III, Question 3, the Hospital's facilities are not yet complete.

Part III.—Activities and Operational Information (Continued)

8 (a) What benefits, services, or products will the organization provide with respect to its exempt function?

Care in line with its charitable purposes, including acute inpatient hospital care, emergency room care and skilled nursing care.

(b) Have the recipients been required or will they be required to pay for the organization's benefits, services, or products? Yes No
If "Yes," please explain and show how the charges are determined.

To the extent the patient is financially able, they will be requested to pay all necessary fees generated by their care. The Hospital will attempt, to the extent financially able, to provide hospital care to those who do not have the funds to pay for the services rendered to them.

9 Does or will the organization limit its benefits, services or products to specific classes of individuals? . . . Yes No
If "Yes," please explain how the recipients or beneficiaries are or will be selected.

10 Is the organization a membership organization? Yes No

If "Yes," complete the following:

(a) Please describe the organization's membership requirements and attach a schedule of membership fees and dues.

(b) Are benefits limited to members? Yes No
If "No," please explain.

(c) Attach a copy of the descriptive literature or promotional material used to attract members to the organization.

11 Does or will the organization engage in activities tending to influence legislation or intervene in any way in political campaigns? Yes No
If "Yes," please explain.

Part IV.—Statement as to Private Foundation Status (See instructions)

1 Is the organization a private foundation? Yes No

2 If question 1 is answered "No," indicate the type of ruling being requested as to the organization's status under section 509 by checking the applicable box below:

- Definitive ruling under section 509(a)(1), (2), (3), or (4) — complete Part VII.
- Advance or extended advance ruling under section 509(a)(1) or (2) — See instructions.

3 If question 1 is answered "Yes," and the organization claims to be a private operating foundation, check here and complete Part VIII.

THE HILTON HEAD HOSPITAL CENTER

APPLICATION FOR RECOGNITION

FORM 1023

E.I.N. 57-0563434

Part III - Activities and Operational Information (Continued)

Questions 4(a) and 4(b)

1. PETER LaMOTTE, M.D., 27 Green Heron Road, Hilton Head Island, South Carolina, member and Chairman of the Board of Trustees and the current President of the Hospital Corporation. Licensed physician in the State of South Carolina; Assistant Clinical Professor of Surgery Columbia University, Member of the American College of Surgeons and American Medical Association. Member of American Academy of Othropic Physicians.
2. WILLIAM L. BETHEA, JR., 9 Port Tack Road, Hilton Head Island, South Carolina, member of the Board of Trustees and the current Secretary and Assistant Treasurer of the Hospital Corporation. Licensed attorney in the State of South Carolina, member of Chamber of Commerce.
3. JOHN L. HURST, Marsh Wren, Hilton Head Island, South Carolina, member of the Board of Trustees and the current Vice-President of the Hospital Corporation. Is currently an executive Vice-President and General Manager of Domestic Operations of the Simmons Corporation.
4. GRANT SIMMONS, Baynard Cove Road, Hilton Head Island, South Carolina, member of the Board of Trustees. Is currently the President and Chairman of the Board of the Simmons Corporation.
5. EDWARD W. MORRIS, 31 Ridgewood Lane, Hilton Head Island, South Carolina, member of the Board of Trustees and Treasurer of the Hospital Corporation. Retired Treasurer of the Bethlehem Steel Corporation. Formerly on the Board of Directors First National Bank of Maryland, Lehigh Valley Community Council and Board of Visiting Nurses Association.

The control of the Hospital rests in the hands of the Board of Trustees. This Board is composed of representatives of the community, who have a board range of public interests. In addition, the Board of Trustees will appoint a Board of Directors, which will be charged with the duty to aid and assist in the administration of the Hospital and to further the Hospital's image in the community. The members of the Board of Directors will be chosen from all of the varied interests in the community.

THE HILTON HEAD HOSPITAL CENTER
APPLICATION FOR RECOGNITION
FORM 1023

E.I.N. 57-0563434

Part III - Activities and Operational Information (Continued)

Question 5.

While there is not an interlocking directorate, two members of the Board of Trustees are also stockholders and directors of Hilton Head Medical Services, Inc. This corporation sold the real property, which will be the site of the Hospital, and plans on constructing low-cost rental housing for the Hospital's nurses and technicians.

Dr. Peter LaMotte is an officer and stockholder in a professional association, which will be composed of some of the doctors practicing at the Hospital. The professional association will be leasing office facilities at an equitable rate from the Hospital Corporation.

Part V.—Financial Data (See instructions)

Statement of Receipts and Expenditures, for period ending December 31, 1975

		Receipts	First Fiscal Year Not Yet Completed
1	Gross contributions, gifts, grants and similar amounts received		
2	Gross dues and assessments of members		
3	Gross amounts derived from activities related to organization's exempt purpose		
	Less cost of sales		
4	Gross amounts from unrelated business activities		
	Less cost of sales		
5	Gross amount received from sale of assets, excluding inventory items (attach schedule)		
	Less cost or other basis and sales expense of assets sold		
6	Interest, dividends, rents and royalties		
7	Total receipts		
Expenditures			
8	Contributions, gifts, grants, and similar amounts paid (attach schedule)		
9	Disbursements to or for benefit of members (attach schedule)		
10	Compensation of officers, directors, and trustees (attach schedule)		
11	Other salaries and wages		
12	Interest		
13	Rent		
14	Depreciation and depletion	SEE ATTACHED SCHEDULE	
15	Other (attach schedule)		\$112,147.26
16	Total expenditures		
17	Excess of receipts over expenditures (line 7 less line 16)		

Balance Sheets		Enter dates	Beginning date	Ending date
Assets				
18	Cash (a) Interest bearing accounts			
	(b) Other			
19	Accounts receivable, net			
20	Inventories			
21	Bonds and notes (attach schedule)			
22	Corporate stocks (attach schedule)			
23	Mortgage loans (attach schedule)			
24	Other investments (attach schedule)			
25	Depreciable and depletable assets (attach schedule)			
26	Land			
27	Other assets (attach schedule) Pre-paid Expense		- 0 -	112,147.26
28	Total assets		- 0 -	112,147.26
Liabilities				
29	Accounts payable		- 0 -	112,147.26
30	Contributions, gifts, grants, etc., payable			
31	Mortgages and notes payable (attach schedule)			
32	Other liabilities (attach schedule)			
33	Total liabilities		- 0 -	112,147.26
Fund Balance or Net Worth				
34	Total fund balance or net worth			
35	Total liabilities and fund balance or net worth (line 33 plus line 34)		- 0 -	- 0 -

Part VI.—Required Schedules for Special Activities (See instructions)

	If "Yes," check here:	And, complete schedule—
1. Is the organization, or any part of it, a school?		A
2. Does the organization provide or administer any scholarship benefits, student aid, etc.?		B
3. Has the organization taken over, or will it take over, the facilities of a "for profit" institution?		C
4. Is the organization, or any part of it, a hospital?	X	D
5. Is the organization, or any part of it, a home for the aged?		E
6. Is the organization, or any part of it, a lodging organization (public interest law firm or similar organization)?		F

THE HILTON HEAD HOSPITAL CENTER
APPLICATION FOR RECOGNITION
FORM 1023
E.I.N. 57-0563434
PART V - Financial Data
EXPENDITURES, Line 15
EXPENSES PAID FOR BY OTHERS ON BEHALF OF THE HOSPITAL

Travel Expense	\$ 1,445.79
Miscellaneous Office Expense	2,016.48
Henningson, Durham & Richardson	
- Booz, Allen & Hamilton	38,485.00
- H.D.R. Design	65,724.99
Hussey, Gay & Bell, Surveyors	<u>4,475.00</u>
Total Prepaid Expense	<u><u>\$112,147.26</u></u>

This money was advanced on behalf of the Hospital Corporation to pay the above debts of the Hospital. These advances are in the form of a non-interest bearing unsecured loan.

SCHEDULE D.—Hospitals (See instructions)

- 1 (a) How many doctors are on the hospital's courtesy staff? not determined
- (b) Do such doctors include all the doctors in the community? Yes No

If "No," please give the reasons why and explain how the courtesy staff is selected.
 Hospital staffs have not yet been finalized. It is the intent of the Board of Trustees to allow qualified physicians in the community, who practice medicine on a full-time basis to be eligible for positions on the courtesy staff of the Hospital.

2 Composition of board of directors or trustees. (If more space is needed, attach schedule.)

Name and address	Occupation
SEE ATTACHED SCHEDULE FOR PART III, Question 4	

- 3 (a) Does the hospital maintain a full-time emergency room? Yes No
- (b) What is the hospital's policy as to administering emergency services to persons without apparent means to pay?

The Board of Trustees intends to maintain a 24-hour operating room and to provide all patients with emergency who are in need of such care, whether or not they have apparent means to pay.

- (c) Does the hospital have any arrangements with police, fire, and voluntary ambulance services as to the delivery or admission of emergency cases? Yes No
- Please explain.

Since the Hospital will be the only full-time emergency facility on the Island, it will make arrangements with the Hilton Head Island Rescue Squad to accept the delivery of emergency cases.

- 4 Does or will the hospital require a deposit or otherwise discriminate against persons covered by Medicare or Medicaid in its admission practices? Yes No
- If "Yes," please explain.

- 5 Does or will the hospital provide for a portion of its services and facilities to be used for charity patients? . Yes No
- Please explain (include data as to the hospital's past experience in admitting charity patients and arrangements it may have with municipal or governmental agencies for absorbing the cost of such care).

To the extent financially feasible, the Hospital will provide acute medical care and/or emergency care to those persons, who cannot otherwise pay. The Hospital will accept payment by a third party beneficiary to cover a portion of their cost.

- 6 Does or will the hospital carry on a formal program of medical training and research? Yes No
- If "Yes," please describe.

- 7 Does the hospital provide office space to physicians carrying on a medical practice? Yes No
- If "Yes," attach a list setting forth the name of each physician, the amount of space provided, the annual rent being paid, and the expiration of the current lease. SEE ATTACHMENT

THE HILTON HEAD HOSPITAL CENTER
APPLICATION FOR RECOGNITION
FORM 1023
E.I.N. 57-0563434

SCHEDULE D - Question 7

As part of the construction of the Hospital, the Board of Trustees plans on building office facilities for approximately twelve doctors adjacent to and connecting with the Hospital. The space will be available to those doctors on the medical staff at the Hospital. The annual rent, which will be determined at the time of lease, will be at a fair and equitable rate and will be comparable to rents received for similar office space in the surrounding area. The lease as outlined previously, has been executed at this time to facilitate the obtaining of the necessary investment capital.

The availability of office space for rental to the doctors practicing is directly related to the operation of the Hospital. This space is needed to attract doctors to the community and to insure that the practicing doctors will be in close proximity to the Hospital and its emergency facilities.

TECHNICAL NOTES AND ASSUMPTIONS

I. General Notes and Assumptions

1. It has been assumed that the Hospital Center's fiscal year will begin on January 1 and end on December 31.
2. Fixed costs of operation for all Hospital Center activities are those costs which remain fairly stable within any given operating period and do not lend themselves to quick adjustment in the face of changes in demand. Such costs must be borne within broad ranges of utilization and are therefore subject to economies of scale inherent in a situation of expanded utilization. Examples of such fixed costs are payroll costs, administrative supplies, and utility expenses.
3. Variable costs are those costs of operation which can be related directly to units of service--patient days or outpatient visits. Since aggregate variable costs can be related to service volumes, unit costs can be developed and related to project volumes. This method allows for greater accuracy in projecting total operating costs. Examples of such costs are nursing supplies, radiology films, and raw food.
4. Projections of costs for the Hospital Center were developed utilizing operating data for existing facilities in the area offering a similar scope of programs and which were in the same size category. Data collected by the Duke Endowment and HAS were used extensively.
5. Costs of operation were projected under the Phase IV guidelines for health care facilities under the Economic Stabilization Program. Overall costs of operation (excluding expansion) were projected to increase at ~~7.5%~~ 7.5% per year. Revenues were projected to increase 7.5%.

only insofar as they were justified by costs. Substantial increases in costs during 1976 are related to the inclusion of interest costs in the Hospital Center's cost structure. These may be incorporated in the hospital's cost structure under the guidelines with the approval of the "designated state or local agency."

6. For the purposes of testing compliance with the Phase IV guidelines, average length of stay has been assumed to be constant. This allows charges per patient day and patient day volumes to be related to admissions as described under the regulations. Using the allowable increases in inpatient charges and expenses described in the regulations, the Hospital Center is in compliance with all current guidelines.
7. Interest and depreciation expenses have been combined with net income from operations to meet debt service requirements, as is customary in plans of this nature.

II. Specific Notes

1. Interest on the bond issue has been estimated at an annual rate of 7.5%. The interest earned on the construction and debt service reserve funds was estimated at 7%.
2. The bond issue includes capitalization of interest expense for the first six months of operation--until January 1, 1976. This should allow the Center sufficient time to build its census without the immediate pressure of meeting interest and principal payments. Thus with an eighteen month construction period, a total of two years' interest has been capitalized.
3. A level debt service schedule has been utilized. Thus interest costs are higher in the earlier years and decrease over the term of indebtedness.
4. For the purposes of reimbursement, net debt service has been utilized. Interest income earned by the debt service reserve fund has been utilized to offset a

portion of the interest component of debt service and thereby the overall debt service payment.

5. Lease payments reflect a true lease arrangement with a major manufacturer of radiologic equipment. Due to the possibility of major innovations in this area over the next five to ten years, it has been decided to take a five year lease on radiologic equipment valued at \$250,000. Current rates for leases over \$50,000 were utilized to determine the annual lease payment.
6. Depreciation and interest costs were allocated to the three operating units of the Center on the basis of weighted construction costs. Allocation percentages are shown below:

. Hospital	64.5%
. Skilled nursing facility	27.0%
. Clinic	8.5%

Depreciation and amortized expenses include all construction costs, equipment costs, and fees associated with the project.

7. Supplementary income is comprised of the following items:

. Cafeteria revenue (including vending machines)	\$20,000
. Net income from the gift shop	5,000
. Annual foundation contribution (already committed)	25,000
. Annual community contribution (including proceeds from various charity affairs)	25,000
. TOTAL	<u>\$75,000</u>

This income was allocated to the hospital (including the clinic) and the skilled nursing facility on the same basis as was interest and depreciation.

8. Changes in working capital requirements include pre-operating expenses, legal fees, printing costs, and interest accrual on the short-term construction loan as well as changes in requirements for working capital due to the build-up of accounts receivable.

South Carolina State Board of Health



CERTIFICATE OF NEED

THIS Certificate of Need is issued to: Hilton Head Medical Services, Inc., Harvey, Battey, Macloskie & Bethea, for the conversion of 40 Shelled-in Acute Care Beds to 40 Nursing Care Beds, Hilton Head Island, South Carolina.
(Name of Applicant and Project)

For Project No. SC-F-44 in accordance with the Code of Laws of South Carolina.

In determining the need for this project, the State Board of Health has taken into consideration the recommendations of the:

Lowcountry Regional Planning Council
(Areawide Health Planning Commission)

This Certificate of Need is valid for a period of twelve months only from the date of issuance unless the applicant has awarded a construction contract or has made substantial progress toward implementation of the Project, as approved by the Board, within the twelve month period.



In Witness Whereof we have hereunto
set our hands and seal of the State
Board of Health this the 13th
day of August, 19 73

Clarence C. M. Pherson
Director, Division of Planning and
Programs - Bureau of Health Facilities
and Services



South Carolina Department of Health
and
Environmental Control

E. Kenneth Aycok, M.D., M.P.H.
Commissioner

2600 Bull Street
Columbia, S.C. 29201

August 13, 1973

Re: SC-F-44
Conversion of 40 Shelled-in Acute Care
Beds to 40 Nursing Care Beds
Hilton Head Medical Services, Inc.
Hilton Head Island, South Carolina

Harvey, Battey, Macloskie & Bethea
The Peoples Bank Building
Pope Avenue
Hilton Head Island, South Carolina 29928

Attn: Mr. William L. Bethea

Gentlemen:

Enclosed is a Certificate of Need granting approval of the above
named project. This Certificate is valid for a period of one year.

If this office can be of further service to you, please advise.

Sincerely,

Clarence C. McPherson

Clarence C. McPherson, Director
Division of Planning and Programs
Bureau of Health Facilities & Services

CCM:EBH:nmh

Enclosures

cc: Lowcountry Regional Planning Council
Division of Health Facilities Construction

South Carolina State Board of Health

J. MARION SIMS BUILDING
COLUMBIA 29201

EXECUTIVE COMMITTEE

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J. HOWARD STOKES, M.D. - - - - FLORENCE
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HENRY MILLS, COMP. GEN. - - - COLUMBIA

E. KENNETH AYCOCK, M.D., M.P.H.
SECRETARY AND STATE HEALTH OFFICER

November 6, 1972

Re: Construction of a new 40-bed Hospital
Hilton Head Island, South Carolina

Harvey, Battey, Macloskie & Bethea
Attorney at Law
The Peoples Bank Building
Pope Avenue
P. O. Box 5010
Hilton Head Island, South Carolina 29928

Attn: Mr. William L. Bethea

Gentlemen:

The Lowcountry Regional Planning Council has reviewed and approved your request on behalf of Dr. Peter LaMotte concerning the above named project.

The State Board of Health has reviewed the request and finds that it is in accordance with the bed requirement as specified in the South Carolina State Plan for Construction and Modernization of Hospital and Related Medical Facilities and, therefore, grants its approval.

This letter will serve as your Certificate of Need and is valid for a period of one year from the above date.

The Division of Health Facilities Construction of the Bureau of Health Facilities and Services is available for consultation on technical matters.

At the time of completion of construction, a license must be obtained from the above referenced Bureau prior to the admission of patients.

Sincerely,

Clarence C. McPherson, Director
Division of Planning and Programs
Bureau of Health Facilities and Services

CCM:EBH:gad

cc: Lowcountry Regional Planning Council
Division of Licensing and Certification
Division of Health Facilities Construction

HILTON HEAD HOSPITAL CENTER
REVISED PROJECTIONS OF FINANCIAL PERFORMANCE

Booz, Allen, and Hamilton, Inc.
February 26, 1974

EXHIBIT

Hilton Head Hospital Center

ESTIMATED BOND ISSUE SIZE--
SOURCES AND USES OF FUNDS
(Dollars in Thousands)

USES OF FUNDS

Total Project Costs

Construction and Fixed Equipment	\$7,707	
Movable Equipment	709	
Architectural and Engineering Fees	516	
Equipment Consultant Fees	80	
Management Consultant	53	
	<u> </u>	\$ 9,065

Total Pre-Operating Expenses

Initial Working Capital	500	
Pre-Opening Salaries	100	
Land Costs	30	
	<u> </u>	630

Total Financing Costs

Interest During Construction	1,753	
Debt Service Reserve Fund	979	
Bond Discount	336	
Legal Fees	50	
Printing Costs	50	
Miscellaneous (Accrual of Interest)	50	
	<u> </u>	3,218

TOTAL \$12,913

SOURCES OF FUNDS

Interest Earned on Construction Fund	\$ 487	
Interest Earned on Reserve Fund	108	
Interest Earned on Capitalized Interest	118	
Proceeds of Fund Drive	<u>1,000</u>	

TOTAL \$ 1,713

ESTIMATED BOND ISSUE SIZE \$11,200

Sources: Hospital Architect, Construction Manager, Legal Counsel, and
Investment Banker.

EXHIBIT

Hilton Head Hospital Center

PROJECTION OF CLINIC FINANCIAL
 PERFORMANCE UNDER LEASE
 PROVISIONS, 1975 TO 1978
 (Dollars in Thousands)

	<u>1975*</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Rentable Square Footage	13,200	13,200	13,200	13,200
Rate per Square Foot (Not in Thousands)	\$6.75	\$6.75	\$6.75	\$6.75
Gross Rental Income	\$22	\$89	\$89	\$89
Annual Operating Expenses	\$ 2	\$ 4	\$ 5	\$ 5
Interest	--	53	71	71
Depreciation and Amortized Expenses	<u>7</u>	<u>28</u>	<u>28</u>	<u>28</u>
Total Operating Expenses	\$ 9	\$85	\$104	\$104
Net Income (Loss)	\$13	\$ 4	\$(15)	\$(15)
Add: Interest	--	53	71	71
Add: Depreciation and Amortized Expenses	<u>14</u>	<u>28</u>	<u>28</u>	<u>28</u>
Total Funds Available for Debt Service	\$27	\$85	\$84	\$84
Annual Debt Service	--	\$53	\$71	\$83
Funds Available After Debt Service	--	\$32	\$13	\$ 1
Number of Times Debt Service Covered	--	1.60	1.18	1.01

*Three months operation.

Source: Hospital Legal Counsel and Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTED INCOME AND EXPENSE--
ACUTE HOSPITAL OPERATIONS
1975 TO 1978
(Dollars in Thousands)

	<u>1975*</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Beds Available	40	40	40	40
Projected Patient Days	2,650	12,250	14,250	16,580
Occupancy	72.6%	83.9%	97.6%	113.6%
Diagnostic Outpatient Visits	900	4,200	4,500	5,100
Emergency Room Visits	650	3,000	3,500	4,100
Average Charges per Patient Day (Not in Thousands)	\$124.11	\$148.65	\$145.75	\$133.89
Average Charges per Outpatient Visit (Not in Thousands)	\$ 20.00	\$ 23.89	\$ 24.50	\$ 22.93
Gross Patient Revenue	\$ 360	\$1,993	\$2,273	\$2,431
Less: Allowances, Adjustments, and Bad Debts	18	100	114	122
Net Patient Revenue	<u>342</u>	<u>1,893</u>	<u>2,159</u>	<u>2,309</u>
Supplemental Income	25	100	100	100
Total Income From All Sources	<u>\$ 367</u>	<u>\$1,993</u>	<u>\$2,259</u>	<u>\$2,409</u>
Variable Cost per Patient Day (Not in Thousands)	\$15.22	\$16.82	\$18.58	\$20.53
Variable Cost per Outpatient Visit (Not in Thousands)	\$ 2.83	\$ 3.13	\$ 3.46	\$ 3.82
Fixed Costs of Operation	\$ 216	\$ 921	\$ 980	\$1,042
Variable Costs of Operation	45	229	292	376
Depreciation and Amortized Expenses	55	217	217	217
Interest	--	406	542	542
Lease Payments	15	61	61	61
Total Operating Expenses	<u>\$ 331</u>	<u>\$1,834</u>	<u>\$2,092</u>	<u>\$2,238</u>
Net Income	\$ 36	\$159	\$167	\$171
Add: Depreciation and Amortized Expenses	55	217	217	217
Add: Interest	--	406	542	542
Total Funds Available for Debt Service	<u>\$ 91</u>	<u>\$782</u>	<u>\$926</u>	<u>\$830</u>
Annual Debt Service	\$--	\$406	\$542	\$632
Funds Available After Debt Service	\$ 91	\$376	\$389	\$298
Number of Times Debt Service Covered	--	1.93	1.71	1.47

*Based on three months' operations, beginning October 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTED INCOME AND EXPENSE--
SKILLED NURSING FACILITY OPERATION
1975 TO 1978
(Dollars in Thousands)

	1975*	1976	1977	1978
Beds Available	40	40	40	40
Projected Patient Days	2,250	10,400	12,100	14,100
Occupancy	61.6%	71.2%	82.9%	96.6%
Average Charges per Patient Day (Not in Thousands)	\$56.44	\$75.67	\$73.31	\$66.10
Gross Patient Revenue	\$127	\$787	\$887	\$932
Less: Allowances, Adjustments, and Bad Debts	7	39	44	46
Net Patient Revenue	\$120	\$748	\$843	\$886
Supplemental Income	9	38	38	38
Total Income From All Sources	\$129	\$786	\$881	\$924
Variable Cost per Patient Day (Not in Thousands)	\$2.78	\$3.07	\$3.39	\$3.75
Fixed Costs of Operation	\$ 99	\$421	\$447	\$476
Variable Costs of Operation	7	32	41	53
Depreciation and Amortized Expenses	23	91	91	91
Interest	--	171	227	227
Lease Payments	1	3	3	3
Total Operating Expenses	\$130	\$718	\$809	\$850
Net Income	\$ (1)	\$ 68	\$ 72	\$ 74
Add: Depreciation and Amortized Expenses	23	91	91	91
Add: Interest	--	171	227	227
Total Funds Available for Debt Service	\$ 22	\$330	\$390	\$392
Annual Debt Service	\$--	\$171	\$227	\$264
Funds Available After Debt Service	\$22	\$159	\$163	\$128
Number of Times Debt Service Covered	--	1.93	1.72	1.48

* Based on three months' operations, beginning October 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTED INCOME AND EXPENSE--
COMBINED OPERATIONS, 1975 TO 1978
(Dollars in Thousands)

	<u>1975*</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Total Beds Available (Hospital and Skilled Nursing Facility)	80	80	80	80
Total Patient Days, All Types	4,900	22,650	26,350	30,680
Combined Occupancy Level	66.6%	77.6%	90.2%	105.1%
Total Outpatient Volume	1,550	7,200	8,000	9,200
Total Gross Patient Revenue	\$ 487	\$2,780	\$3,160	\$3,863
Less: Allowances, Adjustments, and Bad Debts	24	130	158	168
Total Net Patient Revenue	<u>\$ 463</u>	<u>\$2,641</u>	<u>\$3,002</u>	<u>\$3,105</u>
Gross Rental Income	22	89	89	89
Total Supplementary Income	36	144	144	144
Total Income From All Sources	<u>\$ 521</u>	<u>\$2,874</u>	<u>\$3,235</u>	<u>\$3,428</u>
Fixed Costs of Operation--All Facilities	\$ 318	\$1,346	\$1,432	\$1,523
Total Variable Costs	51	261	333	429
Depreciation and Amortized Expenses	92	336	336	336
Interest	--	630	840	840
Lease Payments	16	64	64	64
Total Operating Expenses	<u>\$ 477</u>	<u>\$2,637</u>	<u>\$3,005</u>	<u>\$3,192</u>
Net Income From Combined Operations	\$ 44	\$ 237	\$ 230	\$ 236
Add: Depreciation and Amortized Expenses	92	336	336	336
Add: Interest	--	630	840	840
Total Funds Available for Debt Service	<u>\$ 136</u>	<u>\$1,203</u>	<u>\$1,406</u>	<u>\$1,412</u>
Annual Debt Service	\$--	\$630	\$840	\$979
Total Funds Available After Debt Service	\$136	\$573	\$566	\$433
Number of Times Debt Service Covered	--	1.95	1.67	1.44

* Based on three months' operations, beginning October 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT
Hilton Head Hospital Center
PROJECTED CASH FLOW--COMBINED
OPERATIONS, 1973 TO 1978
(Dollars in Thousands)

	<u>1973</u>	<u>1974</u>	<u>1975*</u>	<u>1967</u>	<u>1977</u>	<u>1978</u>
Beginning Cash Balance	\$--	\$ --	\$3,863	\$ 546	\$ 585	\$1,092
Add: Net Income Before Depreciation, Amortized Expenses, and Interest	--	--	136	1,203	1,406	1,412
Donations	--	1,000	--	--	--	--
Bond Proceeds	--	11,200	--	--	--	--
Proceeds of Construction Loan	112	500	--	--	--	--
Interest Earned on Construction Fund	--	325	162	--	--	--
Interest Earned on Reserve Fund	--	39	69	69	69	69
Interest Earned on Capitalized Interest	--	79	39	--	--	--
Less: Land	--	30	--	5	9	9
Increase in Working Capital Requirement	--	185	155	573	94	51
Payments Applied to Construction	112	5,969	2,984	--	--	--
Repayment of Construction Loans	--	612	--	--	--	--
Payment to Debt Services Reserve Fund	--	979	--	--	--	--
Interest During Construction	--	1,169	584	--	--	--
Bond Discount	--	336	--	--	--	--
Replacement and Addition of Requipment	--	--	--	25	25	25
Cash Available for Debt Service	\$--	\$ 3,863	\$ 546	\$1,215	\$1,932	\$2,488
Annual Debt Service	--	--	--	630	840	979
Ending Cash Balance	--	\$ 3,863	\$ 546	\$ 585	\$1,092	\$1,509

* Based on three months' operations, beginning October 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

COMPARISON OF PROJECTED COSTS
PER PATIENT DAY,
1976 TO 1978

ACTUAL COSTS PER PATIENT DAY

<u>Hospital category</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
HILTON HEAD HOSPITAL CENTER	\$149.71	\$146.81	\$134.98
HIGHEST COST HOSPITAL	139.87	149.25	159.83
MEDIAN COST HOSPITAL	95.93	102.90	110.40
LOWEST COST HOSPITAL	52.78	56.43	60.67

PERCENTAGE COMPARISON (median hospital costs = 100)

HILTON HEAD HOSPITAL CENTER	156	143	122
HIGHEST COST HOSPITAL	146	145	145
LOWEST COST HOSPITAL	55	55	55

Source: Duke Endowment Statistics and Booz, Allen, and Hamilton Estimates

TECHNICAL NOTES AND ASSUMPTIONS

I. General Notes and Assumptions

1. It has been assumed that the Hospital Center's fiscal year will begin on January 1 and end on December 31.
2. Fixed costs of operation for all Hospital Center activities are those costs which remain fairly stable within any given operating period and do not lend themselves to quick adjustment in the face of changes in demand. Such costs must be borne within broad ranges of utilization and are therefore subject to economies of scale inherent in a situation of expanded utilization. Examples of such fixed costs are payroll costs, administrative supplies, and utility expenses.
3. Variable costs are those costs of operation which can be related directly to units of service--patient days or outpatient visits. Since aggregate variable costs can be related to service volumes, unit costs can be developed and related to project volumes. This method allows for greater accuracy in projecting total operating costs. Examples of such costs are nursing supplies, radiology films, and raw food.
4. Projections of costs for the Hospital Center were developed utilizing operating data for existing facilities in the area offering a similar scope of programs and which were in the same size category. Data collected by the Duke Endowment and HAS were used extensively.
5. Costs of operation were projected under the Phase IV guidelines for health care facilities under the Economic Stabilization Program. Overall costs of operation (excluding expansion) were projected to increase at 75% per year. Revenues were projected to increase

only insofar as they were justified by costs. Substantial increases in costs during 1976 are related to the inclusion of interest costs in the Hospital Center's cost structure. These may be incorporated in the hospital's cost structure under the guidelines with the approval of the "designated state or local agency."

6. For the purposes of testing compliance with the Phase IV guidelines, average length of stay has been assumed to be constant. This allows charges per patient day and patient day volumes to be related to admissions as described under the regulations. Using the allowable increases in inpatient charges and expenses described in the regulations, the Hospital Center is in compliance with all current guidelines.
7. Interest and depreciation expenses have been combined with net income from operations to meet debt service requirements, as is customary in plans of this nature.

II. Specific Notes

1. The bond issue is a 30-year issue with a 27-year amortization period. Annual debt service payments of both principal and interest will commence in 1978 and end in 2004.
2. Interest on the bond issue has been estimated at an annual rate of 7.5%. The interest earned on the construction and capitalized interest funds was estimated at 6.5%. Interest earned on the debt service reserve fund was calculated at 7%.
3. The bond issue includes capitalization of interest expense for the first six months of operation--from October 1, 1975 through March 31, 1976. This should allow the Center sufficient time to build its census without the immediate pressure of meeting interest and principal payments. Thus with a 600-day construction period, a total of 25 months' interest has been capitalized.

4. For the period April 1, 1976 through December 31, 1977, debt service will consist solely of interest payments. Principal payments will begin in 1978 under a level debt service schedule. This repayment schedule will assure adequate cash flow throughout the early stages of operation.
5. A level debt service schedule has been utilized. Thus interest costs are higher in the earlier years and decrease over the term of indebtedness.
6. Lease payments reflect a true lease arrangement with a major manufacturer of radiologic equipment. Due to the possibility of major innovations in this area over the next five to ten years, it has been decided to take a five year lease on radiologic equipment valued at \$250,000. Current rates for leases over \$50,000 were utilized to determine the annual lease payment.
7. Depreciation and interest costs were allocated to the three operating units of the Center on the basis of weighted construction costs. Allocation percentages are shown below:

.	Hospital	64.5%
.	Skilled nursing facility	27.0%
.	Clinic	8.5%

Depreciation and amortized expenses include all construction costs, equipment costs, and fees associated with the project.

8. Supplementary income is comprised of the following items:

. Interest income (reserve fund)	\$ 69,000
. Cafeteria revenue (including vending machines)	20,000
. Net income from the gift shop	5,000
. Annual foundation contribution (already committed)	25,000
. Annual community contribution (including proceeds from various charity affairs)	<u>25,000</u>
TOTAL	<u><u>\$144,000</u></u>

This income was allocated to the hospital (including the clinic) and the skilled nursing facility on the same basis as was interest and depreciation.

9. Changes in working capital requirements include pre-operating expenses, legal fees, printing costs, and interest accrual on the short-term construction loan as well as changes in requirements for working capital due to the build-up of accounts receivable.

(R617, H1869)

An Act To Authorize Each Of The Counties Of South Carolina To Finance The Acquisition, Construction, Enlargement, Expansion And Equipping Of Hospital Facilities, Including The Refunding Of Obligations Issued For Any Such Purpose Through The Issuance Of Revenue Bonds Payable Solely Out Of The Revenues Derived Under Loan Agreements Relating To Such Properties; To Authorize Counties To Enter Into Loan Agreements In Connection With Such Properties, And To Secure Such Bonds By Pledges Of Revenues Derived Under The Loan Agreements And By A Mortgage Lien; To Authorize Counties To Enter Into Trust Indentures Prescribing The Terms Under Which Any Such Bonds Shall Be Issued; To Exempt From Taxation Such Bonds, The Income Therefrom And The Documents In Connection Therewith; And To Provide For Other Matters Incidental Thereto.

Be it enacted by the General Assembly of the State of South Carolina :

SECTION 1. It is hereby declared to be the policy of the State of South Carolina to promote the public health and welfare by providing means for the financing, refinancing, acquiring, enlarging, improving, constructing, equipping and providing of Hospital Facilities to serve the people of the State and to make accessible to them modern and efficient Hospital Facilities at the lowest possible expense to those utilizing such Hospital Facilities.

The General Assembly hereby finds and declares that :

(1) There is a need to overcome existing and anticipated physical and technical obsolescence of existing Hospital Facilities, to provide additional modern and efficient Hospital Facilities in the State and to provide assistance to the extent herein provided in order that such Hospital Facilities may be made available at the lowest possible expense.

(2) Unless measures are adopted to alleviate such need, the shortage of such facilities will become increasingly more urgent and serious; and

(3) In order to meet such shortage and thereby promote the public health and welfare of the people of the State, it is necessary that assistance be afforded in the providing of adequate, modern and efficient Hospital Facilities in the State so that health and hospital care and services may be expanded, improved and fostered to the fullest extent practicable at the lowest possible expense.

(4) It is the purpose of this act to empower the governing bodies of the several counties of the State under the terms and conditions of this act to finance the acquisition, enlargement, improvement, construction, equipping and providing of such Hospital Facilities to the end that the public health and welfare of the people of the State will be promoted at the least possible expense to those utilizing such Hospital Facilities so provided. In this connection, such governing bodies shall function under the guidance of the State Budget and Control Board of South Carolina and the State Board of Health and shall be vested with all powers necessary to enable them to accomplish the purposes of this act, which powers shall be in all respects exercised for the benefits of the inhabitants of the State and to promote the public health and welfare of its citizens.

It is specifically found and declared that all action taken by any county in carrying out the purposes of this act will perform an essential governmental function.

SECTION 2. This act, when codified, may be referred to and cited as the "Hospital Revenue Bond Act".

SECTION 3. In this act, the following words and terms shall, unless the context otherwise requires, have the following meanings:

(a) "Bonds" or "revenue bonds" shall include notes, bonds, re-funding bonds, and other obligations authorized to be issued by this act.

(b) "Cost" as applied to any Hospital Facilities means the cost of construction or acquisition; the cost of acquisition of property, including rights in land and other property, both real and personal and improved and unimproved; the cost of demolishing, removing or relocating any buildings or structures on land so acquired, including the cost of acquiring any land to which such buildings or structures may be moved or relocated; the cost of all machinery, fixed and movable equipment and furnishings; financing charges, interest prior to and during construction and, if deemed advisable by the State Board, for a period of not exceeding two (2) years after the estimated date of completion of construction; the cost of engineering and architectural surveys, plans and specifications; the cost of consulting and legal services and other expenses necessary or incidental to determining the feasibility or practicability of constructing or acquiring such Hospital Facilities; the cost of administrative and other expenses necessary or incidental to the construction or acquisition of such Hospital Facilities, and the financing of the construction or acquisition

thereof, including reasonable provision for working capital and a reserve for debt service; the cost of issuing bonds hereunder, including legal fees and printing costs, and the cost of reimbursing any hospital agency any amounts expended for items that would have been proper costs of such Hospital Facilities within the meaning of this definition had such expenditure been made directly by the county board.

"Cost" shall also include moneys necessary to refinance or to re-fund any indebtedness of any "hospital agency" or any "public agency" heretofore or hereafter incurred for the purpose of providing Hospital Facilities.

(c) "County Board" shall mean each of the governing bodies of the several counties of the State as now or hereafter constituted and in the event any Hospital Facilities shall be located in more than one county, the term "county board" shall relate to the governing bodies of the several counties wherein such Hospital Facilities shall be located.

(d) "Hospital Facilities" shall mean any one or more buildings, structures, additions, extension, improvements or other facilities, whether or not located on the same or contiguous site or sites (and including existing facilities), machinery, equipment, furnishings or other real or personal property suitable for health care or medical care; and includes, without limitation, general hospitals, chronic diseases, maternity, mental, tuberculosis and other specialized hospitals; facilities for emergency care, intensive care and self-care; clinics and outpatient facilities; clinical, pathological and other laboratories; hospital research facilities; extended care facilities; skilled nursing home facilities; nursing home facilities; laundries; residences and training facilities for nurses, interns, physicians and other staff members; food preparation and food service facilities; administration buildings, central service and other administrative facilities; communication, computer and other electronic facilities; firefighting facilities, pharmaceutical and recreational facilities; storage space, x-ray, laser, radiotherapy and other apparatus and equipment; dispensaries; utilities; vehicular parking lots and garages; office facilities for hospital staff members and physicians; and such other health and hospital facilities customarily under the jurisdiction of or provided by hospitals, or any combination of the foregoing, with all necessary, convenient or related interests in land, machinery, apparatus, appliances, equipment, furnishings, appurtenances, site preparation, landscaping and physical amenities.

(e) "Loan Agreement" shall mean any agreement made by and between any county board as one party and any hospital agency or public agency as the other party or parties by which the hospital agency or public agency agrees to pay to a county or to any assignee thereof the sums required to meet the payment of the principal, interest and redemption premium, if any, on any bonds. If the county is also the public agency and the Hospital Facilities are under the jurisdiction of the county board, the loan agreement may be in the form of a resolution adopted by the county board.

(f) "Hospital Agency" means any corporation, whether for profit or not for profit, existing or hereafter created and empowered to acquire, by lease or otherwise, operate and maintain Hospital Facilities.

(g) "Public Agency" means any county, city, town, or hospital district of the State existing or hereafter created pursuant to the laws of the State authorized to acquire, by lease or otherwise, operate and maintain Hospital Facilities.

(h) "State Board" shall mean the State Budget and Control Board of South Carolina.

(i) "Trust Indenture" shall mean any agreement pursuant to which any bonds shall be issued. A trust indenture may also create a mortgage lien to secure bonds issued thereunder.

SECTION 4. Subject to obtaining approvals from the State Board required by Section 18 and from the State Board of Health, required by Section 9, the several counties of the State functioning through their respective county boards shall be empowered:

(1) To enter into agreements with any hospital agency or public agency necessary or incidental to the issuance of bonds.

(2) To acquire and in connection with such acquisition, to enlarge or expand, whether by purchase, gift or lease, Hospital Facilities and in the case of Hospital Facilities located in more than one county, the facilities may be acquired jointly by the county boards of the counties wherein such Hospital Facilities shall be located.

(3) To enter into loan agreements with any hospital agency or public agency, prescribing the payments to be made by the hospital agency or public agency to the county or its assignee to meet the payments that shall become due on bonds, including terms and conditions relative to the acquisition and use of Hospital Facilities and the issuance of bonds.

(4) To issue bonds for the purpose of defraying the cost of providing Hospital Facilities and to secure the payment of such bonds as hereafter provided.

(5) To receive and accept from any public agency loans or grants for or in aid of the construction of Hospital Facilities or any portion thereof, and to receive and accept loans, grants, aid or contributions from any source of either money, property, labor or other things of value to be held, used and applied only for the purposes for which such loans, grants, aid and contributions are made.

(6) To mortgage any Hospital Facilities and the site thereof for the benefits of the holders of bonds issued to finance such Hospital Facilities.

(7) To issue bonds to refinance or to refund outstanding obligations, mortgages or advances heretofore or hereafter issued, made or given by a hospital or public agency for the cost of Hospital Facilities.

(8) To charge to each hospital and public agency utilizing this act any administrative costs and expenses incurred in the exercise of the powers and duties conferred by this act.

(9) To do all things necessary or convenient to carry out the purposes of this act.

(10) To make and execute contracts and agreements necessary or incidental to the exercise of its powers and duties under this act, with persons, firms, corporations, governmental agencies and others.

(11) To make the proceeds of any bonds available by way of a loan to a hospital or public agency pursuant to a loan agreement.

(12) To acquire by purchase, lease, gift or otherwise, or to obtain options for the acquisition of, existing Hospital Facilities and any property, real or personal, improved or unimproved, including interests in land in fee or less than fee for any Hospital Facilities, upon such terms and at such cost as shall be agreed upon by the owner and the county board.

(13) To arrange or contract with any county, city, town or other political subdivision or instrumentality of the State for the opening or closing of streets or for the furnishing of utility or other services to any Hospital Facilities.

(14) To enter into lease agreements with any hospital or public agency whereby the county board leases Hospital Facilities to such hospital or public agency, including Hospital Facilities located in more than one county.

(15) To pledge or assign any money, rents, charges, fees or other revenues, including any proceeds of insurance or condemnation awards, pursuant to any loan agreement to the payment of the Bonds issued pursuant to such loan agreement.

SECTION 5. All bonds issued by a county board under authority of this act shall be limited obligations of its county, the principal, interest and redemption premiums, if any, on which shall be payable solely out of the monies to be derived by such county pursuant to the loan agreement relating to the Hospital Facilities which the bonds are issued to finance (or refinance). Bonds and interest coupons issued under authority of this act shall never constitute an indebtedness of such county within the meaning of any State constitutional provision or statutory limitation and shall never constitute nor give rise to a pecuniary liability of the county or a charge against its general credit or taxing powers, and such fact shall be plainly stated on the face of each bond. Such bonds may be executed and delivered at any time as a single issue or from time to time as several issues, may be in such form and denominations, may be of such tenor, may be in registered or bearer form either as to principal or interest or both, may be payable in such installments and at such time or times not exceeding forty years from their date, may be subject to such terms of redemption, may be payable at such place or places, may have such conversion provision, may bear interest at such rate or rates (without regard to the limitations of Act No. 902 of 1970, which shall not apply to any bonds) as the county board shall provide without limitation, may be payable at such place or places and evidenced in such manner, and may contain such provisions not inconsistent herewith, all of which shall be provided in the proceedings of the county board authorizing the bonds. Any bonds issued under the authority of this act may be sold at public or private sale at such price and in such manner and from time to time as may be determined by the county board to be most advantageous, and the county board may pay, as a part of the cost of financing (or refinancing) any Hospital Facilities and out of the bond proceeds, all expenses, premiums and commissions which the county board may deem necessary or advantageous in connection with the authorization, sale and issuance thereof. All bonds issued under the authority of this act, except registered bonds which are registered otherwise than to bearer, and all interest coupons appurtenant thereto shall be construed to be negotiable instruments, despite the fact that they are payable solely from a specified source. The proceedings authorizing the issuance of bonds may provide for the issuance, in the future, of further bonds on a parity with those initially issued.

Pending the issuance of bonds, bond anticipation notes may be issued, and to the end that a vehicle be provided therefor, the pro-

visions of Act 116 of 1965, as now or hereafter amended, shall be applicable to such bond anticipatory borrowing.

SECTION 6. The principal, interest and premium, if any, on any bonds shall be secured by a pledge of the revenues payable to the county pursuant to the loan agreement relating to the Hospital Facilities financed out of the bond proceeds and any bonds may be issued pursuant to a trust indenture, which may constitute a mortgage lien. The proceedings under which bonds are authorized to be issued or any loan agreement or trust indenture may contain any agreements and provisions customarily contained in instruments providing for the issuance of, or securing bonds, including, without limiting the generality of the foregoing, provisions respecting the fixing and collection of the sums payable by the hospital agency or public agency to the county pursuant to the loan agreement, the maintenance and insurance of the Hospital Facilities, the creation and maintenance of special funds by the hospital agency or public agency, and the rights and remedies available in the event of default to the bondholders or to the trustee under such trust indenture, all as the county board shall deem advisable. *Provided*, however, that in making such agreement or provisions no county shall have the power to obligate itself except with respect to any security pledged, mortgaged or otherwise made available for the securing of the bonds, and the application of the revenues from the loan agreement, and shall not have the power to incur a pecuniary liability or a charge upon its general credit or against its taxing powers. The proceedings authorizing any bonds hereunder and any trust indenture in connection therewith, may provide that in the event of default in payment of the principal of or the interest on such bonds or in the performance of any agreement contained in such proceedings or trust indenture, such payment and performance may be enforced by mandamus or by the appointment of a receiver in equity with such powers as may be necessary to enforce the obligations thereof. No breach of any such agreement shall impose any pecuniary liability upon the county or any charge upon its general credit or against its taxing power.

The trustee or trustees under any trust indenture, or any depository specified by such trust indenture, may be such person or corporations as the county board shall designate, notwithstanding that they may be nonresidents of South Carolina or incorporated under the laws of the United States or the laws of other states of the United States.

SECTION 7. Contracts for the construction of any Hospital Facilities may be let on such terms and under such conditions as the

county board and the hospital agency or public agency may agree upon and may be let with or without advertisement or call for bids.

SECTION 8. In undertaking any Hospital Facilities pursuant to this act, the county board shall be guided by and shall observe the following criteria and requirements; *provided*, that the determination of the county board as to its compliance with such criteria and requirements shall be final and conclusive, subject only to challenge as provided in Section 18:

(a) There is a need for the Hospital Facilities in the area in which the Hospital Facilities are to be located.

(b) No Hospital Facilities shall be provided for any hospital agency or public agency which is not financially responsible and capable of fulfilling its obligations under the loan agreement, including the obligations to make the payments required thereunder, to operate, repair and maintain at its own expense the Hospital Facilities and to discharge such other responsibilities as may be imposed under the loan agreement.

(c) Adequate provision shall be made for the payment of the principal of and the interest on the bonds and any necessary reserves therefor and for the operation, repair and maintenance of the Hospital Facilities at the expense of the hospital agency or public agency.

(d) The public facilities, including utilities, and public services necessary for the Hospital Facilities will be made available.

SECTION 9. The county board shall not undertake the acquisition, construction, expansion, equipping or financing of any Hospital Facilities unless and until such approval of the State Board of Health for such undertaking as may be required under Article 2, Chapter 3, Title 32 of the 1962 Code, shall have been obtained.

SECTION 10. For the purposes of this act, public agencies are authorized and empowered to enter into loan agreements (including agreements of lease) with any county board to facilitate the financing, acquiring, constructing, improving, enlarging, expanding, equipping, providing, operating and maintaining of Hospital Facilities and pursuant to any such loan agreement to operate, repair and maintain any Hospital Facilities and to pay the cost thereof from any funds available for such purpose and the payments required therefor.

SECTION 11. The county board is authorized to make or cause to be made such investigations, surveys, studies, reports and reviews as in its judgment are necessary and desirable to determine the feasibility

and desirability of the Hospital Facilities, the extent to which the Hospital Facilities will contribute to the health and welfare of the area in which they will be located, the powers, experience, background, financial condition, record of service and capability of the management of the hospital agency or public agency involved, the extent to which the Hospital Facilities otherwise conform to the criteria and requirements of this act, and such other factors as may be deemed relevant or convenient in carrying out the purposes of this act.

SECTION 12. Every loan agreement shall contain a covenant obligating the hospital agency or public agency to effect the completion of the hospital facilities if the proceeds of the bonds prove insufficient, and each such loan agreement shall obligate the hospital agency or public agency to make payments which shall be sufficient (a) to pay the principal of and interest on the bonds issued for such Hospital Facilities, (b) to build up and maintain any reserves deemed by the county board to be advisable in connection therewith, and (c) to pay the costs of maintaining the Hospital Facilities in good repair and the cost of keeping it properly insured. The loan agreement may provide for the issuance of additional parity bonds as required in order to complete the Hospital Facility.

SECTION 12A. Every loan agreement made with a hospital agency which shall be a corporation created for profit, pursuant to which a public agency shall have acquired title to any hospital facilities, shall contain a provision requiring such hospital agency to make payments to the county or counties, school district or school districts, and other political units wherein the hospital facilities shall be located, in lieu of taxes, in such amounts as would result from taxes levied on the hospital facilities by such county or counties, school district or school districts, and other political unit or units, if the hospital facilities were owned by the hospital agency which is a corporation for profit, but with appropriate reductions similar to the tax exemptions, if any, which would be afforded to the hospital agency if it were the owner of the hospital facilities.

SECTION 13. Any loan agreement may provide that the Hospital Facilities will be owned by the county and leased to the hospital agency or public agency, may provide the hospital agency or public agency with an option to purchase the Hospital Facility upon such terms and conditions as the county board and the hospital agency or

public agency shall agree upon at a price which may be a nominal amount or less than the true value at the time of purchase, or may provide that the Hospital Facilities shall become the property of the hospital agency or public agency upon the acquisition thereof. In connection with any loan agreement, any county board may obtain and enter into a guaranty agreement whereby a party other than the hospital agency or public agency guarantees in whole or in part the obligations of the hospital agency or public agency under the loan agreement upon such terms and conditions as the county board may deem appropriate.

SECTION 14. The proceeds from the sale of any bonds issued under authority of this act shall be applied only for the purpose for which the bonds were issued; *provided*, however, that any premium and accrued interest received in any such sale shall be applied to the payment of the principal of or the interest on the bonds sold; and *provided*, further, that if for any reason any portion of the proceeds shall not be needed for the purpose for which the bonds were issued, such unneeded portion of the proceeds shall be applied to the payment of the principal of or interest on the bonds.

SECTION 15. (1) Any bonds issued hereunder and at any time outstanding may at any time and from time to time be refunded by the county, but only with the approval of the State Board being first obtained, by the issuance of its refunding bonds in such amounts as the county board may deem necessary but not exceeding an amount sufficient to refund the principal of the bonds to be refunded, together with any interest then or thereafter to become due (prior to the date when all outstanding bonds shall be paid) and any premium, expenses and commissions necessary to be paid in connection therewith.

(2) Any such refunding may be effected whether the bonds to be refunded have matured or shall thereafter mature, either by sale of the refunding bonds and the application of the proceeds for the payment of the bonds to be refunded, or by exchange of the refunding bonds for the bonds to be refunded thereby; *provided*, that the holders of any bonds to be refunded shall not be compelled without their consent to surrender their bonds for payment or exchange prior to the date on which they are payable, or, if they are called for redemption, prior to the date on which they are by their terms subject to redemption.

(3) Except as provided in paragraph (4) of this section, all refunding bonds issued under the authority of this act shall be payable

in the same manner and under the same terms and conditions as are herein provided for the issuance of bonds. The power to issue refunding bonds herein granted includes the power to effect a refunding in advance of the maturity or earliest redemption date of the bonds being refunded; *provided*, that no refunding shall be effected more than eight years prior to the maturity or earliest redemption date of the bonds being refunded.

(4) Any loan agreement made for the purpose of securing refunding bonds may provide:

(a) That any leasehold estate granted thereby shall become effective as of the occasion of the termination of any existing leasehold estate;

(b) That prior to the time when lease rental payments become due, the then holder of any leasehold estate created by the loan agreement securing the outstanding bonds shall be unconditionally obligated to pay, as and when they become due and payable, amounts sufficient to pay the principal, interest and redemption premiums, if any, on the refunding bonds;

(c) For an irrevocable agreement on the part of the county to call for redemption on the earliest available redemption date all of the bonds to be refunded which do not mature prior to such date; and

(d) That the proceeds derived from the sale of the refunding bonds and any other funds that may be required shall be deposited forthwith in a trust account and invested in direct obligations of, or obligations guaranteed by, the United States of America, the corpus of which shall be applied to the payment of the principal, interest and redemption premium, if any, of the bonds being refunded. Any agreement between the county and the trustee of the trust account established pursuant to this paragraph may prescribe that income earned from investments of the corpus thereof be used or applied for any of the following purposes: (i) to the payment of the interest on the outstanding bonds; (ii) to the payment of interest on the refunding bonds until the redemption of the outstanding bonds; (iii) partially in accordance with (i) hereof and partially in accordance with (ii) hereof; and (iv) added in whole or in part to the corpus (and used in accordance with the provisions hereof relating to the use of corpus), with the balance of income, if any, being applied in accordance with any of (i), (ii) or (iii) hereof.

(5) In the exercise of the powers herein granted to effect advance refundings, any county board may, but shall not be required to, avail itself of any of the provisions of the Advanced Refunding Act (Act No. 309 of 1965).

SECTION 16. It shall be lawful for all executors, administrators, guardians, committees and other fiduciaries to invest any moneys in their hands in Bonds issued under the provisions of this act.

SECTION 17. The bonds authorized by this act and the income therefrom, all trust indentures and mortgages executed as security therefor, all loan agreements (including agreements of lease), made pursuant to the provisions hereof, and the revenues derived from any loan agreement thereof shall be exempt from all taxation in the State of South Carolina except for inheritance, estate or transfer taxes; and all trust indentures, mortgages and loan agreements made pursuant to the provisions of this act shall be exempt from South Carolina stamp and transfer taxes.

SECTION 18. No bonds shall be issued pursuant to the provisions of this act until the proposal of the county board to issue the bonds shall receive the approval of the State Board. Whenever any county board shall propose to issue bonds pursuant to the provisions of this act, it shall file its petition to the State Board setting forth:

- (a) a brief description of the Hospital Facilities proposed to be undertaken and the refinancing or refunding so proposed;
- (b) a statement setting forth the action taken by the State Board of Health in connection with the Hospital Facilities;
- (c) a reasonable estimate of the cost of Hospital Facilities; and
- (d) a general summary of the terms and conditions of the proposed loan agreement.

Upon the filing of the petition the State Board shall as soon as practicable, make such investigation as it deems advisable, and if it finds that the proposed Hospital Facilities are intended to promote the purposes of this act and may be reasonably anticipated to effect such result, and if it shall further find, on the basis of such feasibility study and report, if any, as it shall deem appropriate, that the proposed financing is economically feasible, it shall be authorized to approve the Hospital Facilities, and at any time following such approval, the county board may proceed with the issuance of the bonds. Notice of the approval by the State Board shall be published at least once by the State Board in a newspaper having general circulation in the county (or counties) where the Hospital Facilities are, or are to be, located. Such notice shall set forth the action taken by the county board pursuant to Section 8 and the action taken by the State Board of Health pursuant to Section 9.

Any interested party may, within twenty days after the date of the publication of such notice, but not afterwards, challenge the action

so taken by the State Board, the county board, or the State Board of Health, by action de novo in the court of common pleas in any county where the Hospital Facilities are to be located.

SECTION 19. Any resolution authorizing or trust indenture providing for any bonds or any issue of bonds and any loan agreement may contain provisions, which shall be part of the contract with the holders of the bonds to be authorized, as to:

- (1) pledging all or any part of the revenues of any Hospital Facilities financed in whole or in part out of the proceeds of such bonds including revenues to be derived from a leasing of such Hospital Facilities, to secure the payment of the bonds issued to defray the cost, or any portion of the cost, of such Hospital Facilities;
- (2) the rentals, fees and other charges to be charged, and the amounts to be raised in each year thereby, and the use and disposition of the revenues;
- (3) the setting aside of reserves or sinking funds, and the regulation and disposition thereof;
- (4) limitations on the right of the county board or its agent to restrict and regulate the use of the Hospital Facilities;
- (5) limitations on the purpose to which the proceeds of sale of any issue of bonds then or thereafter to be issued may be applied;
- (6) limitations on the issuance of additional bonds, the terms upon which additional bonds may be issued and secured and the refunding of outstanding bonds;
- (7) the procedure, if any, by which the terms of any resolution, loan agreement or trust indenture may be amended or abrogated, the amount of bonds the holders of which must consent thereto, and the manner in which such consent may be given;
- (8) defining the acts of omissions to act which shall constitute a default in the duties of the county board to holders of its obligations and providing the rights and remedies of such holders in the event of a default; and
- (9) the mortgaging of any Hospital Facilities and the site thereof for the purpose of securing the bondholders.

Neither the members of any county board nor any person executing any bonds shall be liable personally on the bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 20. All moneys received pursuant to the authority of this act, whether as proceeds from the sale of bonds or as revenues, shall be deemed to be trust funds to be held and applied solely as provided in this act and in any resolution or trust indenture pursuant hereto. Any officer with whom, or any bank or trust company with which, such moneys shall be deposited shall act as trustees of such moneys and shall hold and apply the same for the purposes hereof,

subject to such regulations as this act and the resolution authorizing the bonds of any issue or any trust indenture.

SECTION 21. Any holder of revenue bonds issued under the provisions of this act or any of the coupons appertaining thereto, and the trustee under any trust indenture, except to the extent the rights herein given may be restricted by any resolution authorizing the issuance of, or any such trust indenture securing, such bonds, may, either at law or in equity, by suit, action, mandamus or other proceedings, protect and enforce any and all rights under the laws of the State or granted hereunder or under such resolution or trust indenture, and may enforce and compel the performance of all duties required by this act or by such resolution or trust indenture to be performed by any county board or by any officer, employee or agent.

SECTION 22. Any loan agreement may contain a provision whereby the hospital agency or public agency agrees to impose a daily charge upon persons using the Hospital Facilities financed out of the bond proceeds (or any other hospital facilities owned or operated by the hospital agency or public agency) in an amount sufficient to produce revenues adequate to discharge the obligation of the hospital agency or public agency under the loan agreement; and further, that in the event the hospital agency or public agency shall fail to impose such daily room charge at the request of the county or its assignee, then and in that event the county or its assignee may proceed to compel by specific performance the imposition and collection of such a daily room charge and the use of the revenues derived therefrom to discharge the obligations of the hospital agency or public agency under the loan agreement.

SECTION 23. Neither this act nor anything herein contained shall be construed as a restriction or limitation upon any powers which a county might otherwise have under any laws of this State, but shall be construed as cumulative. The authorization herein granted may be carried out by any county board acting at any regular meeting or special meeting and without publication of the proceedings by a resolution to become effective upon its adoption at the meeting at which it is presented, notwithstanding any restriction, limitation, or other procedure, imposed upon the county board by any other statute heretofore or hereafter enacted.

SECTION 24. This act shall take effect upon approval by the Governor.

In the Senate House the 21st day of June

In the Year of Our Lord One Thousand Nine Hundred and Seventy-three.

L. MARION GRESSETTE,

President Pro Tempore of the Senate.

SOLOMON BLATT,

Speaker of the House of Representatives.

Approved the 22nd day of June, 1973.

JOHN C. WEST,

Governor.

EXHIBIT

Hilton Head Hospital Center

ESTIMATED BOND ISSUE SIZE--
SOURCES AND USES OF FUNDS
(Dollars in Thousands)

USES OF FUNDS

Total Project Costs

Construction and Fixed Equipment	\$7,707	
Movable Equipment	709	
Architectural and Engineering Fees	516	
Equipment Consultant Fees	80	
Management Consultant	53	
	<u> </u>	\$ 9,065

Total Pre-Operating Expenses

Initial Working Capital	500	
Pre-Opening Salaries	100	
Land Costs	30	
	<u> </u>	630

Total Financing Costs

Interest During Construction	1,530	
Debt Service Reserve Fund	903	
Bond Discount	305	
Legal Fees	40	
Printing Costs	25	
Miscellaneous (Accrual of Interest)	30	
	<u> </u>	2,833

TOTAL

\$12,528

SOURCES OF FUNDS

Interest Earned on Construction Fund	\$ 589
Interest Earned on Reserve Fund	127
Pre-Paid Expenses	612
Proceeds of Fund Drive	<u>1,000</u>

TOTAL

\$ 2,328

ESTIMATED BOND ISSUE SIZE

\$10,200

Sources: Hospital Architect, Construction Manager, Legal Counsel, and
Investment Banker.

EXHIBIT

Hilton Head Hospital Center

PROJECTED INCOME AND EXPENSE--
ACUTE HOSPITAL OPERATIONS
1975 TO 1978
(Dollars in Thousands)

	1975*	1976	1977	1978
Beds Available	40	40	40	40
Projected Patient Days	5,300	12,250	14,250	16,580
Occupancy	72.6%	83.9%	97.6%	113.6%
Diagnostic Outpatient Visits	1,800	4,200	4,500	5,100
Emergency Room Visits	1,300	3,000	3,500	4,100
Average Charges per Patient Day (Not in Thousands)	\$123.77	\$152.73	\$139.37	\$128.11
Average Charges per Outpatient Visit (Not in Thousands)	\$ 20.00	\$ 24.72	\$ 23.63	\$ 21.96
Gross Patient Revenue	\$ 718	\$2,049	\$2,175	\$2,326
Less: Allowances, Adjustments, and Bad Debts	36	102	109	116
Net Patient Revenue	682	1,947	2,066	2,210
Supplemental Income	27	55	55	55
Total Income From All Sources	\$ 709	\$2,002	\$2,121	\$2,265
Variable Cost per Patient Day (Not in Thousands)	\$15.22	\$16.82	\$18.58	\$20.53
Variable Cost per Outpatient Visit (Not in Thousands)	\$ 2.83	\$ 3.13	\$ 3.46	\$ 3.82
Fixed Costs of Operation	\$ 433	\$ 921	\$ 980	\$1,042
Variable Costs of Operation	89	229	292	376
Depreciation and Amortized Expenses	109	217	217	217
Interest	--	458	452	445
Lease Payments	30	61	61	61
Total Operating Expenses	\$ 661	\$1,886	\$2,002	\$2,141
Net Income	\$ 48	\$116	\$119	\$124
Add: Depreciation and Amortized Expenses	109	217	217	217
Add: Interest	--	458	452	445
Total Funds Available for Debt Service	\$157	\$791	\$788	\$786
Annual Debt Service	\$--	\$542	\$542	\$542
Funds Available After Debt Service	\$156	\$249	\$246	\$244
Number of Times Debt Service Covered	--	1.46	1.45	1.45

* Based on six months' operations, beginning July 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTED INCOME AND EXPENSE--
 SKILLED NURSING FACILITY OPERATIONS,
 1975 TO 1978
 (Dollars in Thousands)

	<u>1975*</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Beds Available	40	40	40	40
Projected Patient Days	4,500	10,400	12,100	14,100
Occupancy	61.6%	71.2%	82.9%	96.6%
Average Charges per Patient Day (Not in Thousands)	\$56.44	\$77.88	\$69.42	\$62.91
Gross Patient Revenue	\$254	\$810	\$846	\$887
Less: Allowances, Adjustments, and Bad Debts	13	41	42	44
Net Patient Revenue	\$241	\$769	\$804	\$843
Supplemental Income	10	20	20	20
Total Income From All Sources	\$251	\$789	\$824	\$863
Variable Cost per Patient Day (Not in Thousands)	\$2.78	\$3.07	\$3.39	\$3.75
Fixed Costs of Operation	\$198	\$421	\$447	\$476
Variable Costs of Operation	13	32	41	53
Depreciation and Amortized Expenses	46	91	91	91
Interest	--	192	189	186
Lease Payments	2	3	3	3
Total Operating Expenses	\$259	\$739	\$771	\$809
Net Income	\$ (8)	\$ 50	\$ 53	\$ 54
Add: Depreciation and Amortized Expenses	46	91	91	91
Add: Interest	--	192	189	186
Total Funds Available for Debt Service	\$ 38	\$333	\$333	\$331
Annual Debt Service	\$--	\$227	\$227	\$227
Funds Available After Debt Service	\$38	\$106	\$106	\$104
Number of Times Debt Service Covered	--	1.47	1.47	1.46

* Based on six months' operations, beginning July 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTION OF CLINIC FINANCIAL
 PERFORMANCE UNDER LEASE
 PROVISIONS, 1975 TO 1978
 (Dollars in Thousands)

	<u>1975*</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Rentable Square Footage	13,200	13,200	13,200	13,200
Rate per Square Foot (Not in Thousands)	\$6.50	\$6.50	\$6.50	\$6.50
Gross Rental Income	\$43	\$86	\$86	\$86
Annual Operating Expenses	\$ 4	\$ 4	\$ 5	\$ 5
Interest	--	60	59	58
Depreciation and Amortized Expenses	<u>14</u>	<u>28</u>	<u>28</u>	<u>28</u>
Total Operating Expenses	\$18	\$92	\$92	\$91
Net Income (Loss)	\$25	\$(6)	\$(6)	\$(5)
Add: Interest	--	60	59	58
Add: Depreciation and Amortized Expenses	<u>14</u>	<u>28</u>	<u>28</u>	<u>28</u>
Total Funds Available for Debt Service	\$39	\$82	\$81	\$81
Annual Debt Service	--	\$71	\$71	\$71
Funds Available After Debt Service	--	\$11	\$10	\$10
Number of Times Debt Service Covered	--	1.15	1.14	1.14

* Six months operation.

Source: Hospital Legal Counsel and Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTED INCOME AND EXPENSE--
COMBINED OPERATIONS, 1975 TO 1978
(Dollars in Thousands)

	1975*	1976	1977	1978
Total Beds Available (Hospital and Skilled Nursing Facility)	80	80	80	80
Total Patient Days, All Types	9,800	22,650	26,350	30,680
Combined Occupancy Level	66.6%	77.6%	90.2%	105.1%
Total Outpatient Volume	3,100	7,200	8,000	9,200
Total Gross Patient Revenue	\$ 972	\$2,859	\$3,021	\$3,213
Less: Allowances, Adjustments, and Bad Debts	49	143	151	160
Total Net Patient Revenue	\$ 923	\$2,716	\$2,870	\$3,053
Gross Rental Income	43	86	86	86
Total Supplementary Income	37	75	75	75
Total Income From All Sources	\$1,003	\$2,877	\$3,031	\$3,214
Fixed Costs of Operation--All Facilities	\$ 635	\$1,346	\$1,432	\$1,523
Total Variable Costs	102	261	333	429
Depreciation and Amortized Expenses	169	336	336	336
Interest	--	710	700	689
Lease Payments	32	64	64	64
Total Operating Expenses	\$ 938	\$2,717	\$2,865	\$3,041
Net Income From Combined Operations	\$ 65	\$ 160	\$ 166	\$ 173
Add: Depreciation and Amortized Expenses	169	336	336	336
Add: Interest	--	710	700	689
Total Funds Available for Debt Service	\$ 234	\$1,206	\$1,202	\$1,198
Annual Debt Service	\$--	\$840	\$840	\$840
Total Funds Available After Debt Service	\$234	\$366	\$362	\$358
Number of Times Debt Service Covered	--	1.44	1.43	1.43

* Based on six months' operations, beginning July 1, 1975.

Source: Booz, Allen & Hamilton Estimates.

EXHIBIT

Hilton Head Hospital Center

PROJECTED CASH FLOW--COMBINED
OPERATIONS, 1973 TO 1978
(Dollars in Thousands)

	<u>1973</u>	<u>1974</u>	<u>1975*</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Beginning Cash Balance	\$--	\$ --	\$3,800	\$ 491	\$ 355	\$ 643
Add: Net Income Before Depreciation, Amortized Expenses, and Interest	--	--	234	1,206	1,202	1,198
Donations	--	1,000	--	--	--	--
Bond Proceeds	--	10,200	--	--	--	--
Proceeds of Construction Loan	112	500	--	--	--	--
Interest Earned on Construction Fund	--	393	196	--	--	--
Interest Earned on Reserve Fund	--	64	63	63	63	63
Less: Land	--	30	--	5	9	9
Increase in Working Capital Requirements	--	130	308	472	40	48
Payments Applied to Construction	112	5,969	2,984	--	--	--
Payment to Debt Services Reserve Fund	--	903	--	--	--	--
Interest During Construction	--	1,020	510	--	--	--
Bond Discount	--	305	--	--	--	--
Replacement and Addition of Equipment	--	--	--	25	25	25
Cash Available for Debt Service	\$--	\$ 3,800	\$ 491	\$1,258	\$1,546	\$1,822
Annual Debt Service	--	--	--	903	903	903
Ending Cash Balance	--	\$ 3,800	\$ 491	\$ 355	\$ 643	\$ 919

* Based on six months' operations, beginning July 1, 1975.

Source: Booz, Allen & Hamilton Estimates.



1,58,000 Sq. ft.

982

STUDY OF PROGRAM PLANS AND
FUNCTIONAL REQUIREMENTS

HILTON HEAD ISLAND HOSPITAL CENTER
HILTON HEAD, SOUTH CAROLINA

June 1973

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346-1900
AREA CODE 312

June 28, 1973

Peter La Motte, M. D.
Hilton Head Medical Services, Inc.
Hilton Head Island, South Carolina 29923

Dear Dr. La Motte:

Submission of this report completes the initial portion of our work for Hilton Head Medical Services, Inc. and Henningson, Durham & Richardson, Inc. in accordance with our proposal. We will, of course, look forward to working with you and Henningson, Durham & Richardson, Inc. during the developments of schematics and hope to have the opportunity to be of service during the detailed design stages and development of operating systems.

The report consists of the following six chapters and an appendix incorporating program plans, functional requirements and overall financial feasibility.

- Chapter I - Hilton Head Island in Perspective - outlines the development of the island and characteristics of the community to be served by the hospital. Available population projections are set forth showing that the island population is expected to be nearly 9,000 by 1975 when the hospital opens and grow to about 65,000 in 20 years.
- Chapter II - Health Services Available to Residents of Hilton Head Island and the Surrounding Area - examines the health and medical care resources in the vicinity of the island. The nearest hospital is approximately 45 miles away with Savannah hospitals offering the only source of comprehensive services. Furthermore, the entire Low-country Region of four counties is critically short of physicians although the island is more fortunate. Limited ambulatory services are made available through public and private organizations and agencies. One skilled nursing home of 84 beds in Beaufort serves both Beaufort and Jasper Counties.
- Chapter III - Master Program Plan for Hilton Head Island Hospital Center - sets forth the guidelines for development to meet projected needs. Within 20 years the hospital should anticipate about 240 acute care beds, 225 skilled nursing (extended care) beds and 50 to 55 physicians. Hospital development in stages is recommended as follows:
 - . Phase I-A should provide 40 acute care beds, 40 skilled nursing beds and ambulatory facilities for 10 to 12 physicians. Ancillary service facilities should be sized for completion of Phase I-B. An executive health evaluation program should be started.
 - . Phase I-B should provide for a total of 80 acute care beds and 60 to 70 skilled nursing beds. Depending on the then experienced demands, the ambulatory facilities may need expansion to accommodate additional physicians.
 - . Phase II should be tentatively planned for about 160 acute beds and 120 to 140 skilled nursing beds. Ambulatory facilities for 25 to 30 physicians may then be needed.

Phase III should be tentatively planned to accommodate the full development of the Center as projected.

It should be noted that Phases II and III are less clearly defined and the key planning concern should be to develop the Center in such a way that it can respond rapidly to needs as they can be identified.

- Chapter IV - Facility Requirements - summarizes facility requirements for Phase I-A which are set forth in greater detail for each department in the appendix to this report. Specific operating systems for materials handling and pharmacy are recommended. Special studies for food service, management information systems and solid waste disposal are recommended. The primary purpose of this chapter is to identify initial guidelines for architectural planning.
- Chapter V - Capital Costs and Financial Feasibility - provides a preliminary estimate of capital requirements and assesses financial feasibility of the project. Project costs including construction, equipment, and fees are estimated to be about \$7,800,000. Total costs including land and other costs to be capitalized are now estimated to be about \$8,650,000. Based on present projections of patient demand, staffing requirements, capital costs, financing costs, net income and cash flow, between 1975 and 1980 it is our conclusion that the project is financially feasible.
- Chapter VI - Next Steps - briefly outlines a preliminary schedule for planning, construction, and occupancy of the Hilton Head Hospital Center. An ambitious schedule, it calls for fast-track design and construction. Assuming no unforeseen delays, occupancy of the facility is expected by January 1, 1975. Recruitment of a qualified administrator as soon as possible is recommended.

We have particularly appreciated the personal efforts to assist us that you and Mr. Bethea have made. Your foresight in identifying the consultants, architects, and contractors early in the planning process

has made it possible for all of us to be a part of the planning team and has expedited the process considerably.

The work has been professionally challenging and personally satisfying. We look forward to opportunities to be of further service to the Hilton Head Island Hospital Center, as it comes to fruition.

Very truly yours,

Booz, Allen & Hamilton

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I. HILTON HEAD ISLAND IN PERSPECTIVE

I. HILTON HEAD ISLAND IN PERSPECTIVE

Hilton Head Island is one of the newest and best known resort islands in the country. Development of the island as a retirement community and resort center has proceeded at a rapid pace over the past decade. Every indication points to a continued rapid growth pattern and concurrent growth in the need for medical and hospital services.

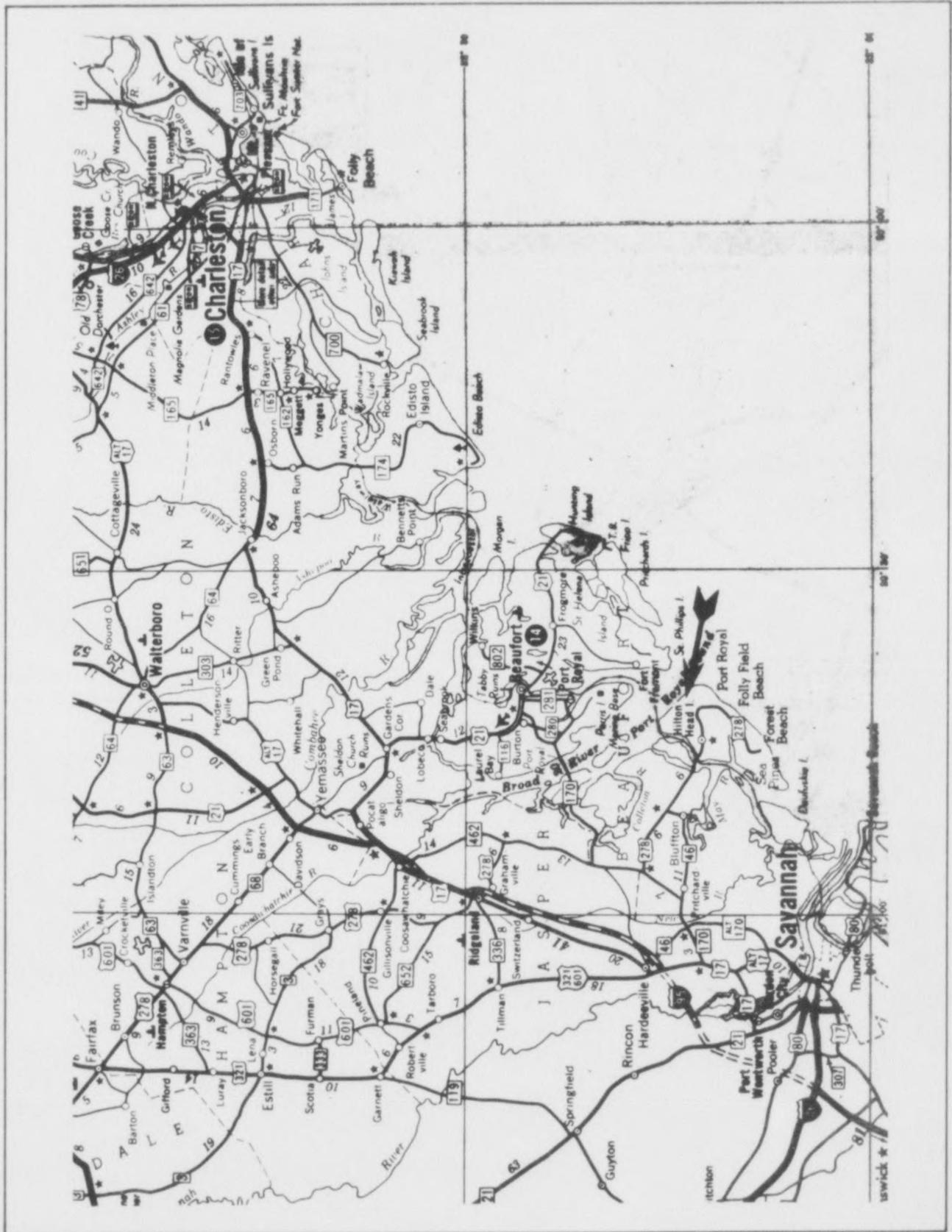
1. HILTON HEAD ISLAND IS LOCATED IN BEAUFORT COUNTY, SOUTH CAROLINA, AND HAS A LAND AREA OF 45 SQUARE MILES

Exhibit I, following this page, shows the location of Hilton Head Island.

- (1) Hilton Head Island Was Relatively Undeveloped Prior to 1950

Actual development of the island began in the 1950s. In 1950 a group of investors, led by Fred C. Hack and Joseph B. Fraser, Sr., purchased a large section of land on the island, originally as an investment in timber. However, the concept of developing the island soon was initiated and additional land was purchased.

EXHIBIT I
 HILTON HEAD ISLAND HOSPITAL CENTER
 LOCATION OF HILTON HEAD ISLAND



(2) The Island Is Attractive to Residents and Tourists for Several Reasons

An impetus to development of the island occurred in 1956 with the completion of the James F. Byrnes Bridge which connected the island with the mainland. The bridge opened the island to quick access by tourists and residents.

Construction on the island began rather slowly, but accelerated rapidly in the late '60s and early '70s. The residential building emphasis has gradually shifted from single-family dwellings to condominium villa units.

The island is attractive to residents and tourists, because:

- . The island has 12 miles of beaches which are fully accessible to residents and tourists.
- . The climate is mild year-round, with an average winter day temperature of 63 degrees. Temperatures in the summer are generally in the 80s.
- . Six 18-hole championship golf courses, 30 tennis courts and 3 marinas are currently in use, with more facilities being planned.
- . A comprehensive range of shopping facilities has recently been completed, with still more being planned.

2. THE ISLAND IS ACCESSIBLE BY CAR, BOAT, AND AIR

Hilton Head Island can be reached by car utilizing State Route 278 and the James F. Byrnes Bridge. Approximate driving times to the nearest large cities are as follows:

Beaufort, South Carolina	45 minutes
Charleston, South Carolina	2 - 2-1/2 hours
Savannah, Georgia	45 - 60 minutes

With its western side fronting on the Intercoastal Waterway, the island is readily accessible to pleasure craft, as well as commercial and fishing vessels. The excellent marina facilities are well-utilized by visitors.

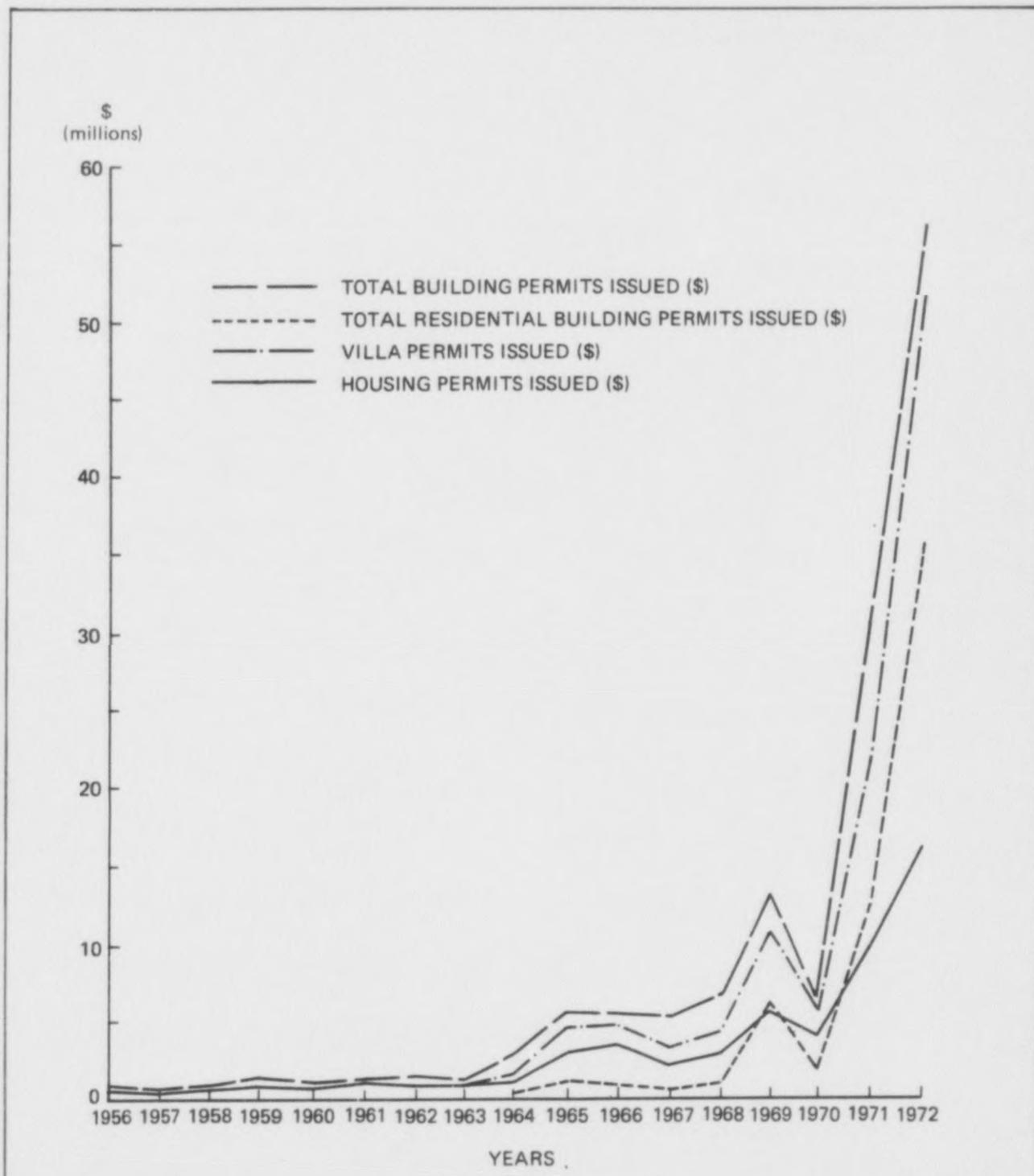
The island has a 3,700-foot paved, county-owned airstrip, which is served by Air South. Air South provides daily service between Hilton Head Island and Atlanta, Brunswick, and Statesboro, Georgia. In addition, the Savannah airport is approximately 45 minutes away by car or limousine, and is served by National and Delta Airlines.

3. DEVELOPMENT OF THE ISLAND HAS GAINED PARTICULAR MOMENTUM IN THE LAST TWO YEARS

Exhibit II, following this page, presents a graphic portrayal of the growth in dollar volume of building permits issued on Hilton Head Island since 1956. Of particular interest are:

- The dramatic increase in dollar volume of building permits issued between 1970 and 1971

EXHIBIT II
HILTON HEAD ISLAND HOSPITAL CENTER
**HISTORY OF BUILDING PERMITS
ISSUED FOR HILTON HEAD ISLAND
1956 - 1972**



SOURCE: HILTON HEAD ISLAND CHAMBER OF COMMERCE

- The shift in emphasis from single-family units to villas (condominium, apartments, etc.) during the past few years

Preliminary indications are that the volume of permits issued in 1973 will approximate that in 1972.

4. ACCURATE HISTORICAL POPULATION INFORMATION IS NOT AVAILABLE

Various studies and estimates of the island population have been made in recent years. The 1970 U. S. Census indicated that the total permanent resident population of the island was 2,546. However, discussions held with various firms and individuals indicate that census personnel may have omitted a significant number of residents, since several geographic areas were apparently missed.

In a study recently conducted for the Hilton Head Island Chamber of Commerce by the Sea Pines Company Market Development Group, a revised estimate of the 1970 population and an estimate of the 1973 population were made. These estimates indicated that the 1970 permanent population was 4,200 and the 1973 population was 6,400. These estimates are based upon the number of children enrolled in elementary schools on the island. Elementary school enrollment has increased from 308 in the 1969-70 school year to 466 in the 1972-73 school year, an increase of 52%. The study recommends an interim census be conducted to get an accurate determination of current population size.

In addition, this study included a survey of motels, inns, and villas to determine the number of visitors to Hilton Head Island in 1972. Results of the study indicated that 140,000 persons visited the island in 1972.

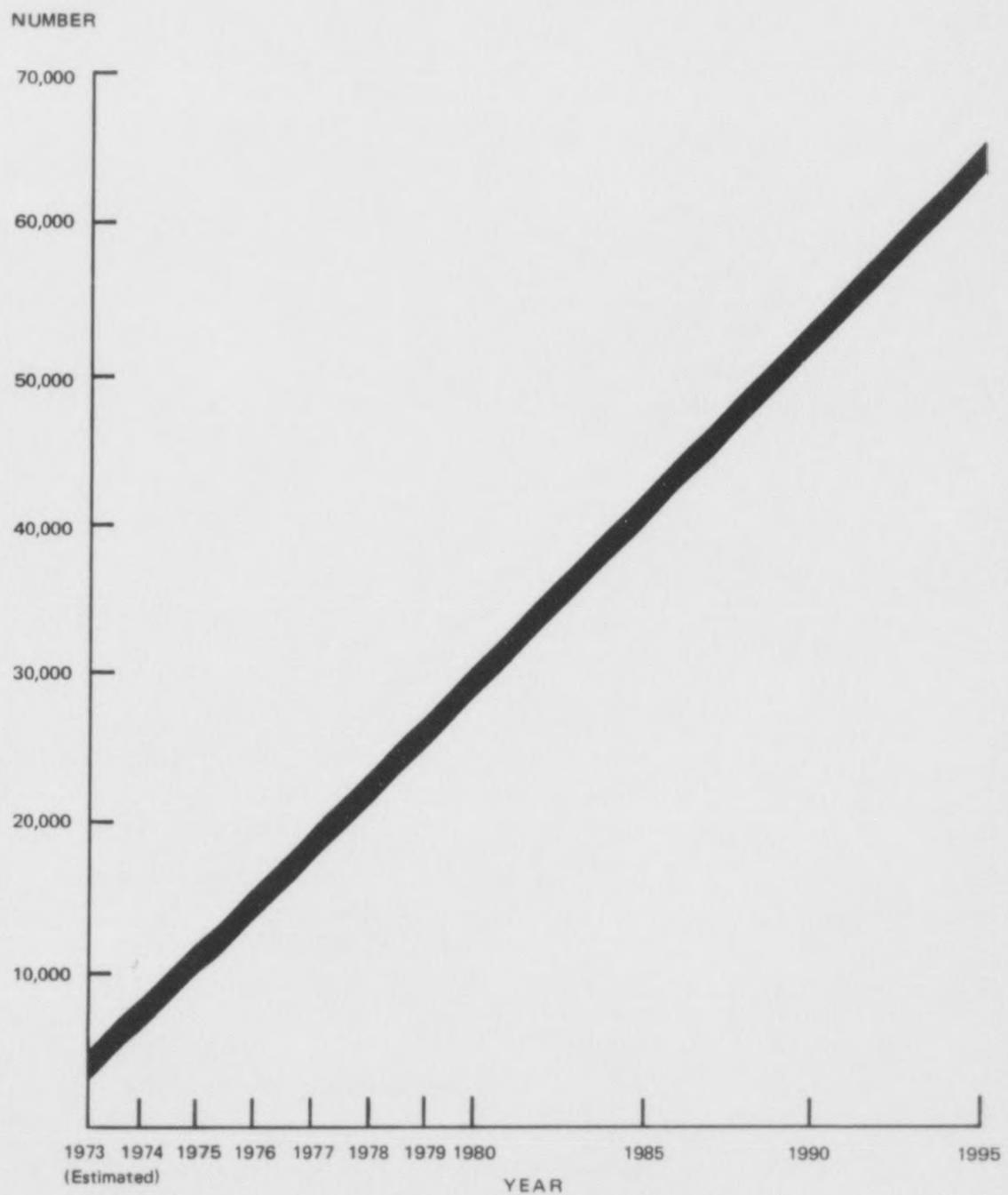
5. THE MOST THOROUGHLY RESEARCHED POPULATION PROJECTIONS AVAILABLE INDICATE THAT THE ISLAND'S POPULATION WILL INCREASE TO 8,800 BY 1975; 19,600 BY 1980; AND 65,000 BY 1995

Population projections for a newly developing community such as Hilton Head Island are extremely difficult to formulate. Traditional population projection techniques utilizing trends of immigration and emigration, births, and deaths are not applicable because of the rapid changes taking place and lack of historical trend data. A study was recently completed by Skidmore, Owings and Merrill which developed master planning concepts for the island. The study indicated that optimal population size for the island is 65,000, to be attained by 1995.

The study conducted for the Chamber of Commerce developed population projections to 1980, utilizing the annual growth rate experience between 1970 and 1973. The study indicated that the island population would be 8,800 in 1975 and 19,600 in 1980.

Utilizing both studies mentioned above, population projections have been assembled for the period 1975-1995. Exhibit III, following this page, graphically portrays the population projections.

EXHIBIT III
HILTON HEAD ISLAND HOSPITAL CENTER
POPULATION PROJECTIONS FOR
HILTON HEAD ISLAND
1975 - 1995



SOURCE: HILTON HEAD ISLAND CHAMBER OF COMMERCE; SKIDMORE, OWINGS AND MERRILL STUDY FOR THE HILTON HEAD COMPANY

6. IT APPEARS REASONABLE TO PROJECT THE RATE OF VISITORS USING THE SAME GROWTH RATE AS THAT FOR PERMANENT RESIDENTS

At present, there are approximately 430 motel rooms and over 1,000 rental homes, villas, and apartments available on the island, with development proceeding at a rapid rate. It appears that over 1,000 additional motel/hotel rooms may be completed within the next three to five years. Further development of condominiums, many of which are rented to vacationers, are also being planned.

Based upon development currently being contemplated, it is assumed that visitor population will increase at the same rate of growth as resident population, i. e. , approximately 17.5% per year, through 1985 with the visitor population then leveling off. Thus, annual visitor population is projected to be as follows:

1972 (estimated)	140,000
1975	227,000
1976	267,000
1977	314,000
1978	368,000
1979	433,000
1980	509,000
1985	1,139,000
1990	1,139,000
1995	1,139,000

* * * * *

This chapter has presented a brief history of Hilton Head Island and a description of the island and its development. Available population projections have been presented, as well as projections of visitor population. The next chapter discusses health care resources available in the Hilton Head Island area.

II. HEALTH SERVICES AVAILABLE TO RESIDENTS OF
HILTON HEAD ISLAND AND THE SURROUNDING AREA

II. HEALTH SERVICES AVAILABLE TO RESIDENTS OF
HILTON HEAD ISLAND AND THE SURROUNDING AREA

This chapter describes health resources available in the vicinity of Hilton Head Island. Included is a discussion of physicians, hospitals, nursing homes, and special programs.

1. WHILE THE LOW-COUNTRY REGION IS GROSSLY DEFICIENT
IN PHYSICIAN COVERAGE, HILTON HEAD ISLAND IS RELATIVE-
LY FORTUNATE IN ITS COVERAGE

South Carolina's ratio of active nonfederal M. D. 's providing patient care per 1,000 population is approximately 35% less than the national ratio. According to Health Resources Statistics, 1971, a publication of the National Center for Health Statistics, and the 1970 census results, the U. S. ratio of active nonfederal M. D. 's practicing patient care in 1970 per 1,000 population was 1.24, versus a ratio of .80 per 1,000 in South Carolina.

(1) The Per Capita Physician Ratio in the Low-country Region
Is Less Than Half the National Average

The Low-country Region is the four-county area comprised of Beaufort, Colleton, Hampton, and Jasper counties. According to the latest "Low-country Comprehensive Health Plan," prepared

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by the Low-country Regional Planning Council, the ratio of physicians per 1,000 population in the Low-country District is .59, including military physicians. Among the following medical specialties not available in the District on a full-time basis as of June 30, 1972 were the following:

- . Allergy
- . Cardiovascular surgery
- . Dermatology
- . Gastroenterology
- . Neurology
- . Ophthalmology
- . Otolaryngology
- . Orthopedic surgery
- . Urology
- . Plastic surgery
- . Thoracic surgery

(2) Hilton Head Island Has an Active Medical Clinic Providing Physician Services

The Hilton Head Medical Clinic is the current center for physician practice on the island. The clinic is located in a modern facility, complete with a room for minor surgery and emergency treatment. The clinic is currently staffed by two full-time physicians, one each in general practice and internal medicine, and the following part-time staff:

- . Family practitioner
- . Internist
- . Pediatrician
- . Orthopedic surgeon
- . Psychiatrist

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- . Neurologist
- . Otolaryngologist

In addition, a urologist will be starting part-time practice with the clinic this summer, as will a full-time board-certified general surgeon. An ophthalmologist will begin full-time practice on the island within the next six months but will not be part of the clinic. A clinic physician is on-call round-the-clock in case of emergency.

2. THE CLOSEST HOSPITAL FACILITIES ARE APPROXIMATELY 45 MINUTES DISTANT

Exhibit IV, following this page, shows the location of the five hospitals within a one-hour drive of the island. The hospitals and approximate driving times are shown below:

Beaufort Memorial	45 minutes
Jasper County General	60 minutes
Candler General	45 minutes
Memorial Medical Center	45 minutes
St. Joseph's	60 minutes

Exhibit V, following Exhibit IV, describes the services offered at each hospital. As can be seen from Exhibit V, Beaufort Memorial Hospital and Jasper County General Hospital offer a limited range of services compared to the comprehensive range of services offered by hospitals in Savannah. In addition, highly specialized facilities at the Medical University Hospital of the Medical University of South Carolina, located in Charleston, South Carolina, are also utilized.

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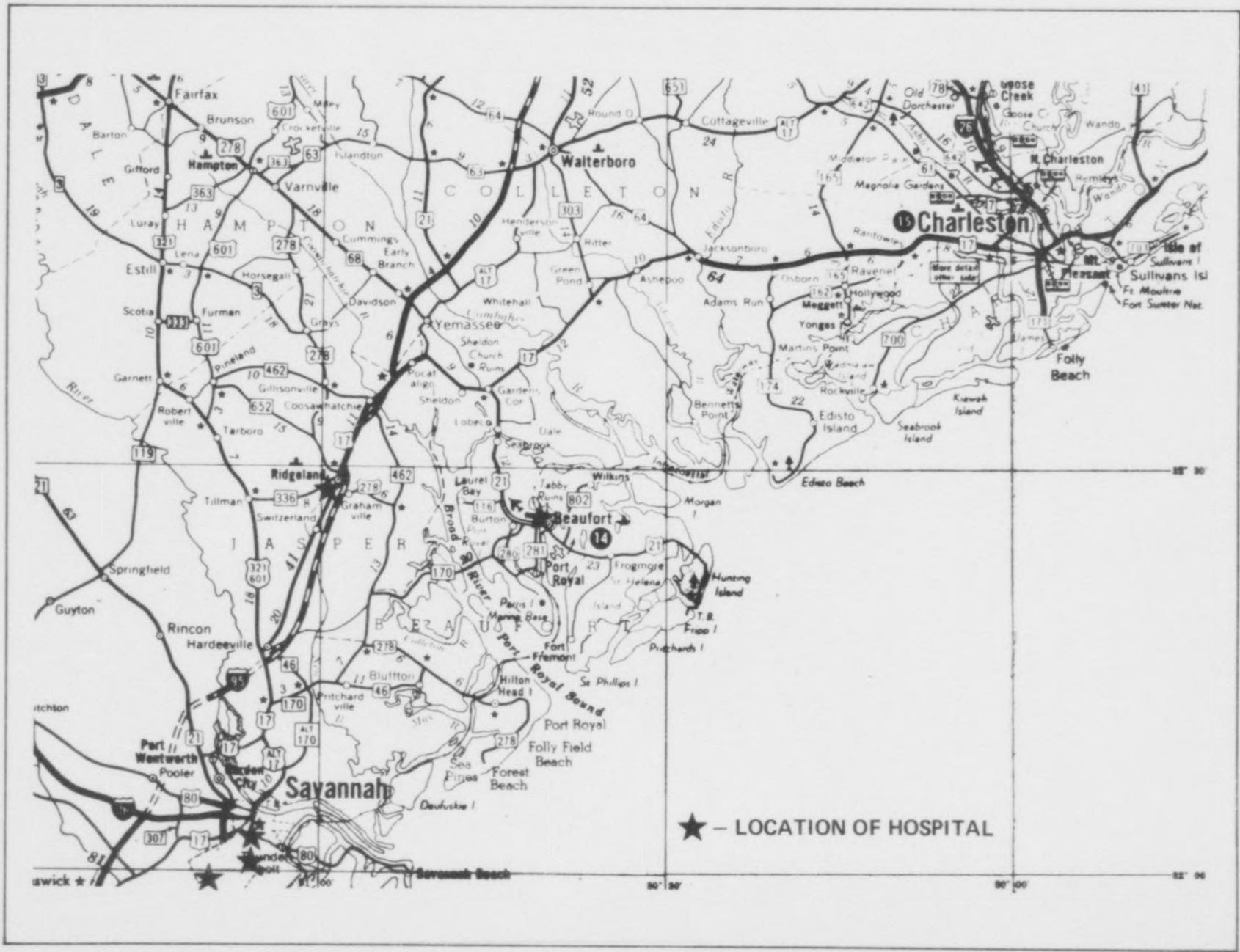


EXHIBIT IV
 HILTON HEAD ISLAND HOSPITAL CENTER
 LOCATION OF NEARBY HOSPITALS

From discussions with physicians, hospital administrators, comprehensive health planners, and local residents, it appears that most island residents requiring inpatient care utilize one of the hospitals in Savannah. Driving time to Savannah is no longer than that to Beaufort or Ridgeland, and the range of services available in Savannah is far greater.

3. HEALTH AND MEDICAL SERVICES ARE ALSO AVAILABLE THROUGH SEVERAL OTHER ORGANIZATIONS

Health and medical services are also provided by several other agencies and/or organizations. They are:

- Beaufort-Jasper Comprehensive Health Services, Inc.
- Beaufort County Health Department
- Coastal Empire Mental Health Center
- Hilton Head Medical Clinic Commission
- Hilton Head Rescue Squad

(1) Beaufort-Jasper Comprehensive Health Services, Inc. Is an OEO-Funded Program Providing Comprehensive Health Services to the Indigent

Formed in June 1970, with operations beginning in March 1971, this program provides comprehensive medical and dental services to those persons in Beaufort and Jasper counties whose incomes are below the OEO poverty guidelines, e. g., \$3,800 annual income for a family of four. The program is currently staffed by five full-time physicians, plus ancillary personnel. In

b

addition, specialists are retained on a contractual basis. A new central facility has recently been completed in Chelsea and houses central laboratory, X-ray, pharmacy, dental, business office, medical records, and administrative services, as well as clinic facilities. Other clinics are located at Hardeeville, Sheldon, St. Helena, and Grays.

When inpatient services are needed, patients are admitted to the Beaufort County Memorial Hospital and remain under the care of the program's physicians. When more specialized services are required, patients are referred to the University Medical Center at Charleston. No statistics are available concerning the number of island residents enrolled in this program.

(2) The Beaufort County Health Department Operates Periodic Public Health Clinics

The Beaufort County Health Department operates periodic clinics in Beaufort, Sheldon, Bluffton, and Hilton Head Island. The clinic on Hilton Head Island is staffed by a registered nurse and meets one day per week. Services provided are in the areas of:

- . General medicine
- . Family planning
- . Prenatal care
- . Heart disease
- . Child health
- . Crippled children
- . Obstetrics and gynecology

(4) The Hilton Head Medical Clinic Commission Owns the Clinic Facility and a Mobile Coronary Van

The Hilton Head Medical Clinic Commission, an island-wide public service district, owns the clinic building and a mobile coronary van. The mobile coronary van is completely equipped to provide emergency treatment to coronary victims, and is based at the clinic. A physician always accompanies the van on emergency calls.

(5) The Hilton Head Rescue Squad Provides Round-the-Clock Ambulance Service

The Rescue Squad maintains two fully-equipped ambulances with trained volunteer attendants. Of the 118 calls made in 1972, the majority of emergency patients were taken to one of the hospitals in Savannah, with most of the remainder being treated at the clinic.

4. THERE IS ONE NURSING HOME AVAILABLE IN BEAUFORT AND JASPER COUNTIES

The only nursing home located in the two-county area - Bay View Geriatric Center and Nursing Home - is in Beaufort. It operated at a high occupancy rate in 1972. It is an 84-bed facility currently utilizing 64 beds for skilled care and 20 beds for intermediate care. In addition, there are several skilled nursing homes available in Savannah.

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This chapter has described health service resources available to Hilton Head Island residents. The next chapter discusses the projected need for medical and health services on the island.

III. MASTER PROGRAM PLAN FOR HILTON
HEAD ISLAND HOSPITAL CENTER

III. MASTER PROGRAM PLAN FOR HILTON HEAD ISLAND HOSPITAL CENTER

This chapter discusses the projected need for health services for residents of Hilton Head Island and the surrounding area. The program plan for providing these services is also presented.

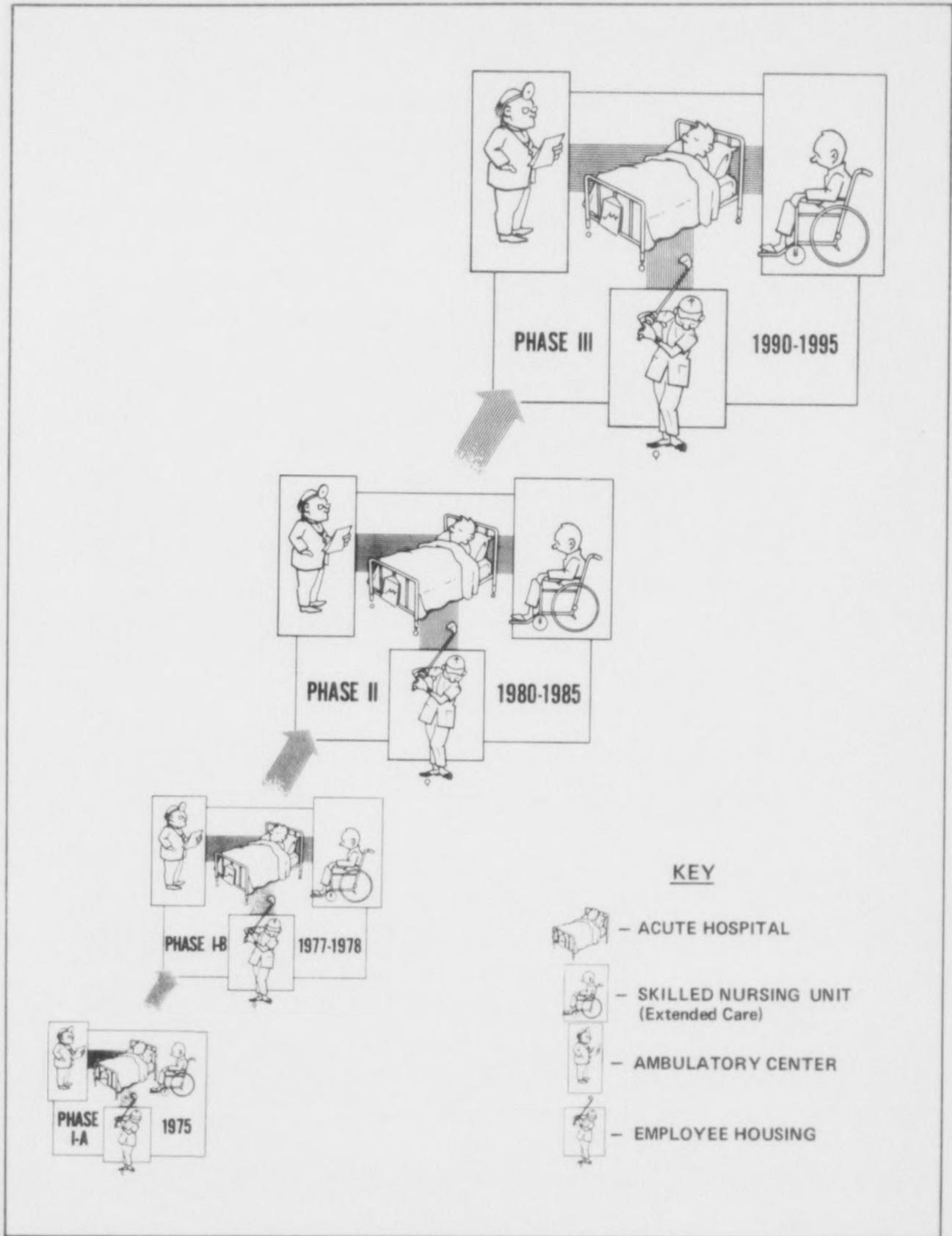
1. THE OVERALL PHILOSOPHY OF THE HILTON HEAD ISLAND
HOSPITAL CENTER WILL BE TO PROVIDE A BROAD RANGE
OF HIGH-QUALITY MEDICAL SERVICES

Plans for the Center are being formulated on the assumption that it will attract a medical and support staff of superior quality. Services to be offered will eventually include a wide range of all but the most sophisticated services.

A conceptual diagram of the growth of the Center is presented in Exhibit VI, following this page. Of necessity, the Center will begin modestly, but will expand rapidly as the island population increases. The components of the Center will be:

- Acute general hospital
- Skilled nursing home (extended care unit)

EXHIBIT VI
 HILTON HEAD ISLAND HOSPITAL CENTER
 CONCEPTUAL DEVELOPMENT PLAN



- Ambulatory facility - providing office facilities for physicians, dentists, and other medical personnel, and providing the necessary facilities to support an executive Health Evaluation Program
- Employee housing

Projecting demands and work loads for this type of Center, within the context of the Hilton Head Island development patterns, is all but impossible. Initial plans have been formulated on the assumption that hospital and skilled nursing facilities will primarily serve residents of Hilton Head Island and the surrounding area. It is quite likely, however, that with a sophisticated facility and highly qualified staff, patients from outside this service area will be attracted.

However, it can be reasonably assumed that the Center will serve primarily the service area designated until the staff develops and the reputation of the Center is established. Planning after this initial stage of development will have to be fluid and capable of rapid response to the demonstrated demand. The plans presented in this chapter provide the flexibility necessary to enable the Center to respond to demand as it occurs.

2. PHASED PLANS SHOULD BE MADE TO PROVIDE OVER THE NEXT TWO DECADES: A 240-BED GENERAL HOSPITAL, A 225-BED SKILLED NURSING FACILITY, AND CLINIC FACILITIES FOR 50 TO 55 PHYSICIANS

As noted in the previous section, several factors preclude making empirical projections of demand for hospital and physician services.

These unforeseeable factors include: the growth rate and characteristics of the island population; how rapidly the reputation of the physician group can be established; and how successfully a sound market for the executive health evaluation program can be established.

Based on now known information, demand can be foreseen within two decades for about 240 general hospital beds and 225 skilled nursing beds. In turn, approximately 50 to 55 physicians, representing nearly all medical specialties, would be required to man the executive health evaluation program and to provide patient care for the service area population.

Those responsible for planning the phases of development should take into account the need for incorporating a high degree of flexibility and the capacity for rapid response to changing needs.

3. PHASE I-A OF THE HOSPITAL CENTER DEVELOPMENT SHOULD INCLUDE THE HOSPITAL, SKILLED NURSING UNIT, AMBULATORY FACILITY, AND EMPLOYEE HOUSING

Phase I of development has been divided into two parts, A and B, for purposes of discussion. The basic hospital chassis should initially be constructed to provide facilities for the entire Phase I development.

(1) Forty Acute Care Beds Will Be Sufficient for Initial Hospital Center Needs

For purposes of this study, the service area in question has been assumed to be Hilton Head Island, Bluffton, and the surrounding area. The primary service area is defined as the island, with Bluffton and the surrounding area comprising the secondary service area.

Patient day projections were developed utilizing the following information:

- . Population projections presented in Chapter I
- . Age distribution for island residents, based upon the 1970 census
- . U. S. age-specific utilization rates in 1970 for hospital inpatient services - assuming no change in utilization rates

The projections developed were based upon the assumption that all Hilton Head Island residents would utilize the proposed hospital facility, with approximately half the population of Bluffton and the surrounding area, totaling approximately 1,500, also using the hospital.

Exhibit VII, following this page, presents projections of patient days, average daily census, and beds needed for the period 1975 to 1995. Bed need has been projected assuming occupancy of 85%.

EXHIBIT VII
HILTON HEAD ISLAND HOSPITAL CENTER
PROJECTED PATIENT DAYS AND BEDS REQUIRED
1975 - 1995

<u>Year</u>	<u>Projected Patient Days</u>	<u>Average Daily Census</u>	<u>Beds Required @ 85% Occupancy</u>
1975	10,600	29	34
1976	12,250	34	40
1977	14,250	39	46
1978	16,580	45	53
1979	19,350	53	62
1980	22,570	62	73
1985	36,600	100	118
1990	54,340	149	175
1995	72,090	197	232

(2) Specialized Inpatient Facilities Have Not Been Included in the Initial Development

The initial project development should not include an obstetrical unit or dedicated intensive care unit. The major reasons these units are not included are concerns for:

- . Quality of service
- . Cost of operation
- . Flexibility of bed utilization

A general trend has been evidenced throughout the U.S. in recent years toward consolidation of obstetrical services into fewer hospitals. This has been necessitated by the decline in the birth rate, increases in the costs of providing needed services, and increased sophistication of staff and equipment.

Assuming an average age distribution and birth rate for the service area population, it is projected that fewer than 200 births would be experienced in 1975, with approximately 400 by 1980 and 1,000 by 1990. In fact with a generally older population on the island, actual experience would probably be much less than that projected. Initially, this would mean little more than one birth every two days. Provision of obstetrical services

for this small number of births would at best be of a marginal quality and would prove costly.

- . With a limited patient load, staff proficiency would be difficult to maintain
- . Needed emergency back-up services for mother and infant would not be available in the proposed facility
- . Capital costs for a delivery room, labor area, and nursery are estimated to be between \$80,000 and \$100,000, with 800 to 1,000 gross square feet required. Annual debt service based upon a 30-year life and an 8% interest rate, would be between \$7,100 and \$8,900 per year, or, assuming 200 deliveries per year, \$35-\$45 per delivery.
- . Operating costs per patient would be abnormally high because of the small number of patients.
- . Bed flexibility may be impaired because of requirements concerning segregation of obstetrical patients.

There is no doubt that the presence of an obstetrical unit in the hospital Center would be a convenience to the residents of the island; however, it can hardly be justified in the initial phase of development in view of the excellent obstetrical and nursery facilities available in Savannah, an hour away. It is possible, however, to provide ambulatory pre- and post-partum care on the island with deliveries being done in Savannah.

Only limited provision should be made for intensive and coronary care in the initial phase of development. Staff

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proficiency required for the care of intensive/coronary patients is even more difficult to maintain than it is for obstetrics, and the limited patient load which could be expected in a 40-bed facility would not enable staff to maintain a high level of competency. Several patient rooms near the nursing station should, however, be designated for possible use by intensive care patients for brief periods or until they can be moved to one of the units in Savannah. These rooms could be equipped with a remote monitoring capability in conjunction with the Medical University of South Carolina or one of the Savannah hospitals.

Provision for a complete obstetrical unit and especially an intensive care unit should certainly be included in one of the future stages of development. An intensive care unit should be planned in the initial development, so that such a unit could be opened during Phase I-B of development. A decision on building an obstetrical unit should be deferred until planning for Phase II is undertaken.

(3) Approximately 40 Skilled Nursing Beds Should Be Constructed Initially

Exhibit VIII, following this page, shows the projected need for skilled nursing beds. Initially, it appears that 30 to 40 will be required. Projections were developed using two methodologies.

EXHIBIT VIII
HILTON HEAD ISLAND HOSPITAL CENTER
PROJECTED NEED FOR SKILLED NURSING BEDS
1975 - 1995

Year	Method 1*			Method 2**
	Projected Patient Days	Average Census	Beds Required @ 90% Occupancy	Beds Required @ 3.46 Beds/1,000 Population
1975	9,000	25	28	33
1976	10,400	28	31	38
1977	12,100	33	37	44
1978	14,100	39	43	52
1979	16,400	45	50	60
1980	19,100	52	58	70
1985	31,000	85	94	114
1990	46,100	126	140	169
1995	61,100	167	186	224

* Method 1 - Utilizes estimate of service area population 65 years of age or older, South Carolina minimum use rate and 90% occupancy rate.

** Method 2 - Utilizes national rate of nursing home beds per 1,000 population.

An estimate of service area population 65 years of age or older was developed based upon the 1970 census conducted on the island. This estimate was combined with the designated South Carolina minimum use rate, from the 1973 Hill-Burton State Plan, and an assumed occupancy rate of 90% in developing the bed need projection.

The national rate of nursing home beds maintained per 1,000 population was applied to the population projections to arrive at bed needs

The Certificate of Need which has been obtained for the proposed hospital was predicated upon an application requesting approval for 40 inpatient beds with an additional 40 beds to be shelled-in. It is recommended that another Certificate of Need be requested to allow the shelled-in unit to be completed and used initially as a skilled nursing unit. The skilled nursing unit should be utilized primarily for rehabilitative and recuperative services for patients no longer requiring acute hospitalization.

(4) An Ambulatory Facility Should Be Constructed To House Physician Offices and an Executive Health Evaluation Program

Exhibit IX, following this page, presents a phased plan of medical staff development for the hospital Center. Staff needs shown are in addition to those physicians currently practicing on the island. It is important to note that subspecialists shown

EXHIBIT IX
HILTON HEAD ISLAND HOSPITAL CENTER
PHYSICIAN STAFF NEEDS (1)

<u>Physician Specialty</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1995</u>
Internist (2)	3	6	12	20-22
Cardiovascular Disease	x	x	x	x
Gastroenterology	x	x	x	x
Endocrinology	x	x	x	x
Chest Medicine		x	x	x
Neurology		x	x	x
Hematology			x	x
Nephrology				x
Allergy				x
General/Family Practitioner (3)	3	4	6-7 (6)	7
Pediatrician (4)	1	1-2	3	4-5
General Surgeon	1	2	2-3	3-4
Radiologist	1	1	1-2	2
Orthopedist	1 (part time)	1	1-2	2
Urologist	1 (part time)	1	1	2
Otolaryngologist	1 (part time)	1	1-2	2
Ophthalmologist	1 (part time)	1	1-2	2
Anesthesiologist	1 (part time)	1	1	1-2
Pathologist	1 (part time)	1	1	1
Obstetrician-Gynecologist (5)		1-2	2	3-4
Psychiatrist		1	2	4
Dermatologist		1 (part time)	1	1
Plastic Surgeon			1	1
Vascular Surgeon			1 (part time)	1 (part time)
Thoracic Surgeon			1 (part time)	1 (part time)

- (1) Includes physicians who might be part of proposed new ambulatory center and those based in the community.
- (2) Internists would practice general internal medicine and provide subspecialty care in their own areas of expertise.
- (3) Proportion of family practitioners to internists is based upon the philosophy that primary care at Hilton Head will be predominantly provided by internists, in order to attract and staff the new Center and its subspecialties.
- (4) Depending upon actual age mix of population.
- (5) Some deliveries might be performed by family practitioners.
- (6) Includes group of family practitioners to staff the emergency room on a full-time basis.

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in the exhibit would serve not only residents of the island, Bluffton, and the surrounding area, but also the entire Low-country Region, thus providing coverage not now available.

(5) There Is Major Potential for Development of an Executive Health Evaluation Program

The demand for establishment of an Executive Health Evaluation Program has been investigated. Contact has been made with two clinics now performing this service on an organized basis, and a site visit made to one of these clinics. Accurate market and demand projections would be very difficult to develop. However, the following conclusions can be drawn from these investigations.

There are only a limited number of organized Executive Health Evaluation programs in the southeast. There is a small clinic in Claxton, Georgia, utilized by the Sea Pines Company. In addition, a larger program is offered in New Orleans. There is apparently no such program in Atlanta.

The consensus of opinions regarding the demand for such services gained through conversations with island executives, is that such a program would be well utilized, both by those on the island and others on the East Coast

The program initially can be started in a regular clinic suite, with support from hospital ancillary services. As the program grows, it will be advantageous to develop a separate suite for this purpose.

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The island location is attractive to those who wish to have a physical examination while on vacation.

It appears that initially 200-300 executives could be expected to participate in the program annually. The Greenbrier Clinic, one of the best-known executive health evaluation programs, currently performs approximately 5,000 physical examinations per year. The proposed hospital Center could probably expect a comparable work load as the program develops.

The program contemplated should include at least the following components:

- . Complete history, physical examination, and consultation
- . Blood tests - chemistry battery, CBC, urinalysis, serology
- . Audiometric examination
- . Visual acuity examination, including tonometry
- . Chest X-ray
- . Electrocardiogram
- . Sigmoidoscopy
- . Optional exams - e.g., special fluoroscopic exams

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The examination should take place over a two to three day period and should require the patient to be in the clinic only part of each day.

(6) A Full Range of Routine Ancillary and Support Services Will Be Required

Exhibit X, following this page, presents a listing of ancillary and support services required by the hospital Center. Projected work loads are presented for ancillary services for both Phase I-A and I-B development. Work loads have been projected using experience from hospitals of similar size, with the following additions:

- . Emergency room work load is based upon national experience for permanent resident population plus the experience of Palm Springs, California for visitors
- . Radiology and laboratory work load projections include projections for the Executive Health Examination Program

These estimates are conservative, since they include little, if any, component of private outpatient service. Outpatient work loads for laboratory, radiology, inhalation therapy, and physical therapy could prove to be significant.

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EXHIBIT X
HILTON HEAD ISLAND HOSPITAL CENTER
**ANCILLARY AND SUPPORT SERVICES REQUIRED
PHASES I-A AND I-B**

	Work Load	
	Phase I-A	Phase I-B
Beds - Acute Care	40	80
Beds - Skilled Nursing Care	40	70
Patient Days - Acute Care	10,600 - 16,600	16,600 - 23,000
Patient Days - Skilled Nursing Care	9,000 - 14,100	14,100 - 19,100
Executive Health Examinations	200 - 500	500 - 2,000
<u>Ancillary Services*</u>		
Emergency Room - Visits	2,600 - 4,100	4,100 - 5,600
Surgical Suite - Procedures	400 - 600	600 - 900
Laboratory Tests	21,000 - 35,000	35,000 - 49,000
Radiology - Procedures	2,300 - 4,000	4,000 - 7,500
Respiratory Therapy - Treatments	3,400 - 5,300	5,300 - 7,400
Physical Therapy - Treatments	2,100 - 3,300	3,300 - 4,600
<u>Support Services</u>		
Administration	-	-
Business Office/Admitting	-	-
Dietary	-	-
Housekeeping	-	-
Materials Management	-	-
Medical Records	-	-
Plant Maintenance	-	-

* To serve entire Hospital Center

(7) Staff Requirements Have Been Estimated for Phases I-A and I-B

Exhibit XI, following this page, presents an estimate of staff needs for Phases I-A and I-B. These estimates should be further refined as planning proceeds. The staff requirements shown do not include physician staffing.

(8) Approximately 20 to 30 Units of Employee Housing Should Be Constructed

Middle income housing on the island is in very short supply, and is relatively expensive. There has been much discussion about the need for more of this type housing, but little concrete action has been taken. It would be advantageous to build 20 to 30 housing units as part of the hospital Center complex, in order to aid in recruiting scarce technical personnel.

4. PHASE I-B OF DEVELOPMENT SHOULD INCLUDE CONSTRUCTION OF A NEW SKILLED NURSING FACILITY AND CONVERSION OF THE FORMER SKILLED NURSING UNIT TO ACUTE CARE

In 1977 or 1978, depending on demand then experienced, a new 60- to 70-bed skilled nursing facility should be constructed and the nursing unit previously used for this purpose converted to an acute care unit. With ancillary and support services originally built to serve 80 acute beds and 60 to 70 skilled nursing beds, a minimum of added construction

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EXHIBIT XI
HILTON HEAD ISLAND HOSPITAL CENTER
STAFF REQUIREMENTS

	Equivalent Full-Time Employees Required	
	Phase I-A	Phase I-B
<u>Hospital*</u>		
Administration	4	5
Business Office/Admitting	10	15
Dietary	15	20
Housekeeping	12	16
Inhalation Therapy	2	3
Laboratory	4	6
Materials Management	2	3
Medical Records	3	4
Radiology	3	5
Physical Therapy	2	3
Plant Maintenance	2	3
Nursing Service	35	70
Pharmacy	2	3
 <u>Skilled Nursing Unit</u>		
Nursing Service	18	32

* Includes all staff needed for both the acute care and skilled nursing facilities except nursing personnel for skilled nursing unit.

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would thus be needed to complete Phase I development. Depending on work load experienced, it may also be necessary to expand the ambulatory center.

5. PHASES II AND III WOULD INVOLVE EXPANSION OF THE HOSPITAL TO APPROXIMATELY 160 AND 240 BEDS, RESPECTIVELY

Based upon projections previously presented, a hospital with approximately 240 beds will ultimately be required. Master site planning should be performed in this context, and should include provision for growth in other components of the hospital Center. Planning and updating of the projections presented should be a function performed routinely, based upon changing demands and requirements experienced.

* * * * *

This chapter has presented the Master Program Plan for the Hilton Head Island Hospital Center. Three phases of development have been described, with Phase I of development described in more detail than Phases II and III. The plan presented provides a framework within which the Center can expand in an orderly fashion, without assuming unnecessary financial risk. Flexibility has been an important component of the planning, to ensure that the Center can respond quickly to changing demands and requirements.

IV. FACILITY REQUIREMENTS

IV. FACILITY REQUIREMENTS

The previous chapter discussed the master program plan developed for the Hilton Head Island Hospital Center. In this chapter, departmental facility requirements are presented, based upon the program plans previously developed.

1. A BASIC PLANNING ASSUMPTION IS THAT THE HOSPITAL WILL EVENTUALLY EXPAND TO APPROXIMATELY 240 ACUTE BEDS, 225 SKILLED NURSING BEDS, AND AN AMBULATORY FACILITY TO HOUSE 50 TO 55 PHYSICIANS AND RELATED SERVICES

A crucial planning assumption is that the hospital Center will expand rapidly over the next twenty years as outlined in the preceding chapter. The Center, although starting at a modest size, will have to be capable of a fairly rapid expansion, with minimal disruption to on-going operations.

The exact timing of future expansion is uncertain, as is the exact nature of future spaces which will be needed. Consequently, maximum flexibility should also be designed into the facilities to be constructed.

2. FACILITY REQUIREMENTS FOR PHASE I-A HAVE BEEN DEVELOPED FOR EACH DEPARTMENT

The purpose of this section is to define important functions, critical design criteria, proximity requirements, and square footage required for each department and service at Phase I-A, i. e. , 40 acute beds; 40 skilled nursing beds; ambulatory center for about 15 physicians; and ancillary services adequate for these components plus 40 more acute beds and 20 to 30 more skilled nursing beds.

It should be clearly understood that the major objective is to provide the architect with a sound basis for beginning the detailed design process. Conversely, it is not intended that the stated requirements be interpreted so rigidly that architectural creativity and innovation is hampered. Thus, in the process of architectural planning there will undoubtedly be variations in the actual square footage assigned to various areas and/or modification and refinement of design criteria. Many additional details of architectural planning will need to be worked out with appropriate Center representatives as the work progresses. The purpose of this document is to define basic program space and design requirements.

Departmental space requirements for Phase I-A development are presented in the appendix. These requirements were developed so that adequate ancillary and support service space will be available for

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the entire Phase I development. Exhibit XII, following this page, presents a summary of proposed departmental space requirements.

(1) Departmental Requirements Have Been Developed Using Accepted Methodologies

Several determining factors were analyzed in developing space requirements for the various components of the Center.

These factors include:

- . The nature and scope of the individual department function. For example, the types of patients served and the services the department provides
- . The recommended functional program for the entire Phase I development as related to the anticipated level of activity and scope of responsibility
- . The number and type of work centers and work stations required to accommodate the functional program
- . Special design factors that are required in order that desired performance can be attained
- . The provision of basic facilities upon which rational expansion can be based

The basic analysis of these factors for each department is presented in the appendix. The departmental descriptions

EXHIBIT XII
HILTON HEAD ISLAND HOSPITAL CENTER
DEPARTMENTAL REQUIREMENTS
PHASE I-A*

<u>Acute Hospital</u>	<u>Net Square Feet</u>	<u>Departmental Gross Square Feet</u>	<u>Building Gross Square Feet</u>
Admitting/Business Office	1,510	1,960	2,450
Central Administration	1,040	1,350	1,690
Dietary	4,625	4,625	5,780
Emergency Room	950	1,280	1,600
Employee Facilities	550	550	690
Gift Shop	300	300	380
Housekeeping	450	450	560
Information/Switchboard	350	350	440
Laboratory	1,750	2,010	2,520
Maintenance	1,050	1,050	1,310
Materials Management	4,500	4,500	5,630
Medical Library and Conference Room	500	500	630
Medical Records	880	880	1,100
Meditation Room	200	200	250
Nursing Units	10,650	13,310	16,640
Personnel	450	590	740
Pharmacy	1,080	1,240	1,550
Physical Therapy	1,450	1,740	2,180
Radiology	4,120	5,560	6,950
Respiratory Therapy	700	805	1,010
Surgical Suite	2,850	3,850	4,810
Total	<u>39,955</u>	<u>47,100</u>	<u>58,910</u>
Skilled Nursing Unit	11,350	14,010	17,510
Ambulatory Center	12,090	15,720	19,650
Employee Housing	-	-	20,000

* Ancillary and support services sufficient for entire Phase I development.

contained in the appendix are generally divided into the following sections:

- . Department function
- . Recommended functional program
- . Required work centers
- . Facility requirements
 - Design criteria
 - Proximity requirements
 - Space allocation

Space allocation presented in the descriptions are defined as follows:

- . Net square feet - net usable area required
- . Departmental gross square feet - net square feet plus allocation for intradepartmental circulation space, partitions, and other common or unassigned space within the department
- . Building gross square feet - departmental gross square feet plus allowance for public corridors, vertical mechanical shafts, exterior walls, boiler capacity, mechanical space, and other general space required for building functions

In converting from net square feet to departmental gross square feet, different conversion factors are utilized for each department depending primarily upon the amount of circulation space which is required within each department. A constant conversion factor,

however, is used for each department in converting from departmental gross square feet to building gross square feet.

(2) Ancillary and Support Service Facilities Have Been Designed To Support the Entire Hospital Center

Space for ancillary services, including space for all diagnostic and treatment services, has been designed to provide sufficient capacity for the following:

- . Eighty-bed acute hospital
- . Fifty- to sixty-bed skilled nursing facility
- . Ambulatory center with approximately 15 physicians

Supporting services, such as dietary, materials management, etc., have been designed for a capacity of 130 to 140 beds, and include both the acute hospital and skilled nursing facility.

3. SPECIFIC OPERATING SYSTEMS FOR MATERIALS HANDLING AND PHARMACY SHOULD BE ADOPTED

Specific operating systems have been recommended for two departments -- pharmacy and materials management -- and the departmental descriptions for these units assume adoption of these systems. These two operating systems are described in more detail on the following pages.

(1) The Hospital Center Should Adopt a Materials Management System

Materials management is a concept designed to achieve optimum management of materials and supply flows. As applied to health facilities it includes:

- . The coordination of all procurement activities
- . Receipt of all materials entering the hospital, with the possible exception of some pharmaceutical and dietary items
- . Processing of those reusable items requiring sterilization
- . Storage of all supply items
- . Distribution of all supplies and materials, including linen. Ideally, a small inventory of frequently used supplies should be maintained at each department and automatically replenished.

Through use of a materials management concept, staff time can be conserved, rapid response to demand offered, and operating expenditures minimized.

(2) A Unit-Dose/Clinical Pharmacist Concept Should Be Utilized

The pharmacy should be designed to employ a unit-dose dispensing system. Unit-dose is a system whereby unit-of-use (single dose) packages of drugs are delivered to the nursing units several times per day in sufficient quantity to last until the next

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scheduled delivery. The unit-of-use packages are stored in containers labeled for individual patients and are usually delivered by exchange carts or modules from the pharmacy to the nursing unit. Carts are filled in the pharmacy by pharmacy aides working under the close supervision of a hospital pharmacist.

An associated but separate concept is to use the pharmacist as an integral part of the health care team. In this concept, the pharmacist, known as a clinical pharmacist, is available to consult with physicians and nurses about drug utilization and interactions, to monitor medication orders for possible adverse drug reactions, and to maintain a medication profile for each patient.

It is also recommended that the pharmacy be responsible for the preparation of all intravenous solutions requiring additives. This exacting procedure should be done under sterile conditions by a pharmacist.

4. DECISIONS CONCERNING SEVERAL OTHER OPERATING SYSTEMS REQUIRE FURTHER STUDY

Several other major areas requiring detailed system design have been identified. These areas should be investigated further by hospital staff or by professional consultants.

(1) Several Alternative Systems Are Available for Food Services

Several alternative food systems are available for hospital use including those involving:

- . Conventional food preparation
- . Convenience foods (including any number of alternatives)

Management of the food service operation can either be provided by hospital staff or by contracting with a food service management firm.

In light of the complexities of food service operations, the significant expenditures involved, and the rapid changes taking place in the industry, it is recommended that a consultant specializing in hospital food service systems be retained to aid in the design process.

(2) Business Office and Accounting Functions Can Either Be Automated or Performed Manually

It is doubtful that, in the foreseeable future, the hospital Center will be able to justify its own computer system. However, it is conceivable that use of a service bureau (shared time system) may be feasible, whereby the Center would be related to a large computer system through remote terminals. Further investigation

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of the costs, benefits and design of a manual versus time-sharing system should be undertaken as soon as an administrator is retained. It would be desirable to retain additional professional consulting assistance to undertake this work.

(3) Alternatives for Solid Waste Disposal Will Require Further Investigation

It appears that the use of incinerators in hospitals for solid waste disposal is becoming increasingly ill-advised due to changing pollution control requirements. Therefore, the Center will have to rely on a contractual service to pick up solid waste and transport it to a dump or sanitary land fill. However, further investigation will be required concerning whether or not the center should utilize a compactor, pulper, or some other disposal equipment.

* * * * *

This chapter has presented a summary of departmental facility requirements for the proposed hospital Center. Included are discussions of how facility requirements were developed, operating systems recommended, and operating system alternatives proposed which will require further study.

V. CAPITAL COSTS AND FINANCIAL FEASIBILITY

V. CAPITAL COSTS AND FINANCIAL FEASIBILITY

This chapter presents capital cost estimates for the proposed Hilton Head Island Hospital Center and a discussion of the financial feasibility of the project. Included for the period 1975 to 1980 are projections of income and expense.

1. PROJECT COST FOR THE PHASE I-A CONSTRUCTION PROGRAM, EXCLUDING FINANCING COSTS AND EMPLOYEE HOUSING, IS ESTIMATED TO BE \$7,760,000

The preliminary project cost estimate presented above is based upon a construction cost of \$60 per square foot, as estimated by Morrison-Knudsen, Inc., the intended construction management firm. To this has been added a factor of one-third, or \$20 per square foot, to cover the costs of:

- Site work
- Movable equipment and supplies
- Architectural and engineering fees
- Contingency

Cost estimates were developed by applying a cost coefficient to the space allocated to each department, taking into account the fact that square footage construction costs for areas such as surgery and radiology are substantially higher than are those for areas such as materials

management and maintenance shops. Project cost estimates for each component of the Center are as follows:

Hospital	\$4,960,000
Skilled nursing unit	1,360,000
Ambulatory center	<u>1,440,000</u>
	<u>\$7,760,000</u>

These figures exclude both the cost of land to be acquired and financing costs.

It should be clearly understood that project cost estimates are based on a number of variable factors that can only be predicted at this stage of planning on the basis of the consultant's experience and past trends in similar institutions. Some factors, however, cannot be foreseen until design and development drawings are completed, and, in fact, only when bids for the various project elements have been received can precise construction costs be determined. In summary, the preliminary project cost estimates are based upon the program presented in the previous chapter, and assumptions made as to the general quality of construction to be employed, expected site conditions, and local construction costs. Thus, what is presented in this chapter is only a preliminary estimate.

2. OPERATING AND NONOPERATING EXPENSES HAVE BEEN ESTIMATED BASED ON PROJECTED LEVELS OF STAFFING AND UTILIZATION, AND COMPARED TO EXPENSES INCURRED BY SIMILAR INSTITUTIONS THROUGHOUT THE STATE

Both staffing levels and projections of patient demand were considered in determining levels of operating expenses for the Hilton Head Island Hospital Center. Due to the differences in scope of services, however, costs for the hospital, skilled nursing unit, and ambulatory center were projected separately, where possible, and then consolidated to reflect the estimated overall financial performance of the Center.

(1) Capital Requirements--Including Financing Costs--Will Amount to \$8,658,000

Preliminary estimates of the size of the mortgage and associated capital expenses are shown in Exhibit XIII, following this page.

- . Total project costs have been estimated at \$7,760,000.
- . Initial working capital requirements and pre-operating expenses have been capitalized, although this may not be feasible under the particular financing alternative chosen.
- . Sale of equity ownership was estimated to reach \$1,500,000 before construction began.

EXHIBIT XIII
HILTON HEAD ISLAND HOSPITAL CENTER
PRELIMINARY ESTIMATES OF PROJECT COST
AND SIZE OF BORROWING

	<u>Amount</u>
<u>Capitalized Expenditures</u>	
Project Costs*:	
Hospital	\$4,960,000
Skilled Nursing Unit	1,360,000
Ambulatory Center	<u>1,440,000</u>
Total Project Costs	\$7,760,000
Land	100,000
Working Capital Requirements**	238,000
Other Preoperating Expenses***	100,000
Net Interest During Construction	<u>460,000</u>
Total Costs To Be Capitalized	<u>\$8,658,000</u>
<u>Sources of Funds</u>	
Proceeds of Sale of Stock	\$1,500,000
Proceeds of Borrowing	<u>7,158,000</u>
Total Funds Necessary	<u>\$8,658,000</u>

* Includes architectural and engineering fees, cost inflation factor and contingency allowance.

** Ninety days requirement to fund accounts receivable.

*** Salaries and expenses of staff prior to opening the facility.

Source: Hospital architects, hospital legal counsel, and Booz, Allen & Hamilton

Net interest during construction assumes that temporarily unused capital funds will be invested at 6% to partially offset the interest cost estimated at 8.25%:

- Interest would be earned on both the proceeds of the mortgage itself as well as on the proceeds of the sale of equity, a total of \$8,198,000.
- Interest would be paid only on that portion of expenditures not covered by the sale of stock, \$6,698,000.

Interest, depreciation, and debt service were allocated to the three facilities on the basis of their projected usage of individual departments and the capital costs associated with each department. The distribution of space for Phase I-A is:

Hospital	50.3%
Skilled Nursing Unit	27.8%
Ambulatory Center	21.9%

(2) Operating Expenses Were Projected on the Basis of Fixed and Variable Cost Analyses of Projected Hospital Operations

Typically, a majority of costs associated with hospital and nursing home operations do not vary within broad ranges of occupancy. These are fixed costs of operation and consist largely of salaries and nonsalary items such as depreciation, utilities, interest, and maintenance services. Other nonwage costs, such as those of skilled nursing units, operating rooms and most ancillary services consist of items consumed in patient service, and do vary with small changes in utilization. These are variable

costs of operation and are usually calculated on the basis of average units of service, such as patient days.

- . Wages and salaries were determined on the basis of staff requirements discussed in Chapter II.
 - . Wages and salaries were projected to increase at 5.5% annually, the maximum allowable annual increase under current Cost of Living Council regulations.
 - . Nonwage expenses, both fixed and variable, were projected to increase at the maximum rate of 2.7% per annum.
 - . Variable costs for the hospital were projected to range between 15% and 20% of total operating expenses, as is typical of most acute care hospital operations.
 - . Variable expenses for the skilled nursing unit operation were projected at between 5% and 7% of total operating expenses. This reflects the substantially reduced utilization of ancillary services by nursing home patients.
- (3) As Patient Demand for Health Services Increases, Hospital Costs Per Patient Day Are Projected To Fall Within the Range of Other Local Hospitals' Costs Per Day

Current cost data on every hospital in South Carolina and North Carolina were provided by the Duke Endowment and compared to similar data provided by Hospital Administrative Services (HAS) statistics. Existing hospitals' costs per patient day were projected to increase at a rate of 5% per year to ensure comparability with projected costs for Hilton Head Island Hospital.

Results of the comparison are shown in Exhibit XIV, following this page.

The spread of costs per patient day is much greater at the 40-bed level of operations, where it averages over \$80 per day, than for the 80-bed level, where it averages about \$42 per day. This situation results from several factors:

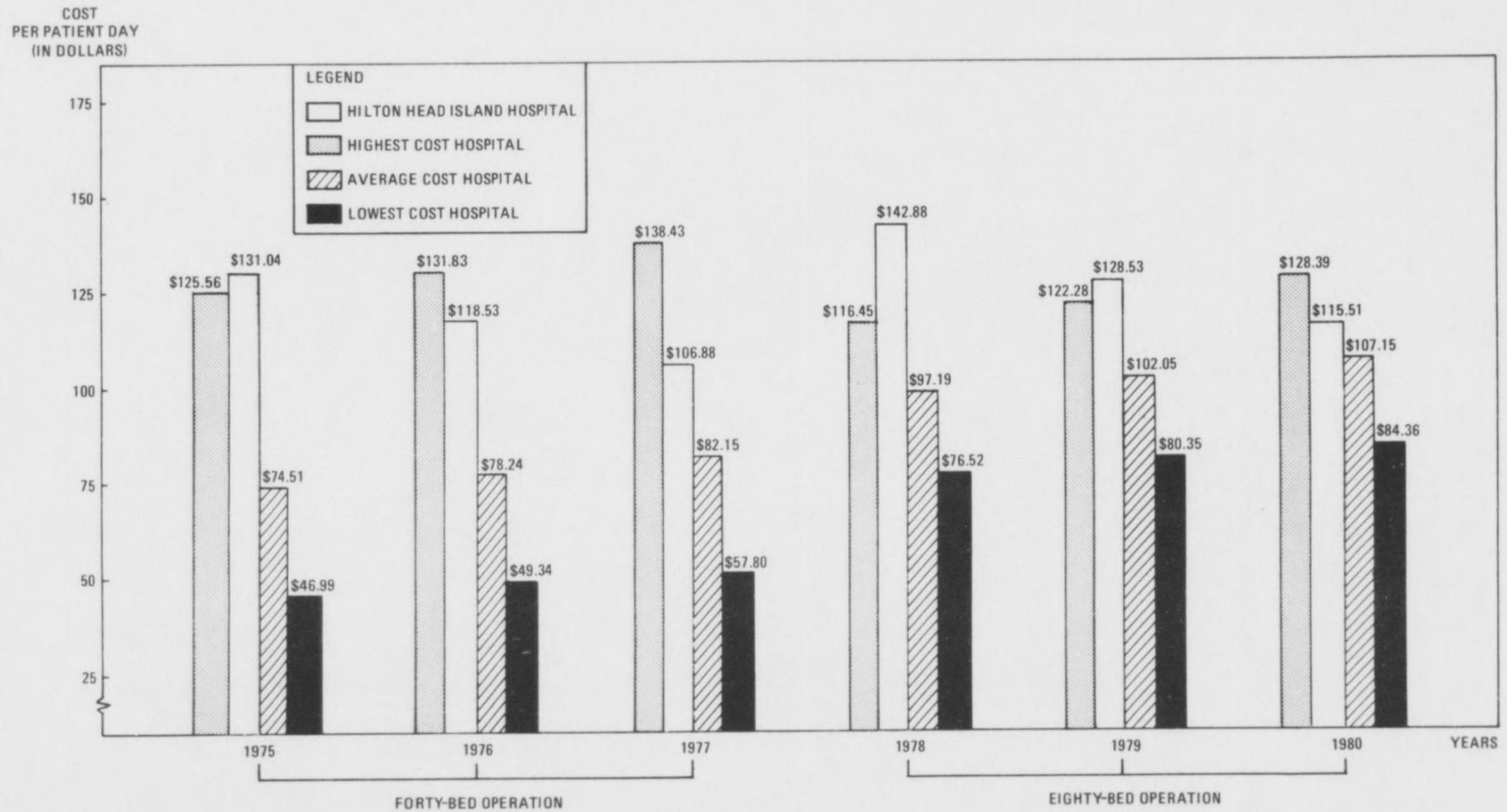
- Greater range of inpatient utilization which often accompanies small-scale hospital operations
- Greater variation in the range and utilization of ancillary services available
- Variations in the scope of ambulatory services provided

At the 40-bed level of operations, costs per patient day for Hilton Head Island Hospital during the first year of operations are expected to exceed the projected range of existing hospitals' costs due to lower occupancy. However, as occupancy increases, costs per day should then decline to levels well within the projected range in the ensuing two years. This is shown in the following table:

	<u>1975</u>	<u>1976</u>	<u>1977</u>
Hilton Head Island Hospital Costs Per Patient Day	\$131.04	\$118.53	\$106.88
Hilton Head Island Hospital Costs as a Percent of Highest Cost Hospital	104%	90%	77%
Hilton Head Island Hospital Costs as a Percent of Average Cost Hospital	176%	151%	130%

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EXHIBIT XIV
HILTON HEAD ISLAND HOSPITAL CENTER
A COMPARISON OF PROJECTED HOSPITAL
COSTS PER PATIENT DAY
1975 - 1980



SOURCE: DUKE ENDOWMENT SURVEY AND BOOZ, ALLEN & HAMILTON ESTIMATES

As Hilton Head Island Hospital operations are increased from a 40- to an 80-bed level, fixed costs can be expected to rise substantially. Therefore, during the first two years of operation, costs per patient day are outside the range projected for existing hospitals. However, during the third year of operation Hilton Head Island Hospital's projected costs are expected to fall within that range, as shown in the following table.

	<u>1978</u>	<u>1979</u>	<u>1980</u>
Hilton Head Island Hospital Costs Per Patient Day	\$142.88	\$128.53	\$115.51
Hilton Head Island Hospital Costs As a Percent of Highest Cost Hospital	123%	105%	90%
Hilton Head Island Hospital Costs As a Percent of Average Cost Hospital	147%	126%	108%

(4) While Comparable Local Nursing Home Cost Figures Are Not Available, Projected Room Charges Would Approach Those Projected for a Nearby Skilled Nursing Home in 1980

Average skilled nursing unit charges per patient day, shown in Exhibit XVII(2), following page 56, include both room charges and use of ancillary departments not typically found in a free-standing nursing home. Because of this, these average charges should not be compared with typical nursing home room and board charges.

Currently, Bay View Nursing Home, located in Beaufort, charges \$22 per day for skilled nursing care rendered in a private room with bath. An inflation factor of 6% per year raises this rate to slightly above \$33 per day in 1980.

- . Room and board charges at the proposed skilled nursing unit are projected to stabilize at about \$36 per day in 1980, about 9% higher than those of Bay View.
- . If occupancy reaches 95% by 1980, instead of the projected 87%, due to more attractive surroundings, newer facilities, and/or the greater availability of hospital facilities, room and board charges in the skilled nursing unit could be reduced to \$33 per day-- equivalent to those of Bay View.

3. REIMBURSEMENT POLICIES OF MAJOR THIRD-PARTY PAYORS IN SOUTH CAROLINA HAVE BEEN REVIEWED IN ORDER TO ASSESS PROJECTED INCOME

In order to ensure proper projection of income from patient services, current reimbursement policies and possible future changes in policy have been reviewed with representatives of the major financial intermediaries in South Carolina: Blue Cross, Medicare, and Medicaid.

- (1) South Carolina Medicaid, as Is Typical with Most Medicaid Programs, Reimburses Hospitals for Services Rendered on the Basis of Reasonable Costs or Charges, Whichever Is Less

The Medicaid program covers only the categorically needy in South Carolina and currently has about 142,000 enrollees, or about 5% of the state's population. Currently, the program is budgeted at \$40 million annually, with about 35% spent in hospitals.

- . Medicaid pays true costs or charges, whichever is less.

- . Cost allocation through use of a step-down cost-finding technique is used to determine if charges exceed allocated costs.
 - . If charges exceed total costs, the average difference--expressed as a percentage--is applied to all charges submitted to the Department of Public Welfare.
 - Adjustments based on increasing costs during any one year are reflected in the following year's percentage factor.
 - A statement of audited costs for use by all major cost reimbursers is now being formulated and should be in use by 1974.
 - . Because of its method of reimbursement, only 69 of 107 licensed hospitals are currently under contract with South Carolina Medicaid.
- (2) Medicaid Currently Pays Nursing Homes a Maximum of \$16.50 Per Patient Day

Slightly less than 40% of the South Carolina Medicaid budget is spent in nursing homes. However, due to current reimbursement policies, this percentage represents a decline over previous years and is projected to decline still further in the future.

- . Under current regulations and due to the sufficient supply of nursing home beds throughout the state, South Carolina Medicaid does not fully reimburse those nursing homes whose per diem costs are above the 90th percentile of costs throughout the state.

. At present, \$16.50 per patient day represents the maximum allowable reimbursement rate for nursing homes based on cost distribution.

- The lowest reimbursement rate is \$9.18 per patient day.
- The upper limits of per diem cost distribution exceed \$22 per day.

. According to officials of the Medicaid program, many nursing homes with audited per diem costs above the maximum rate accept the maximum reimbursement to fill their beds and to partially cover the expenses they incur.

(3) Medicare Reimbursement for Both Hospitals and Nursing Homes Is Based on Allowable Costs with a Provision For Return on Equity in Proprietary Hospitals

Unlike Medicaid, Medicare uses the same approach in reimbursing both hospitals and skilled nursing homes.

- . Allowable costs are determined by an audit of all costs and charges conducted for Medicare.
 - Nonallowable charges, such as the incremental cost for a private room when semi-private rooms are available, are eliminated.
 - Costs of operations are reduced by other operating revenues, such as dietary sale of meals to guests, before allowable costs are determined.
- . Included in the computation of allowable costs is a provision for reasonable return on equity to the owners of proprietary hospitals. At the present time, the allowable return on equity is about 8.7%, but this return fluctuates within a narrow range on a periodic basis.

The concept of "related organizations" is scrutinized carefully by Medicare auditors, especially if the related organization is providing services to the institution.

- Related organizations are those organizations closely tied to the hospital or nursing home through joint ownership, interlocking boards, or some other apparent conflict of interest relationship.
- No profit is allowed to be built into any service provided by such organizations and any such portion of a transfer price will not be viewed as an allowable cost.

(4) Blue Cross Reimbursement to Both Hospitals and Nursing Homes Is Based on Reasonable Charges

Unlike Medicare and Medicaid, Blue Cross in South Carolina reimburses health providers based on charges which bear a reasonable relation to costs experienced by the institution.

Reasonable charges are based on several factors:

- The level of charges of other hospitals in the immediate geographic area
- The facility's size and scope of services provided
- The current and projected utilization of the facility, with allowances made for initial low utilization of new facilities
- The level of profit margin built in by proprietary hospitals

Those charges applied to Blue Cross patients must be the same as those applied to other charge-paying patients.

4. DUE TO EXISTING REGULATIONS, AND THE NATURE OF THE HILTON HEAD ISLAND HOSPITAL CENTER, MANY SOURCES OF FUNDING HAVE BEEN ELIMINATED

Several factors, such as the proposed hospital ownership structure, previously determined policies of the ownership, credit market conditions, and the absence of bonding authority legislation, have substantially reduced the financing alternatives available.

(1) All Forms of Financing Associated with the Federal Government Have Been Eliminated

The ownership has made a policy decision to avoid all forms of financing which involve federal agencies. While under other ownership conditions this decision might be reexamined, other factors preclude this possibility.

- . The Hill-Burton loan guarantee and interest subsidy program excludes proprietary hospitals.
- . The FHA hospital mortgage program includes very stringent and time-consuming procedures which add time to the construction effort and offset most of the cost savings that might result from lower interest rates.

(2) It Is Not Likely That the State Legislature Will Pass Legislation To Initiate a Hospital Financing Authority This Year

While many states are beginning to see advantages in setting up special bonding authorities for hospitals, competing legislative

proposals in South Carolina appear to have reduced the likelihood of either one being acted on favorably.

- . The principal point of contention is whether or not proprietary hospitals should be eligible for participation in such an authority.
- . If proprietary hospitals are ultimately eligible, it would be worthwhile for the Hilton Head Island Hospital Center to explore this financing alternative closely. Such a source of funding could have several advantages:
 - Lower interest rates, which would reduce net interest during construction
 - Lower annual interest costs, which would reduce per diem costs substantially
 - Greater freedom in early repayment of principal, if feasible
 - The pledging of earned revenues rather than the ownership of physical plant and facilities

(3) There Are Federal Tax Regulations Attached to County Tax-Exempt Revenue Bonds Which Make Their Use Unattractive

There are several nuances under Internal Revenue Service regulations which should be considered before proceeding with county tax-exempt revenue bonds.

- . There is a \$5 million limit which is cumulative and applies to all sources of funding, not just those borrowed under the county's authority.
 - If the Hilton Head Island Hospital Center had raised \$2 million through sale of equity, then it could only receive \$3 million from this source.

- If the hospital borrowed any amount from another source, this would also reduce the amount of funding that could be received under county tax-exempt status.

. Any capital outlays within the county in any of the three years prior to or three years subsequent to the issuance of the bonds are also applied against the \$5 million ceiling.

(4) The Use of a Local Mortgage Loan Appears More Feasible Than Issuance of Commercial Revenue Bonds To Be Marketed Nationally

Questions concerning the marketability of typical mortgage loans and commercial bonds were clarified through interviews with investment bankers who have no interest in this project and, in fact, have a policy against accepting any proprietary hospital as a client.

. Typically, bond issues of this size are marketed through private placement, but many large institutional investors across the country would express little interest in an issue such as the one being discussed. There are several reasons for this:

- With no facilities currently in operation, there is no substantial evidence of historical demand.
- There would be a lack of confidence in the projected increases in population for the island.
- The experience of several other physician-owned hospitals in similar resort areas does not engender confidence in this project's success.

- The lack of a nationally known medical group attached to the hospital further reduces its attractiveness.

- . An institution or group of locally based institutions would be more aware of all the positive aspects of the proposed project and would be much more willing to invest their capital in such a venture.

- . Under present conditions, the rate on such a mortgage loan has been estimated at 8.25%.

5. PRELIMINARY PROJECTIONS OF INCOME AND EXPENSE INDICATE THAT THE TOTAL PROJECT WILL GENERATE SUFFICIENT NET INCOME TO COVER DEBT SERVICE REQUIREMENTS AND PROVIDE ADEQUATE CASH FLOW

Projections of revenue and expense are based on information discussed in previous sections. Estimates of capital cost and interest rates have been used to develop projections of debt service, annual levels of depreciation, and annual interest costs. Projections of operating expenses are based on the existing cost and salary structure throughout South Carolina. Projections of patient revenues are based on current methods of reimbursement.

Financial projections are based on current estimates of future conditions. The Center's financial position will be directly affected by the degree to which actual conditions deviate from estimates.

(1) Potential Sources of Patient Revenue Have Been Estimated Separately for Acute Inpatient Care, Outpatient Visits, and Skilled Nursing Care

Because of differences in reimbursement and levels of coverage, sources of revenue have been estimated separately, as shown in Exhibit XV, following this page.

- . Due to the expected higher levels of personal income of both residents and visitors, Medicaid is projected to comprise a relatively small portion of total patient revenues.
- . Hospital patient revenues from Medicare are projected at 25%, about average for hospitals serving similar patient populations, and 60% for the nursing home, reflecting the age mix housed in that facility.
- . The varying percentages for self-paying patients reflect differing characteristics:
 - The low percentage of self-pay inpatient revenues projected represents broad hospitalization coverage typically found in higher income areas.
 - The larger proportion of revenues from self-pay outpatient areas reflects limitations on current policies for outpatient services.
 - The skilled nursing unit revenue derived from self-paying patients represents payment for care of those patients whose insurance benefits have been depleted.
- . Blue Cross and commercial insurance projections are based on estimated levels of enrollment in South Carolina, as provided by various officials.

EXHIBIT XV
HILTON HEAD ISLAND HOSPITAL CENTER
ESTIMATED SOURCES OF PATIENT REVENUE

	<u>General Acute Care Inpatients</u>	<u>Emergency Room and Outpatient Diagnostic Visits</u>	<u>Skilled Nursing Unit Patients</u>
Blue Cross	35%	25%	15%
Commercial Insurance	30	25	10
Self-Pay	5	20	10
Medicare	25	25	60
Medicaid, Workmen's Compensation, Other	5	5	5

Source: Booz, Allen & Hamilton estimates

(2) Income and Expense Projections Have Been Computed in Accordance with Current Federal Economic Controls in the Health Care Industry

While most sectors of the economy have seen economic controls shifted to a voluntary basis, the health care industry must still operate under mandatory controls. Currently administered by the Cost of Living Council, it is likely that this current effort to control inflation in the health field will continue for the next several years.

- . Wages and salaries were projected to increase at a maximum rate of 5.5% annually.
- . Nonwage expenses including technological improvements were projected to grow at a rate of 2.7% annually.
- . Average charges per patient day or per visit include both standard room and board charges as well as charges for services rendered by the ancillary departments.
- . Patient charges, which include any cost-based reimbursement rates, were projected to increase only insofar as they were justified by costs under current Cost of Living Council guidelines.
- . Rental payments to be made by the physician group practicing in the Ambulatory Center were calculated at levels which would recover allocated costs and minimally cover debt service, as shown in Exhibit XVI, following this page.

EXHIBIT XVI
HILTON HEAD ISLAND HOSPITAL CENTER
DETERMINATION OF RENTAL INCOME FROM
THE AMBULATORY CENTER
1975 - 1980

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Gross Rental Revenue	\$200,000	\$200,000	\$210,000	\$210,000	\$221,000	\$221,000
Less:						
Allocated Depreciation	61,000	61,000	61,000	61,000	61,000	61,000
Allocated Interest	129,000	128,000	126,000	124,000	122,000	120,000
Costs of Operation	<u>14,000</u>	<u>15,000</u>	<u>15,000</u>	<u>16,000</u>	<u>17,000</u>	<u>18,000</u>
Total Allocated Costs	\$204,000	\$204,000	\$202,000	\$201,000	\$200,000	\$199,000
Net Rental Income (deficit)	(4,000)	(4,000)	8,000	9,000	21,000	22,000
Add						
Allocated Depreciation and Interest	<u>190,000</u>	<u>189,000</u>	<u>187,000</u>	<u>185,000</u>	<u>183,000</u>	<u>181,000</u>
Total Funds Available for Debt Service	<u>\$186,000</u>	<u>\$185,000</u>	<u>\$195,000</u>	<u>\$194,000</u>	<u>\$204,000</u>	<u>\$203,000</u>
Allocated Debt Service	\$148,000	\$148,000	\$148,000	\$148,000	\$148,000	\$148,000
Funds Available After Debt Service	38,000	37,000	47,000	46,000	56,000	55,000
Number Times Debt Service Covered	1.26	1.25	1.32	1.31	1.38	1.37

Source: Booz, Allen & Hamilton estimates

- (3) Gross Hospital Patient Revenue Is Expected To Reach \$1,700,000 in 1977 and \$2,859,000 in 1980, with Coverage of Allocated Debt Service Projected at a ratio of 1.53 for Both Years

Exhibit XVII (1), following this page, shows projections of income and expense for the acute care facility for 1975 through 1980. Hospital operations are expected to reach stable levels of utilization for 40- and 80-bed phases in 1977 and 1980, respectively.

- . Gross patient revenues have been reduced by a 5% deduction for allowances, adjustments, and bad debts.
- . Revenue projections include depreciation and interest which are viewed as allowable costs affecting revenue. However, as additional depreciation and interest costs are added to hospital operations in 1978, these have only increased revenue on a dollar-for-dollar basis, as currently allowed by the Cost of Living Council.
- . Because level debt service payments have been assumed in the repayment schedule, reimbursable interest costs decline as a portion of total debt service on a year-by-year basis.
- . Allocated interest and depreciation are projected to increase by about 35% in 1978 when the 40-bed nursing home unit is converted to acute care use.
- . Total funds available for debt service include interest and depreciation, as is customary in most financing plans of this nature.
- . Coverage of debt service is projected to remain stable between 1977 and 1980 at a ratio of 1.53, a slight decline from initial levels of coverage in 1975 and 1976.

EXHIBIT XVII (1)
HILTON HEAD ISLAND HOSPITAL CENTER
PROJECTION OF INCOME AND EXPENSE
1975 - 1980

	Acute Care Facility					
	1975	1976	1977	1978	1979	1980
Beds Available	40	40	40	80	80	80
Projected Patient Days	10,600	12,250	14,250	16,580	19,350	22,570
Occupancy	72.0%	83.9%	97.0%	56.8%	66.3%	77.3%
Diagnostic Outpatient Visits	3,600	4,200	4,500	5,100	5,400	6,000
Emergency Room Visits	2,600	3,000	3,500	4,100	4,800	5,600
Average Charge per Patient Day	\$135.19	\$121.88	\$109.47	\$142.88	\$128.53	\$115.51
Average Charge per Outpatient Visit	22.10	19.86	18.75	24.24	22.94	21.72
Gross Patient Revenue	\$1,570,000	\$1,636,000	\$1,700,000	\$2,592,000	\$2,721,000	\$2,859,000
Less: Allowances, Adjustments, and Bad Debts	79,000	82,000	85,000	130,000	136,000	143,000
Net Patient Revenue	<u>\$1,491,000</u>	<u>\$1,554,000</u>	<u>\$1,615,000</u>	<u>\$2,462,000</u>	<u>\$2,585,000</u>	<u>\$2,716,000</u>
Variable Cost per Patient Day	\$12.15	\$12.45	\$12.77	\$13.08	\$13.41	\$13.75
Variable Cost per Outpatient Visit	2.25	2.31	2.36	2.42	2.48	2.55
Fixed Costs of Operation	\$ 810,000	\$ 851,000	\$ 893,000	\$1,524,000	\$1,600,000	\$1,680,000
Total Variable Costs	143,000	169,000	201,000	239,000	285,000	340,000
Depreciation	139,000	139,000	139,000	187,000	187,000	187,000
Interest	297,000	293,000	290,000	384,000	378,000	371,000
Total Operating Expenses	<u>\$1,389,000</u>	<u>\$1,452,000</u>	<u>\$1,523,000</u>	<u>\$2,334,000</u>	<u>\$2,450,000</u>	<u>\$2,578,000</u>
Net Income from Operations	\$ 102,000	\$ 102,000	\$ 92,000	\$ 128,000	\$ 135,000	\$ 138,000
Add: Depreciation	139,000	139,000	139,000	187,000	187,000	187,000
Add: Interest	297,000	293,000	290,000	384,000	378,000	371,000
Total Available for Debt Service	<u>\$ 538,000</u>	<u>\$ 534,000</u>	<u>\$ 521,000</u>	<u>\$ 699,000</u>	<u>\$ 700,000</u>	<u>\$ 696,000</u>
Allocated Debt Service	340,000	340,000	340,000	457,000	457,000	457,000
Funds Available after Debt Service	198,000	194,000	181,000	242,000	243,000	239,000
Number Times Debt Service Covered	1.58	1.57	1.53	1.53	1.53	1.53
Debt Service per Patient Day	32.08	27.76	23.86	27.56	23.62	20.25

Source: Booz, Allen & Hamilton estimates

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(4) Gross Skilled Nursing Unit Patient Revenue Is Expected To Reach \$750,000 in 1977 and \$1,107,000 in 1980 and To Minimally Cover Debt Service in Both Years

Exhibit XVII (2) following this page, shows projections of income and expense for the skilled nursing unit facilities for 1975 to 1980. Unit operations are projected to stabilize at 40- and 60-bed levels in 1977 and 1980, respectively.

- . Gross patient revenues have been reduced by a 5% deduction for allowances, adjustments, and bad debts.
- . Interest and depreciation costs have been viewed as allowable costs in developing patient revenue projections.
- . The current maximum Medicaid rate of \$16.50 per patient day has been increased at a rate of 5% per year in determining patient revenue from that source.
- . Allocated depreciation and interest has been reduced by about 25% as the skilled nursing unit facilities are moved from the convertible unit in the hospital facility to a separate new skilled nursing unit.
- . Coverage of debt service is projected to remain fairly stable between 1976 and 1980 at about 1.42, slightly above the minimal level necessary to assure financial feasibility. The low coverage of 1.04 projected for the first year of operations reflects the low level of utilization which is only partially compensated for by higher rates.

	Skilled Nursing Unit Facility					
	1975	1976	1977	1978	1979	1980
Beds Available	40	40	40	60	60	60
Projected Patient Days	9,000	10,400	12,100	14,100	16,400	19,100
Occupancy	61.0%	71.2%	82.0%	64.4%	74.9%	87.2%
Average Charge per Patient Day (including ancillary services provided)	\$69.81	\$69.81	\$61.98	\$72.20	\$64.63	\$57.96
Gross Patient Revenue	\$ 828,000	\$ 726,000	\$ 750,000	\$1,018,000	\$1,060,000	\$1,107,000
Less: Allowances, Adjustments, and Bad Debts	31,000	36,000	38,000	51,000	53,000	55,000
Net Patient Revenue	\$ 597,000	\$ 690,000	\$ 712,000	\$ 967,000	\$1,007,000	\$1,052,000
Variable Cost per Patient Day	\$ 2.22	\$ 2.28	\$ 2.33	\$ 2.39	\$ 2.45	\$ 2.51
Fixed Costs of Operation	\$ 381,000	\$ 400,000	\$ 420,000	\$ 717,000	\$ 753,000	\$ 790,000
Variable Costs	20,000	23,000	28,000	34,000	40,000	48,000
Depreciation	77,000	77,000	77,000	58,000	58,000	58,000
Interest	164,000	162,000	160,000	129,000	127,000	125,000
Total Operating Expenses	\$ 642,000	\$ 662,000	\$ 685,000	\$ 938,000	\$ 978,000	\$1,021,000
Net Income from Operations	\$ (45,000)	\$ 28,000	\$ 27,000	\$ 29,000	\$ 31,000	\$ 31,000
Add: Depreciation	77,000	77,000	77,000	58,000	58,000	58,000
Add: Interest	164,000	162,000	160,000	129,000	127,000	125,000
Total Available for Debt Service	\$ 196,000	\$ 267,000	\$ 264,000	\$ 216,000	\$ 216,000	\$ 214,000
Allocated Debt Service	188,000	188,000	188,000	151,000	151,000	151,000
Number Times Debt Service Covered	1.04	1.42	1.40	1.43	1.43	1.42
Debt Service per Patient Day	20.89	18.08	15.54	10.71	9.21	7.91

- (5) Consolidated Gross Patient Revenues and Rental Revenues Are Projected To Reach \$2,660,000 in 1977 and \$4,187,000 in 1980, To Cover Debt Service 1.46 Times and Result in Adequate Cash Flow

Exhibits XVII (3) and XVIII, following this page, show consolidated projections of income and expense and cash flow from 1975 to 1980, respectively, for the entire Hilton Head Island Hospital Center.

- . Except for 1975, when start-up costs and lower levels of utilization reduce net income and lower coverage ratios, the consolidated operations are projected to cover debt service at an average level of 1.46.
- . Total debt service is made up of principal and interest payments totaling \$676,000 from 1975 to 1977, and \$756,000 beginning in 1978, when new skilled nursing unit facilities have been completed.
- . The cash balance for all operations is projected to reach \$1,582 by 1980 - the equivalent of more than two years of debt service.

* * * * *

Based on our projections of patient demand, staffing requirements, capital costs, financing costs, net income, and cash flow between 1975 and 1980, it is our conclusion that the proposed construction of Hilton Head Island Hospital Center is financially feasible. Debt service

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	All Operations					
	1975	1976	1977	1978	1979	1980
Total Beds Available	80	80	80	140	140	140
Average Overall Occupancy	67.1%	77.0%	90.2%	60.0%	70.0%	81.5%
Projected Outpatient Volume	6,200	7,200	8,000	9,200	10,200	11,600
Total Gross Revenue from Patient Services	\$2,198,000	\$2,362,000	\$2,450,000	\$3,610,000	\$3,781,000	\$3,966,000
Less: Allowances, Adjustments, and Bad Debts	110,000	118,000	123,000	181,000	189,000	204,000
Total Net Patient Revenue	\$2,088,000	\$2,244,000	\$2,327,000	\$3,429,000	\$3,592,000	\$3,762,000
Rental Income	200,000	200,000	210,000	210,000	221,000	221,000
Total Income from Operations	\$2,288,000	\$2,444,000	\$2,537,000	\$3,639,000	\$3,813,000	\$3,983,000
Total Costs:						
Fixed Costs	\$1,205,000	\$1,266,000	\$1,328,000	\$2,257,000	\$2,370,000	\$2,488,000
Variable Costs	163,000	192,000	229,000	273,000	325,000	388,000
Depreciation	277,000	277,000	277,000	306,000	306,000	306,000
Interest	590,000	583,000	576,000	637,000	627,000	616,000
Total Cost of Operation	\$2,235,000	\$2,318,000	\$2,410,000	\$3,473,000	\$3,628,000	\$3,798,000
Net Income from Operations	\$ 53,000	\$ 126,000	\$ 127,000	\$ 166,000	\$ 185,000	\$ 185,000
Add: Depreciation	277,000	277,000	277,000	306,000	306,000	306,000
Add: Interest	590,000	583,000	576,000	637,000	627,000	616,000
Total Available for Debt Service	\$ 920,000	\$ 986,000	\$ 980,000	\$1,109,000	\$1,118,000	\$1,107,000
Total Debt Service	676,000	676,000	676,000	756,000	756,000	756,000
Funds Available after Debt Service	244,000	310,000	304,000	353,000	362,000	351,000
Number Times Debt Service Covered	1.36	1.46	1.45	1.47	1.48	1.46

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EXHIBIT XVIII
HILTON HEAD ISLAND HOSPITAL CENTER
PROJECTED CASH FLOW - TOTAL OPERATION
1973 - 1980

	<u>1973*</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Beginning Cash Balance	\$ -	\$5,866,000	\$238,000	\$ 244,000	\$ 537,000	\$ 781,000	\$ 958,000	\$1,276,000
Add:								
Net Income Before Depreciation and Interest	-	-	920,000	986,000	980,000	1,109,000	1,118,000	1,107,000
Proceeds of Stock Sale	1,500,000	-	-	-	-	-	-	-
Proceeds of Mortgage	7,158,000	-	-	-	842,000	-	-	-
Less:								
Land	100,000	-	-	-	-	-	-	-
Increase in Working Capital Requirements	-	-	238,000	17,000	10,000	126,000	19,000	20,000
Payments Applied to Construction	2,586,000	5,174,000	-	-	800,000	-	-	-
Equipment Replacement and Addition	-	-	-	-	50,000	25,000	25,000	25,000
Start-up Costs (preoperating expenses)	35,000	65,000	-	-	-	25,000	-	-
Net Interest During Construction	71,000	389,000	-	-	42,000	-	-	-
Cash Available for Debt Service	5,866,000	238,000	920,000	1,213,000	1,457,000	1,714,000	2,032,000	2,338,000
Estimated Debt Service Payment	-	-	676,000	676,000	676,000	756,000	756,000	756,000
Cash Surplus (deficit)	<u>\$5,866,000</u>	<u>\$ 238,000</u>	<u>\$244,000</u>	<u>\$ 537,000</u>	<u>\$ 781,000</u>	<u>\$ 958,000</u>	<u>\$1,276,000</u>	<u>\$1,582,000</u>

* Last six months

Source: Booz, Allen & Hamilton estimates

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BOOZ-ALLEN & HAMILTON
Management Consultants

requirements are met adequately and cash flow is sufficient to meet operating and future capital needs. At the same time, the Center's cost and revenue structures are projected to stay within Cost of Living Council guidelines.

VI. NEXT STEPS

VI. NEXT STEPS

This chapter presents a preliminary schedule for planning and construction of the proposed Hilton Head Island Hospital Center.

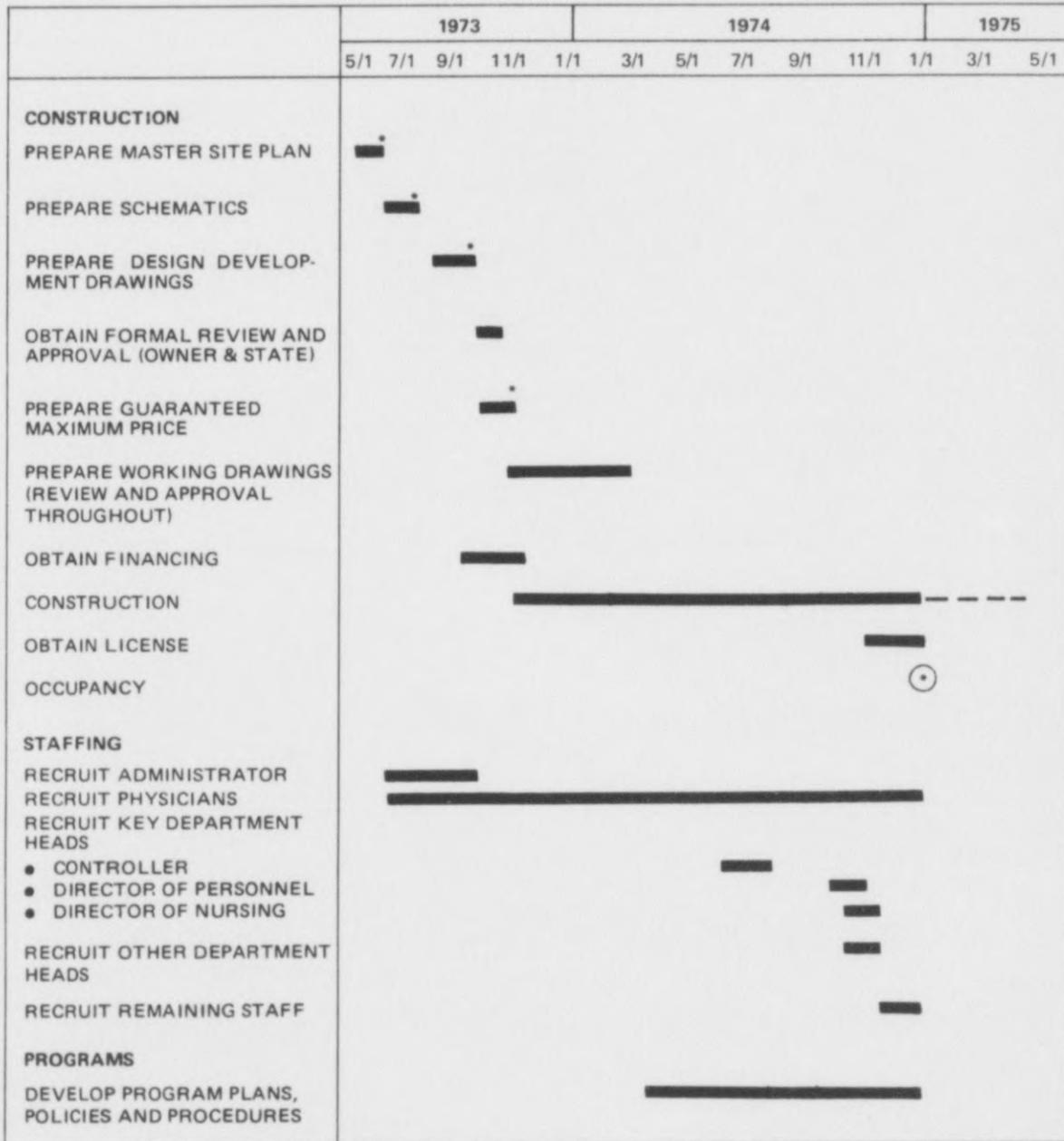
1. AN AMBITIOUS TIMETABLE LEADING TO OCCUPANCY OF THE PROPOSED CENTER HAS BEEN DEVELOPED

Exhibit XIX, following this page, presents a preliminary schedule for development of the proposed Center. The schedule shows proposed timing of the major elements involved in the construction process, staff recruiting, and development of operating systems.

The schedule for construction shows an occupancy date of January 1, 1975. This is a very optimistic date and assumes that no delays will occur in the design, construction, and approval process. Moreover, it assumes that site and soil conditions will be good and not lead to special problems. Since site conditions have not been fully determined, as yet, this assumption is, at best, tenuous.

The schedule also presents a timetable for recruitment of staff. The first and most crucial position to be filled is that of administrator. It is recommended that recruitment of the administrator begin in June 1973. The process may take three to four months. It is recommended

EXHIBIT XIX
HILTON HEAD ISLAND HOSPITAL CENTER
PROPOSED PROJECT SCHEDULE



*INTERIM REVIEW AND APPROVAL

that the administrator be retained on a part-time basis during most of the design and part of the construction period so that he (she) can take part in the design process. Approximately six months prior to occupancy, the administrator should begin full-time employment, and should then be actively involved in staff recruiting and formulation of policies and procedures.

Other elements shown in the proposed schedule are discussed below.

- Recruitment of physicians should begin almost immediately. It will be beneficial to develop the compensation package, however, prior to initiation of this process. Timing of actual relocation of physicians to Hilton Head Island will be dependent upon the availability of suitable office space, which might be achieved through early completion of the ambulatory center.
- Several key department heads are identified in the schedule. The first to be employed should be the controller. This is necessary because of the complexity of the business office and accounting systems to be developed.
- The director of personnel should be recruited approximately two to four weeks before recruitment of the other department heads. The director of personnel should then coordinate the subsequent recruiting efforts.
- The director of nursing and other department heads should be recruited approximately one month prior to initiation of recruitment for the remaining staff, so that they can be actively involved in selection of their staffs.

While it is desirable to give staff time for orientation and development of operating policies and procedures, it will also be necessary to closely manage preoccupancy hiring so that expenditures for this "developmental" period are minimized.

The last item shown in the schedule is development of program plans, policies, and procedures. The respective department heads should be responsible for these efforts.

2. ACTIVE INVOLVEMENT OF THE OWNERS OR THEIR REPRESENTATIVES WILL BE REQUIRED DURING THE DESIGN PROCESS

Active client involvement should be obtained during the design process. As already stated, the proposed schedule is an optimistic one and will require timely decision making. For this reason, an individual should be named to represent the Hilton Head Hospital Corporation and to make decisions during the design process. This individual should be capable of devoting a considerable amount of time to the project.

* * * * *

Opportunities for the Hilton Head Hospital Center to serve residents of the island and nearby communities are dynamic, exciting and challenging. The concepts now being developed for the Center are distinctive. The current philosophy of high quality and broad services will be of great benefit not only to residents of Hilton Head Island but to those of the entire Low-country Regions.

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APPENDIX

Departmental Requirements

DEPARTMENTAL REQUIREMENTS

Facility requirements are included for the following departments:

Admitting/Business Office
Central Administration
Dietary
Emergency Room
Employee Facilities
Gift Shop
Housekeeping
Information/Switchboard
Laboratory
Maintenance
Materials Management
Medical Library and
Conference Room
Medical Records
Meditation Room
Nursing Unit
Personnel
Pharmacy
Physical Therapy
Radiology
Respiratory Therapy
Surgical Suite
Ambulatory Center
Employee Housing
Skilled Nursing Unit

ADMITTING/BUSINESS OFFICE

DESCRIPTION OF DEPARTMENT FUNCTION

The admitting office is responsible for scheduling admissions to the hospital and skilled nursing facility and obtaining required patient information.

The business office is responsible for accounting and business activities in the hospital and skilled nursing facility. Specific functions include:

- Accounts Receivable
- General Accounting (including payroll)
- Accounts Payable
- Cashier

RECOMMENDED FUNCTIONAL PROGRAM

This department will serve the hospital, skilled nursing facility and employee housing. The ambulatory center will house its own admitting and business functions.

It is conceivable that the business office operation may be automated through the use of a small computer or time-sharing system. Space has been allocated for this function.

- Required Work Centers
 - . Offices
 - Controller
 - Chief Accountant
 - Chief, Credit Office
 - Secretary/Receptionist
 - Waiting
 - . Admitting Cubicles (2)
 - . Main Work Area (4)
 - . Accounting (2)
 - . Cashier
 - . Electronic Data Processing
 - . Files and Storage

FACILITY REQUIREMENTS

- Design Criteria

The department should be designed as general office space.

- Proximity Requirements

The department should be located near the main entrance of the hospital and the other administrative services, with the cashier accessible to public corridors.

- Space Allocation

Net square feet	1,510
Departmental gross square feet	1,960
Building gross square feet	2,450

CENTRAL ADMINISTRATION

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for overall management of the Hospital Center, including hospital, nursing home, ambulatory center, and housing. Day-to-day supervision of the individual units will be provided by supervisors based in each unit.

RECOMMENDED FUNCTIONAL PROGRAM

Each of the four components of the Center will initially be managed by central administration. As soon as volume allows, however, an ambulatory center assistant administrator will be retained and will have an office in the ambulatory center. Also, an assistant administrator will be retained for the skilled nursing home by the time the new skilled nursing facility is completed in 1977-78, and will be based in the new facility. Space described below is just for central administration.

- Required Work Centers
 - . Offices
 - Administrator
 - Assistant Administrator
 - Director of Nursing
 - Secretaries
 - . Files and Storage

FACILITY REQUIREMENTS

- Design Criteria

The department should be designed as a self-contained suite.
- Proximity Requirements

The administrative suite should be located near the other administrative services, especially business office.
- Space Allocation

Net square feet	1,040
Departmental gross square feet	1,350
Building gross square feet	1,690

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DIETARY

DESCRIPTION OF DEPARTMENT FUNCTION

The primary functions of this department are as follows:

- Provide dietary consultation to physicians
- Prepare and distribute meals to inpatients
- Provide dietary instruction to inpatients when requested
- Operate the employee cafeteria

The department will serve the entire Center.

RECOMMENDED FUNCTIONAL PROGRAM

Pending detailed investigation of alternative food systems, it is assumed that a conventional food preparation system will be utilized. Food, some of which will probably be preprocessed and portioned, will be prepared and trays assembled. Trays will be transported using carts.

- Projected Volume of Activity

The department can be expected to serve 56,000-88,000 inpatient meals annually during Phase I-A and 88,000-120,000 during Phase I-B.

- Required Work Centers

- . Offices

- Manager
- Dietitian
- Clerks

- . Provisioning Area

- Receiving
- Dry Storage (bulk storage in materials management)
- Refrigerators and Freezers

- . Food Preparation

- . Tray Service

- Assembly
- Cart Storage

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- . Sanitation
 - Dishwashing
 - Pot Washing
 - Janitor

- . Support
 - Equipment and supply storage
 - Toilets

- . Cafeteria
 - Serving
 - Seating (for 75)
 - Vending

- . Conference/Dining Room (seating for 20-25)

FACILITY REQUIREMENTS

- Design Criteria

A decision concerning food system to be utilized will be required before detailed design can begin.

- Space Allocation

Net square feet	4,625
Departmental gross square feet	4,625
Building gross square feet	5,780

EMERGENCY ROOM

DESCRIPTION OF DEPARTMENT FUNCTION

Major and minor trauma and walk-in emergency cases are handled by the emergency room.

RECOMMENDED FUNCTIONAL PROGRAM- Projected Volume of Activity

The department can be expected to experience a work load of 2,600-4,100 visits annually during Phase I-A of development and 4,100-5,000 visits annually during Phase I-B.

- Required Work Centers

- . Office and Reception
- . Treatment and Examination
 - Minor procedures room with plaster trap (room for 2 stretchers)
 - Examination Room
- . Support
 - Patient Toilets (2)
 - Storage
 - Utility Room

FACILITY REQUIREMENTS- Design Criteria

None

- Proximity Requirements

The emergency room should be located in close proximity to the radiology department and accessible to the surgical suite.

- Space Allocation

Net square feet	950
Departmental gross square feet	1,280
Building gross square feet	1,600

EMPLOYEE FACILITIES

DESCRIPTION OF DEPARTMENT FUNCTION

This area will provide locker facilities for employees.

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Locker Area - Male
 - . Locker Area - Female

FACILITY REQUIREMENTS

- Design Criteria
 - None
- Space Allocation

Net square feet	550
Departmental gross square feet	550
Building gross square feet	690

GIFT SHOP

DESCRIPTION OF DEPARTMENT FUNCTION

The gift shop will provide needed supplies to patients, staff and visitors.

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Gift Shop
 - . Storage

FACILITY REQUIREMENTS

- Design Criteria
- Proximity Requirements

None

The gift shop should be located near the main entrance and lobby of the hospital.

- Space Allocation

Net square feet	300
Departmental gross square feet	300
Building gross square feet	380

HOUSEKEEPING

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for maintaining cleanliness in the Center, which includes the following:

- Clean all ancillary and support departments
- Clean all patient areas and public corridors
- Provide discharge cleaning of patient rooms

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Office
 - . Storage
 - . Work Room

FACILITY REQUIREMENTS

- Design Criteria

None

- Space Allocation

Net square feet	450
Departmental gross square feet	450
Building gross square feet	560

INFORMATION/SWITCHBOARD

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for manning the information desk and hospital switchboard.

RECOMMENDED FUNCTIONAL PROGRAM

No change in program is anticipated.

- Required Work Centers
 - Information Desk
 - Switchboard

FACILITY REQUIREMENTS

- Design Criteria

Not applicable

- Proximity Requirements

The information/switchboard function should be located adjacent to the main entrance lobby of the hospital.

- Space Allocation

Net square feet	350
Departmental gross square feet	350
Building gross square feet	440

LABORATORY

DESCRIPTION OF DEPARTMENT FUNCTION

The laboratory is responsible for the following functions:

- Collecting specimens, i. e. , blood, urine, etc.
- Analyzing clinical specimens
- Performing examinations of anatomical specimens
- Blood banking

The laboratory will serve the entire Center and will also be available for specimens and/or patients referred by private physicians.

RECOMMENDED FUNCTIONAL PROGRAM

The laboratory will perform routine analyses, Automated screening batteries (e. g. SMA 12) will, at least initially, be performed by an outside laboratory. Likewise, all but the routine microbiologic examinations will either be performed by the state public health laboratory or an outside laboratory.

The exact scope of the laboratory operation cannot be determined until arrangements are made for managing the laboratory.

- Projected Volume of Activity

The department can be expected to experience a work load of 21,000-35,000 visits annually during Phase I-A of development and 35,000-49,000 during Phase I-B.

- Required Work Centers

- . Offices and Reception

- Chief Technician's Office
- Secretary/Receptionist
- Waiting Area

- . Specimen Collection

- . Clinical Laboratory Area

- Biochemistry
- Hematology
- Urinalyses

- . Bacteriology

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- . Blood Bank
- . EKG
- . Anatomic Pathology
 - Autopsy Room
 - Histology
 - Cold Storage (2 Compartments)
- . Support
 - Storage

FACILITY REQUIREMENTS

- Design Criteria

The laboratory should be designed to accommodate internal change and expansion that may be necessitated by changing functional demands.

The clinical laboratory area should be an open space containing standard laboratory module. Separate rooms and exhaust will be needed for bacteriology and tissue work.

- Space Allocation

Net square feet	1,750
Departmental gross square feet	2,010
Building gross square feet	2,520

MAINTENANCE

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for providing general maintenance, making minor renovations, repair of certain equipment and operation of the Center's power plant.

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Office
 - . Shops
 - Electrical
 - Carpentry
 - Paint
 - Plumbing
 - . Storage

FACILITY REQUIREMENTS- Design Criteria

The paint shop should be physically separated from the other shop areas. It should be well ventilated and air exhaust should be filtered.

- Proximity Requirements

None

- Space Allocation

Net square feet	1,050
Departmental gross square feet	1,050
Building gross square feet	1,310

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MATERIALS MANAGEMENT

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for stocking most departments with the supplies and materials they need to function. Included in the functions of the department are the following, related to materials and supply items:

- Procurement
- Receipt
- Processing
- Storage
- Distribution

The department's responsibilities will include disposable and reusable medical and nonmedical supplies and materials. It will serve all components of the Center,

RECOMMENDED FUNCTIONAL PROGRAM

Only working inventories of supplies and materials should be stocked at the point of use, with bulk inventory maintained and distributed by Materials Management,

- Required Work Centers
 - . Offices
 - Director
 - Staff (2)
 - . Mail and Printing
 - . Receiving
 - Dock
 - Work area
 - . Storage
 - General
 - Bulk food
 - Bin
 - Volatile liquid
 - Equipment not in use

- . Sterile Processing
 - Soiled receiving
 - Preparation area
 - Sterilization
 - Sterile storage
- . Linen and Linen Cart Storage
- . Distribution
- . Archives Room

FACILITY REQUIREMENTS

- Design Criteria

The main storage space should be a generally open area, into which shelving and pallets can be placed. It is essential that unrestricted internal flow exists between the dock, receiving, storage and distribution.

The sterile processing area should be physically separated from the remainder of the department. There should be a clear, physical distinction between dirty and clean areas.

- Proximity Requirements

The receiving area of the department should be located adjacent to the dock. Movement of people and materials between the distribution area and the points of use should not conflict with the other movement patterns within the hospital; therefore, close proximity to service corridors and elevator cores is of primary importance.

- Space Allocation

Net square feet (excluding dock)	4,500
Departmental gross square feet	4,500
Building gross square feet	5,630

MEDICAL LIBRARY AND CONFERENCE ROOM

DESCRIPTION OF DEPARTMENT FUNCTION

The library houses reference materials utilized by members of the medical staff and by hospital employees. It is also used as a conference room.

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Shelf Area
 - . Seating and Study Area

FACILITY REQUIREMENTS

- Design Criteria
 - None
- Proximity Requirements
 - None
- Space Allocation

Net square feet	500
Departmental gross square feet	500
Building gross square feet	630

MEDICAL RECORDS

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for maintaining and storing inpatient medical records. Included in this function are the following:

- Transcription
- Coding
- Correspondence concerning patient stay
- Storage of medical records

Medical records maintained by the department will be those relating to the hospital and skilled nursing facility. Medical records for the ambulatory center will be maintained in the ambulatory center facility.

RECOMMENDED FUNCTIONAL PROGRAM

Maintenance of 2-3 years of records are anticipated. After this period, it is assumed that records will be microfilmed.

- Required Work Centers
 - . Office:
 - Chief medical record librarian
 - . Main Work Area (3 desks)
 - . Active File Area:
 - Files
 - Processing
 - . Physician Dictation
 - . Physicians' Lounge

FACILITY REQUIREMENTS

- Design Criteria

The facility should basically consist of open space. Open shelves should be used to store active medical records.

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- Proximity Requirements

The department should be accessible to physicians entering and leaving the hospital. It should also be accessible to the inpatient units. Reasonably close proximity to the business office and admitting is desirable.

- Space Allocation

Net square feet	880
Departmental gross square feet	880
Building gross square feet	1,100

MEDITATION ROOM

FACILITY REQUIREMENTS

Space Allocation

Net square feet	200
Departmental gross square feet	200
Building gross square feet	250

NURSING UNIT

DESCRIPTION OF DEPARTMENT FUNCTION

The inpatient care of medical and surgical patients,

RECOMMENDED FUNCTIONAL PROGRAM

It is assumed that team nursing will be utilized in the provision of patient care. Depending on team composition and mix of patients, three to four teams will be needed during the day shift for the 40-bed unit,

- Projected Volume of Activity

A work load of 10,600 patient days is projected for 1975. At a peak occupancy of 90%, the 40-bed unit would have a capacity of 13,140 patient days per year.

- Required Work Centers

. Patient Bedrooms (each including toilet, shower, and lavatory):

- 1-bed rooms (28)
- 1-bed rooms, equipped for use as 2-bed room (10)
- Isolation room (2)

. Nurses Station:

- Ward clerk station
- Medication room (medication cart)
- Nurses' charting
- Physician charting and dictation
- Nurses' office (supervisor)
- Nurses' lounge (with toilet)

. Support:

- Clean utility
- Soiled utility
- Nourishment/kitchen
- Treatment/examination
- Storage
- Bath with tub (2)
- Janitor closet
- Day-room/visitors
- Classroom/conference room

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FACILITY REQUIREMENTS- Design Criteria

The physical configuration of the new nursing units should be designed to minimize the distance travelled by the nursing team as it performs its functions. The inpatient rooms should be "clustered" around the nurses station and support areas to minimize travel distances. A double-corridor unit, such as the one illustrated below, is an example of such a functional concept.

Each patient room should be equipped with oxygen, vacuum and a communication system linking the patient to the nurses station.

Two over-sized patient rooms across from the nurses station should be equipped for monitoring of vital signs. These rooms should be used for patients requiring intensive observation. If possible, monitoring devices should be connected via phone lines to an intensive care unit at one of the large hospitals in Savannah or Charleston.

- Proximity Requirements

The nursing unit should be readily accessible to ancillary departments which supply significant quantities of supplies and materials, or are frequently utilized for services, i. e., dietary, pharmacy, radiology, laboratory and materials management.

- Space Allocation

Net square feet	10,650
Departmental gross square feet	13,310
Building gross square feet	16,640

PERSONNEL

DESCRIPTION OF DEPARTMENT FUNCTION

The department's responsibilities include the following:

- Personnel Recruitment
- In-Service Training
- Wage and Salary Administration

It will serve the entire Center,

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Offices
 - Director
 - Staff
 - Secretary/Clerks (2-3)
 - Waiting
 - . Classroom (utilize library or private dining area)

FACILITY REQUIREMENTS

- Design Criteria

The department should be designed as a suite,
- Space Allocation

Net square feet	450
Departmental gross square feet	590
Building gross square feet	740

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PHARMACY

DESCRIPTION OF DEPARTMENT FUNCTION

The pharmacy department is responsible for the preparation and dispensing of pharmaceuticals. It will serve the entire Center.

RECOMMENDED FUNCTIONAL PROGRAM

It is recommended that a unit-dose system be utilized for hospital inpatients, whereby unit-of-use packages of drugs are delivered to the nursing units at least once daily. The unit-of-use packages are stored in containers identifiable to individual patients. In addition, it is recommended that the pharmacy maintain a drug profile for each patient, with the pharmacist reviewing each order for adverse drug reaction. The pharmacy should also be responsible for preparation of all IV's requiring additives.

- Required Work Centers
 - . Office
 - Chief Pharmacist
 - Secretary/Clerk
 - Waiting
 - . Dispensing
 - Cart Storage
 - Work Area
 - Outpatient Dispensing
 - . Packaging and Active Storage
 - . Intravenous Additive Area
 - . Storage
 - Narcotics and Central Drugs
 - Intravenous Fluids
 - Bulk Storage
 - Chemicals, Alcohol

FACILITY REQUIREMENTS- Design Criteria

The facility should be designed so that a logical flow of information and materials can take place within the department.

- Proximity Requirements

The pharmacy should be readily accessible to the ambulatory facility.

- Space Allocation

Net square feet	1,080
Departmental gross square feet	1,240
Building gross square feet	1,550

PHYSICAL THERAPY

DESCRIPTION OF DEPARTMENT FUNCTION

The physical therapy department evaluates and treats injury or disease by means of physical agents such as light, heat, and water and is responsible for providing consultation to physicians. It will serve both inpatients and outpatients.

RECOMMENDED FUNCTIONAL PROGRAM- Projected Volume of Activity

The department can be expected to provide 2,100 to 3,300 treatments annually during Phase I-A of development and 3,300 to 4,600 annually during Phase I-B.

- Required Work Centers

. Office and Reception

- Chief therapist's office
- Secretary/receptionist
- Waiting
- Staff cubicles (2)

. Examination Area

. Treatment Area

- Cubicles (2)
- Hydrotherapy
- Exercise
- Patient dressing, toilet and shower

. Support

- Storage
- Workroom and utility
- Staff lockers

FACILITY REQUIREMENTS- Design Criteria

The treatment area should be an open, relatively unrestricted space in order to facilitate supervision of patients and staff and to provide flexibility of space utilization.

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- Proximity Requirements

The department should be readily accessible to outpatients and inpatient nursing units.

- Space Allocation

Net square feet	1,450
Departmental gross square feet	1,740
Building gross square feet	2,180

RADIOLOGY

DESCRIPTION OF DEPARTMENT FUNCTION

The department is responsible for all diagnostic radiology procedures. It will initially serve the entire Center although it is possible that the ambulatory facility will have a radiology capability during later phases of development.

RECOMMENDED FUNCTIONAL PROGRAM

The department will operate via scheduled appointments, insofar as possible.

- Projected Volume of Activity

The department can be expected to perform 2,300-4,000 procedures annually during Phase I-A and 4,000-7,500 annually during Phase I-B.

- Required Work Centers

. Offices and Reception

- Chief Radiologist
- Assistant Radiologist
- Chief Technician
- Reception and Waiting Area
- General Office, including transcription
- Litter Area

. Radiographic Rooms

- General Radiographic/Fluoroscopic (2)
- Future Radiographic Rooms (1)
- Chest Room (1)

. Scanning and Ultrasound (shelved-in)

- Scanning Rooms (2)
- Ultrasound Room

. Film Processing

. Film Reading

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- . Files
- . Support Facilities
 - Toilets (4)
 - Barium Kitchen
 - Dressing (8)
 - Janitor Closet
 - Storage
 - Lounge/Conference

FACILITY REQUIREMENTS

- Design Criteria

Radiology is the department most subject to the need for expansion because of the potential for greatly expanded work loads due to the executive health examination program and referral of private patients. For this reason, it is recommended that three radiographic rooms initially be constructed with one more room shelled-in.

The radiographic rooms should be clustered around the film processing area. Supporting facilities should be located adjacent to this cluster.

- Proximity Requirements

The department should be readily accessible to inpatients, ambulatory center patients, and private outpatients. There is a particularly important proximity requirement between radiology and the emergency room.

- Space Allocation

Net square feet	4,120
Departmental gross square feet	5,560
Building gross square feet	6,950

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RESPIRATORY THERAPY

DESCRIPTION OF DEPARTMENT FUNCTION

The department provides various modalities of inhalation and respiratory treatments to inpatients and outpatients.

RECOMMENDED FUNCTIONAL PROGRAM- Projected Volume of Activity

The department can be expected to provide 3,400 to 5,300 treatments annually during Phase I-A of development and 5,300 to 7,400 annually during Phase I-B.

- Required Work Centers

- . Office and Reception
- . Treatment Room
- . Work Area
- . Storage

FACILITY REQUIREMENTS- Design Criteria

The department should be designed as a suite, with office/reception area and treatment room physically separated from the work area.

- Proximity Requirements

The department should be accessible to both inpatients and outpatients.

- Space Allocation

Net square feet	700
Departmental gross square feet	805
Building gross square feet	1,010

SURGICAL SUITE

DESCRIPTION OF DEPARTMENT FUNCTION

The surgical suite provides facilities in which all operative and/or diagnostic procedures requiring general anesthesia are performed.

RECOMMENDED FUNCTIONAL PROGRAM

All surgical procedures, including outpatient surgery, which require general anesthesia, should be performed in the surgical suite. Surgical procedures performed can be expected to continually increase in complexity, as newer procedures are introduced at the community hospital level.

- Projected Volume of Activity

The department can be expected to experience a work load of 400-600 procedures annually during Phase I-A and 600-900 procedures annually during Phase I-B.

- Required Work Centers

. Offices

- Supervisor
- Anesthesia

. Personnel Facilities

- Lockers and lounge, physicians
- Lockers and lounge, nurses
- Scrub Area (1)

. Operating Rooms

- General (2)
- Cystoscopy (1)

. Recovery Room (5 stretchers)

. Material Discharge and Cleaning

- Sterile Room
- Clean Room
- Soiled Room

. Storage

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FACILITY REQUIREMENTSDesign Criteria

The surgical suite should be designed around two main objectives:

- . To facilitate control of infection
- . To allow staff to be utilized more effectively

For a small surgical suite such as the one proposed, the operating rooms should be located at the opposite end of the corridor from where staff enters.

The operating rooms should have a positive pressure relative to the rest of the suite.

Consideration should be given to building in a laminar flow capability, if orthopedic surgery requiring an extreme degree of sterility is to be performed.

Proximity Requirements

The surgical suite should be located in relatively close proximity to the emergency room, so that it is readily accessible for patients requiring emergency surgery.

Space Allocation

Net square feet	2,850
Departmental gross square feet	3,850
Building gross square feet	4,810

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AMBULATORY CENTER

DESCRIPTION OF DEPARTMENT FUNCTION

The ambulatory center will house physician offices and the executive health evaluation program.

RECOMMENDED FUNCTIONAL PROGRAM

The ambulatory center will utilize the ancillary services, e. g., radiology, laboratory, etc., of the Hospital Center. It will house its own reception, business and medical records functions.

- Required Work Centers

- . Central Services

- Reception/Registration and Waiting
- Switchboard
- Business Office
- Medical Records
- Office - Office Manager
- Toilets (2)

- . Office Suite - Internists (3)

- Offices (3)
- Examination Rooms (6)
- Nurses Work Area (3)
- Reception and Waiting
- Radiographic Room (shelled-in)
- Toilet

- . Office Suite - Surgeons (2), Urologist (1)

- Offices (3)
- Examination Room (Urologist)
- Examination/Treatment Rooms (4)
- Cast Room (1)
- Minor Surgery Room (1)
- Nurses Work Area
- Reception and Waiting
- Toilet
- Room for Patient to Recover

- . Office Suite - EENT (2)

- Offices (2)
- Examination/Treatment Rooms (4) (1 Equipped for audiometric testing)
- Nurses Work Area
- Reception and Waiting
- Toilet

. Office Suite - Pediatrician (1)

- Office (1)
- Examination Rooms (3)
- Nurses Work Area (1)
- Reception and Waiting
- Toilet

. Office Suite - Future Expansion (size of internists' suite)

. Office Suite - Dentists (2)

- Offices (2)
- Operatories (6)
- Work Area (1)
- Reception and Waiting
- Toilet

FACILITY REQUIREMENTS

- Design Criteria

The facility should be designed similarly to a professional building, rather than a clinic atmosphere. It is imperative that the building be designed so that it is readily expandable.

- Space Allocation

Net square feet	12,090
Departmental gross square feet	15,720
Building gross square feet	19,650

EMPLOYEE HOUSING

DESCRIPTION OF DEPARTMENT FUNCTION

The employee housing facility will provide moderate cost housing for key hospital personnel.

RECOMMENDED FUNCTIONAL PROGRAM

- Required Work Centers
 - . Apartment units (20) of mix to be determined
 - . Laundry
 - . Storage

FACILITY REQUIREMENTS

- Space Allocation

Net square feet	---
Departmental gross square feet	---
Building gross square feet	20,000

SKILLED NURSING UNIT

DESCRIPTION OF DEPARTMENT FUNCTION

The skilled nursing unit will provide skilled nursing care to patients requiring nursing supervision and/or rehabilitative services.

RECOMMENDED FUNCTIONAL PROGRAM

The unit will initially utilize the Center's ancillary and support services and will consist of only the nursing unit and dining/recreation area. The nursing unit will be identical to the unit constructed for acute care, although some of the partitions between rooms might be omitted so that more two-bed rooms might be provided.

- Projected Volume of Activity

The unit can expect to experience a work load of 9,000-14,100 patient days during Phase I-A.

- Required Work Centers

- . Nursing Unit (identical to the one designed for acute hospitalization)
- . Dining/Recreation Area

FACILITY REQUIREMENT

- Design Criteria

(See recommended functional program)

- Space Allocation

Net square feet	11,350
Departmental gross square feet	14,010
Building gross square feet	17,510

Booz, Allen Public Administration Services, Inc.

WASHINGTON, D. C.

August 1, 1973

To: Peter LaMotte, M. D.

From: Booz, Allen & Hamilton Study Team

Subject: Reassessment of Financial Feasibility of Hilton Head
Island Hospital Project

The attached discussion presents a reassessment of our original financial projections, based upon the latest construction cost projections developed. Projections were developed for the two alternatives involving shelling-in versus completing the third floor nursing unit. In addition, the financial implications of a proprietary versus not-for-profit hospital were developed.

REASSESSMENT OF PROJECTED OPERATIONS AND FINANCIAL
FEASIBILITY OF THE HILTON HEAD HOSPITAL CENTER

Since a preliminary assessment of the feasibility of the Hilton Head Hospital Center was conducted, several factors and assumptions have been altered. Among the most significant changes are:

- Major increases in the estimates of construction costs provided by the Hospital's architects which result from significant changes in square footage estimates in the Hospital.
- A possible change in policy with regard to the corporate structure of the Hospital and its affect on possible sources of funding, especially tax-exempt revenue bonds.
- The wish to include an examination of possible financial arrangements between the physician corporation and the hospital corporation, especially as they impinge on the feasibility of the project.

Because each of these changes have a significant effect on the project's economic viability, a reassessment of feasibility and an examination of alternatives appeared necessary.

1. THE FINANCIAL OPERATIONS OF THE PHYSICIAN CORPORATION
HAVE BEEN PROJECTED ON A PRELIMINARY BASIS

Many characteristics of the operation of the physician corporation (PC) have yet to be resolved. However, estimates of future operations have been made based on reasonable assumptions and current information.

(1) The PC Will Raise \$2 Million Through a Stock Issue Which Will Be Used for Construction of Facilities and Other Expenses

Preliminary estimates of the size of the equity issue as well as its potential uses, have been modified based on changes in construction cost and on changes in the assumptions given by participants in the planning.

- . It has been suggested that previous estimates of a stock issue were understated and that \$2 million was a realistic figure.
- . Revised estimates of construction costs indicate that the Ambulatory Care Facility will cost about \$936,000.
- . The cost of the boiler plant has been estimated for these purposes to reach \$964,000.
- . Because of legal constraints, it has been assumed that the PC will use its equity funds for three purposes:
 - Construction and ownership of the ACF
 - Construction and ownership of the boiler plant
 - Purchase of the land
- . The PC will lease a portion of its land to the hospital corporation and will sell the hospital steam at a fair and equitable rate.

(2) It Has Been Estimated That Ten Physicians Will Be Practicing in the ACF Between 1975 and 1980

Ten physicians are expected to utilize the ACF, with seven full-time and three performing part-time duties.

- Four will be designated as chiefs of service.
- Four are expected to be full-time medical specialists, with two acting as primary care physicians and two functioning in medical sub-specialties.
- There is expected to be one specialist each in surgery, orthopedics, and pediatrics.

(3) A Compensation Mechanism Has Been Developed Based on Preliminary Conversations with the Physicians Involved

The details of the plan presented below represent only a first approximation of the final plan to be offered. However, they are listed to provide a basis for discussion and to allow sensitivity analysis to be performed on changes in the plan.

- Chiefs of service will be paid a base salary of \$35,000 and associated physicians a base of \$25,000.
- All members of the group will receive fringe benefits totalling approximately \$5,000 per year. Included will be:
 - A \$100,000 life insurance policy
 - Hospitalization insurance
 - Corporate contributions to a retirement fund in amounts equal to 10% of salary with full vesting after five years
 - An educational travel allowance of \$1,000 annually
 - Four weeks vacation
 - Ten paid holidays
 - Reasonable personal leave time
 - Paid sick leave

All fees generated by the physician would be recognized as corporate income.

After all expenses (including depreciation) have been met, and after any subsidy payments have been made to the hospital, any remaining surplus generated will be distributed among the members according to equitable method yet to be devised.

(4) Staffing of the ACF Has Been Projected Based on the Staffing of Similar Clinics Across the Nation

Staffing for the ACF has been projected based on data collected by the American Medical Association and the Medical Group Management Association. The general category which all data pertains to is multi-specialty groups of between eight and fifteen members.

The following are national ratios of allied health personnel per physician used in projecting staffing in the ACF:

<u>Category</u>	<u>Ratio/ Physician</u>
- Registered nurses	.4
- Licensed practical nurses and other nursing personnel	.4
- Laboratory technicians	.3
- X-ray technicians	.2
- Other technical personnel	.2
- Administrative and office personnel	<u>1.2</u>
- Total	2.7*

*Source: American Medical Association

Based on the ratios listed and on the services to be offered in the ACF, the following personnel needs have been projected:

	<u>Category</u>	<u>Number</u>
-	Nursing staff (all levels)	7.0
-	Technicians	2.0
-	Administrative and office personnel	<u>9.0</u>
-	Total	18.0

In projecting of personnel needs, it has been assumed that all radiology and most laboratory procedures will be referred to the hospital.

(5) Based on Projected Staffing, Expenses for the ACF Have Been Estimated at \$493,000 and Income at \$550,000 in 1975

Projections of income and expense for the ACF are shown in Exhibit I, following this page.

Professional compensation, about 60% of all expenses, was projected using estimates previously discussed.

- Four chiefs of service at \$40,000 per year
- Three other full-time practitioners at \$30,000 per year
- Three other half-time sub-specialists at \$15,000 per year.

Salaries of nursing and support personnel have been projected on the same basis as were similar hospital staff.

Depreciation on plant and equipment was taken to allow for adequate future replacement and renovation.

Projected professional fees were derived in an artificial manner which estimated weekly income by specialty and then annualized based on 45 work weeks per year.

- Fees include all those generated at the hospital as well as those generated at the ACF.

EXHIBIT I

Hilton Head Island Hospital Center

PROJECTIONS OF FINANCIAL OPERATIONS OF
PHYSICIAN CORPORATION, 1975

(Dollars in Thousands)

Income

•	Professional Fees		
-	Surgeon	\$110	
-	Orthopod	100	
-	Internist with Sub-Specialty (2)	110	
-	Internists and Family Practitioners (2)	80	
-	Pediatrician	40	
-	Part-time Specialists (3)	<u>80</u>	
•	Total		\$520
•	Miscellaneous Income		
-	Sale of steam	\$ 20	
-	Rental of air space	<u>10</u>	
•	Total		<u>30</u>
	Total Income		<u>\$550</u>

Expenses

•	Professional Compensation	\$295	
•	Nursing and Ancillary Personnel	65	
•	Administrative Personnel	65	
•	Office Expenses	10	
•	Medical Supplies	25	
•	Depreciation	<u>33</u>	
•	Total		<u>\$493</u>
	Surplus for Distribution (Before Taxes)		<u>\$ 57</u>

Source: American Medical Association and Pooz, Allen and Hamilton Estimates.

- Weekly gross income projections are shown below:

- .. Surgery--\$2,500
- .. Orthopedics--\$2,200
- .. Medical sub-specialists--\$1,200
- .. Primary care physician--\$900
- .. Pediatrician--\$900
- .. Part-time specialists--\$600

- Part-time specialists were estimate to devote 50% of their time to their practice in the ACF.

. Preliminary translations of weekly income into volumes of service and fees are shown in Exhibit II, following this page.

. All translations assume 40 productive hours per week and 15 productive minutes per patient in the office.

2. ORGANIZING THE HOSPITAL AS A NON-PROFIT CORPORATION
ALLOWS THE PROJECT TO REMAIN FINANCIALLY FEASIBLE

Because a non-profit organizational framework gives the hospital many financial advantages unavailable under alternative arrangements, its feasibility was examined first. This was done to assure that under the best financial conditions the project remained financially feasible.

(1) Non-Profit Status Allows the Hospital to Market Tax-Exempt
Revenue Bonds

Money market conditions continue to remain in flux. However, funds borrowed under tax-exempt status will always be lended at a rate lower than the taxable rate.

EXHIBIT II

Hilton Head Island Hospital Center

PRELIMINARY TRANSLATION OF TOTAL FEE
INCOME INTO PROJECTIONS OF VOLUME AND
FEES FOR SERVICE

Specialty	Income	Daily Volumes			Average Fees		
		Office Visits	Hospital Patients	Operations/ Consults	Office Visits	Hospital Visits	Operations/ Consults
Surgery	\$ 500	16	4	1	\$ 15	\$ 5	\$240
Orthopedics	440	20	2	0.5	15	5	260
Medical Sub-Specialty	240	24	5	1	8	5	25
Family Practitioners	180	28	4	-	6	4	-
Pediatricians	180	24	2	0.5	7	5	25
Part-time Specialists	120*	8	-	1	12	-	25

* Half-Day Income

Source: Booz, Allen And Hamilton Estimates.

- . Current estimates from investment bankers put the rate for revenue bonds near 6.5%.
- . Several major underwriters have a policy of not dealing in proprietary hospital issues and thus a non-profit entity may have greater marketability.

(2) A Non-Profit Hospital Can Be Expected to Draw Significant Financial Support from the Community

A non-profit or voluntary hospital connotes an image of community service much more readily than a for-profit hospital.

- . Fund-raising drives connected with proprietary hospitals are not usually successful due to the fact that most people feel that the owners are just seeking free capital with which to lever their own venture capital.
- . Successful building fund drives can generate substantial savings to the hospital in terms of interest costs and other related financing charges. These are passed on to the consumer in the format of lower per diem charges.
- . Exhibit III illustrates the effect of a successful fund drive on the Hilton Head financing costs, yearly debt service, and per diem cost.
- . A \$1,000,000 contribution from the community would reduce the size of the bond issue by \$1,237 due to a reduction of associated financing costs.
- . Other benefits which would accrue from such a fund-raising drive include:
 - A reduction of annual debt service by \$95,000
 - Elimination of a contribution from the physician group
 - A reduction of almost \$7.00 in the average daily charge to patients
 - A slight increase in the coverage ratio

EXHIBIT III

Hilton Head Island Hospital Center

THE EFFECT OF COMMUNITY CONTRIBUTIONS
ON HOSPITAL FINANCIAL OPERATIONS

(Dollars in Thousands)

	<u>No Community Contributions</u>	<u>\$1,000,000 Community Contribution</u>	<u>Difference</u>
Size of Bond Issue	\$ 7,832	\$ 6,595	\$ (1,237)
Total, Interest Cost First Year	\$ 509	\$ 429	(80)
Total Debt Service	\$ 603	\$ 508	(95)
Physician Corporation Contribution	\$ 50	-	(50)
Debt Service per Patient Day -- First Year (Not in Thousands)	\$ 51.89	\$ 43.73	(8.16)
Average Charge per Patient Day -- First Year (Not in Thousands)	\$161.47	\$154.53	(6.94)
Debt Service Coverage Ratio	1.43	1.45	0.02

Source: Loan, Allen, And Hamilton Estimates.

Continuing community support both through volunteer work and additional donations are also more likely to inure to a voluntary hospital than to a proprietary hospital.

(3) Projections of Project Cost Indicate That Completely Finishing the Third Floor is the Lower Cost Alternative

The costs of finishing the third floor (Alternative A) or merely shelling (Alternative B) are shown in Exhibit IV, following this page.

Alternative A has facilities costs of \$461,000 or about 5% lower than Alternative B. Sources for the disparity include:

- A premium of \$125,000 added to finishing cost to compensate for difficulties of finishing in an operating building and for returning for such a small job.
- The escalation factor of 10% per year added to both building and equipment costs.

Total capitalized financing costs are lower by more than \$100,000 or 7% of total financing costs.

The total proceeds necessary for Alternative A are \$564,000 less than Alternative B.

(4) Projections of Income and Expense Indicate that Alternative B Is More Economically Viable

Projections of income and expense were completed for both alternatives and are shown in Exhibits V (A) & (B). Due to existing reimbursement policies, Alternative B, while slightly more expensive, is also more feasible financially.

EXHIBIT IV

Hilton Head Island Hospital Center

COMPARISON OF PROJECT COSTS, BOND ISSUE SIZES, AND
SOURCES OF FUNDS

	Alternative A	Alternative B		Total
	One Phase	Phase I	Phase II	
<u>Facilities Costs</u>				
. Hospital (1st and 2nd Floors)	\$5,785	\$5,785	-	\$5,785
. Third Floor Nursing Unit (Complete)	1,431	536	\$1,356	1,892
. Boiler Plant (Estimated)	964	964	-	964
. Ambulatory Center	936	936	-	936
	<u>\$ 9,116</u>	<u>\$8,221</u>	<u>\$1,356</u>	<u>\$ 9,577</u>
<u>Initial Expenditures</u>				
. Land	\$ 100	\$ 100	-	\$ 100
. Working Capital	238	238	-	238
. Pre-Operating Costs	100	100	-	100
	<u>438</u>	<u>438</u>	<u>-</u>	<u>438</u>
<u>Associated Financing Costs</u>				
. Interest During Construction (Net)	356	310	41	351
. Bond Discount	226	200	41	241
. Debt Service Reserve Fund	654	603	124	727
. Legal Fees	30	30	20	50
. Printing, Rating Service and Miscellaneous Fees	30	30	30	60
	<u>1,326</u>	<u>1,173</u>	<u>256</u>	<u>1,429</u>
Total Uses of Funds	<u>\$10,880</u>	<u>\$9,832</u>	<u>\$1,612</u>	<u>\$11,444</u>
<u>Sources of Funds</u>				
. Stock Issue -- Doctor's Corporation	\$2,000	\$2,000	-	
. Bond Issue -- Hospital Corporation	<u>8,880</u>	<u>7,832</u>	<u>\$1,612</u>	
Total Proceeds	<u>\$10,880</u>	<u>\$9,832</u>	<u>\$1,612</u>	<u>\$11,444</u>

Source: Booz, Allen And Hamilton and Hospital Architects.

EXHIBIT V (A)

Hilton Head Island Hospital Center

PROJECTED INCOME AND EXPENSE, 1975-1980

(Dollars in Thousands)

	1975	1976	1977	1978	1979	1980
Beds Available	40	40	40	80	80	80
Projected Patient Days	10,600	12,250	14,250	16,580	19,350	22,570
Occupancy	72.0%	83.9%	97.0%	86.8%	66.3%	77.3%
Diagnostic Outpatient Visits	3,600	4,200	4,500	5,100	5,400	6,000
Emergency Room Visits	2,600	3,000	3,500	4,100	4,800	5,600
Average Charge Per Patient Day (Not in Thousands)	\$161.45	\$144.82	\$130.25	\$156.15	\$139.64	\$124.90
Average Charge Per Outpatient Visit (Not in Thousands)	26.45	23.61	20.88	26.52	24.90	23.45
Gross Patient Revenue	\$ 1,875	\$ 1,944	\$ 2,023	\$ 2,333	\$ 2,956	\$ 3,091
Less: Allowances, Adjustments and Bad Debts	94	97	101	142	148	155
Net Patient Revenue	1,781	1,847	1,922	2,691	2,808	2,936
Supplemental Revenue	200	200	200	150	150	150
Total Revenue from all Sources	\$ 1,981	\$ 2,047	\$ 2,122	\$ 2,841	\$ 2,958	\$ 3,086
Variable Cost Per Patient Day (Not in Thousands)	\$ 12.15	\$ 12.45	\$ 12.77	\$ 13.08	\$ 13.41	\$ 13.75
Variable Cost Per Outpatient Visit (Not in Thousands)	2.25	2.31	2.36	2.42	2.48	2.55
Fixed Costs of Operation	\$ 876	\$ 920	\$ 966	\$ 1,524	\$ 1,600	\$ 1,680
Variable Costs of Operation	143	169	201	239	285	340
Depreciation	257	257	257	317	317	317
Interest	468	462	457	555	547	538
Total Operating Expenses	\$ 1,744	\$ 1,808	\$ 1,881	\$ 2,635	\$ 2,749	\$ 2,875
Net Income	\$ 237	\$ 239	\$ 241	\$ 206	\$ 209	\$ 211
Add: Depreciation	257	257	257	317	317	317
Add: Interest	468	462	457	555	547	538
Total Available for Debt Service	\$ 962	\$ 958	\$ 955	\$ 1,078	\$ 1,073	\$ 1,066
Debt Service Payment	684	684	684	684	684	684
Funds Available After Debt Service	\$ 278	\$ 274	\$ 271	\$ 394	\$ 389	\$ 382
Number of Times Debt Service Covered	1.41	1.40	1.40	1.58	1.57	1.56

Source: Booz, Allen And Hamilton Estimates.

EXHIBIT V (B)

Hilton Head Island Hospital Center

PROJECTED INCOME AND EXPENSE, 1975-1980

(Dollars in Thousands)

	1975	1976	1977	1978	1979	1980
Beds Available	40	40	40	50	80	80
Projected Patient Days	10,600	12,250	14,250	16,580	19,350	22,570
Occupancy	72.0%	83.9%	97.0%	56.8%	66.3%	77.3%
Diagnostic Outpatient Visits	3,000	4,200	4,500	5,100	5,400	6,000
Emergency Room Visits	2,600	3,000	3,500	4,100	4,800	5,000
Average Charge Per Patient Day (Not in Thousands)	\$161.47	\$144.80	\$130.25	\$159.79	\$142.60	\$127.43
Average Charge Per Outpatient Visit (Not in Thousands)	26.45	23.70	20.88	27.17	25.40	23.97
Gross Patient Revenue	\$ 1,876	\$ 1,946	\$ 2,023	\$ 2,809	\$ 3,021	\$ 3,159
Less: Allowances, Adjustments and Bad Debts	94	97	101	145	151	158
Net Patient Revenue	1,782	1,849	1,922	2,744	2,870	2,996
Supplemental Revenue	100	100	100	100	100	100
Total Revenue From all Sources	\$ 1,882	\$ 1,949	\$ 2,022	\$ 2,844	\$ 2,970	\$ 3,096
Variable Cost Per Patient Day (Not in Thousands)	\$ 12.15	\$ 12.45	\$ 12.77	\$ 13.08	\$ 13.41	\$ 13.75
Variable Cost Per Outpatient Visit (Not in Thousands)	2.25	2.31	2.36	2.42	2.48	2.55
Fixed Costs of Operation	\$ 876	\$ 920	\$ 966	\$ 1,524	\$ 1,600	\$ 1,680
Variable Costs of Operation	143	169	201	239	285	340
Depreciation	258	258	258	338	338	338
Interest	468	463	456	495	586	576
Total Operating Expenses	\$ 1,745	\$ 1,810	\$ 1,881	\$ 2,696	\$ 2,809	\$ 2,934
Net Income	\$ 137	\$ 139	\$ 141	\$ 148	\$ 161	\$ 162
Add: Depreciation	258	258	258	338	338	338
Add: Interest	468	463	456	495	586	576
Total Available for Debt Service	\$ 863	\$ 860	\$ 855	\$ 1,081	\$ 1,085	\$ 1,076
Debt Service Payment	603	603	603	727	727	727
Funds Available After Debt Service	\$ 260	\$ 257	\$ 252	\$ 354	\$ 358	\$ 349
Number of Times Debt Service Covered	1.43	1.43	1.42	1.49	1.49	1.48

Source: Booz, Allen And Hamilton Estimates.

- . Debt service under Alternative B would equal \$719,000 per year under commercial financing compared with \$603,000 under tax-exempt financing.
- . Interest costs under Alternative B would be \$630,000 as compared with \$509,000, a 20% difference.
- . Differences in interest costs would raise the hospital's per diem by about \$10.39 in 1975.
- . Because commercial loans inflate the per diem costs beyond limits acceptable to reimbursement agencies, alternatives considering this method of financing were not projected in detail.

(2) Leasing of All Medical Equipment May Allow the Use of Tax-Exempt Industrial Revenue Bonds, But Will Raise Per Diem Rates Beyond Acceptable Limits

Several hospital leasing firms were contacted to gather information concerning details of medical equipment leasing.

- . If all equipment were leased; and if the stock issued covered working capital, land, the ACF, and the boiler plant; then the hospital could qualify for a tax-exempt bond issue.
- . Most of the firms contacted could not be specific in their evaluation of lease terms without a detailed evaluation of a prospective equipment list. Among factors affecting the rate are:
 - Risk of obsolescence
 - Probable resale value
 - Market factors

. While only one firm would give an estimate of the probable rates, all indicated that they were premiums above the money market rate.

- One figure quoted was 4% over prime.
- All indicated that fluctuations would continue.

. With a markup on depreciation substantially over the prime rate, per diem rates would rise above levels projected, again making feasibility more questionable.

HILTON HEAD ISLAND HOSPITAL CENTER
HILTON HEAD ISLAND, SOUTH CAROLINA

August 1, 1973
SCHEME "4A"

HOSPITAL

1st Floor = 35,622 Sq. Ft.
2nd Floor = 33,160 Sq. Ft.
3rd Floor = 17,876 Sq. Ft.

Sub-Total = 86,658 Sq. Ft.

Boiler Plant = 8,000 Sq. Ft.
Penthouses = 7,600 Sq. Ft.

Sub-Total = 15,600 Sq. Ft.

Total = 102,258 Sq. Ft.

102,258 Sq. Ft. x 60/Sq. Ft. = \$6,135,480.00

AMBULATORY CENTER

Total = 14,384 Sq. Ft. x 45/Sq. Ft. = 647,280.00

GRAND TOTAL = 116,642 Sq. Ft. x 20/Sq. Ft. = 2,332,840.00

TOTAL PROJECT COST = \$9,115,600.00

SCHEME "4B"

3rd Floor Shelled 17,876 Sq. Ft. x 30/Sq. Ft. = - \$ 536,280.00

PROJECT COST REDUCTION WITH 3rd FLOOR SHELLED = \$8,579,320.00

EXHIBIT II
FEB. 26, 1974

*Putnam
with the city*



BOARD MEMBERS

- Lachlan L. Hyatt, Chairman
- William M. Wilson, Vice-Chairman
- I. DeQuincey Newman, Secretary
- W. A. Barnette, Jr.
- Caroline G. Newhall
- C. M. Shiver, Jr.
- J. Howard Stokes, M.D.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

E. KENNETH AYCOCK, M.D., M.P.H., COMMISSIONER
 J. MARION SIMS BUILDING — 2600 BULL STREET
 COLUMBIA, SOUTH CAROLINA 29201

February 6, 1974

Mr. P. C. Smith
 State Auditor
 P. O. Box 11333
 Columbia, South Carolina 29211

Dear Mr. Smith:

Pursuant to the directions of the Budget and Control Board relative to the request by Chem-Nuclear Services refunding of their \$20,000.00 bond; subject refunding was contingent upon Chem-Nuclear Services presenting to this Department their specific plans for decommissioning of the site, and this Department initiating an economic assessment of the cubic foot demurrage charge.

Both of the above criteria have been met satisfactorily. Please be advised that we can support Chem-Nuclear Services' request for refund, and recommend to the Board that such request be granted.

Sincerely,

L. E. Priester, Jr., Ph.D.
 Deputy Commissioner
 Environmental Health and
 Safety

LEP/sc

cc: Heyward Shealy, Director
 Div. of Radiological Health

Henry Schultze, Ph.D.
 Vice President, Chem-Nuclear
 Systems, Inc.

*Adm. meeting
2/26*



*EXHIBIT III
FEB. 26, 1974*

UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

DIVISION OF BUSINESS AFFAIRS

February 8, 1974

Mr. William T. Putnam
Assistant State Auditor
P. O. Box 11333
Columbia, South Carolina 29211

Dear Bill:

The University of South Carolina has for some time conducted a prestigious geological study in Morocco and Tunisia and is presently negotiating agreements with Egypt. These projects are funded by the National Science Foundation, a Federal agency. About 90% of these funds are from the excess foreign currency program, commonly called "impounded funds." The funds, although U.S. owned, are not permitted to leave the foreign country and must be expended within the country.

Expenditures and accounting are handled by a University administrator residing in Morocco.

Although the bulk of the travel to and from these countries is done during the summer, there is a significant amount done by faculty, post-doctoral research associates and occasionally graduate students during the academic year.

The travel performed is in accordance with the grant terms and University policies are adhered to.

Travel costs are paid in foreign currency. This is done by having the ticket ordered and paid for by our administrator in North Africa, but having the ticket issued by the airline company in the United States. The airline actually bills our project office in Morocco and accepts payment there in Moroccan currency.

Since there are no funds to be accounted for in the University accounting system, and since the travel will become extensive, we are wondering if travel involved in the North Africa projects might have blanket State Budget and Control Board approval. At any time domestic U.S. dollars are used we would, of course, follow the established policy of prior approval on each individual separately.

Sincerely yours,

B. A. Daetwyler
Associate Vice President
for Finance

BD:11

1135

cc: Mr. H. Brunton
Dr. A. Riley Macon



EXHIBIT II
FEB. 26, 1974

UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

2-12-74

Office of the Treasurer

TO: William T. Putnam
FROM: Joseph Jones *BJ*
SUBJECT: Foreign Travel Approval

Attached is a travel authorization request No. 38898
dated Jan. 24, 1974 covering foreign travel to Toronto, Canada.
by Robert V. Todd & Robert C. Alexander.

Will you please submit this request to the Budget and
Control Board for approval.

Green Accounting Dept. Copy
 Yellow Department Approved Copy
 Pink Department File Copy

UNIVERSITY OF SOUTH CAROLINA
 TRAVEL AUTHORIZATION FORM

TA No. **N^o 38898**

Date JANUARY 24, 1974
 Mo. Day Yr.

SECTION I

Requested by ROBERT K. TODD, ROBERT E. ALEXANDER & Dept. RUSSELL HOUSE UNIV. UNION
 Name of Traveler (if more than one person, see reverse side of pink copy for instructions) Name

For the purpose of Attending ACU-I

Duration of trip: From MARCH 24, 1974 8:00 a.m. To: MARCH 28, 1974 10:00 p.m.
 Mo. Day Yr. Mo. Day Yr.

Destination of Trip TORONTO, CANADA

Does this authorization supersede a previously approved trip? no If so, give TA. No. _____

SECTION II

Method of Travel

Common Carrier

Bus

Plane

Railroad

Other

Personal Vehicle

University Vehicle

Other - Explain _____

State of South Carolina regulations provide "that in traveling on business of the University, Faculty, and Staff are required to use the most economical mode of transportation". Please refer to the policies and procedures manual for the maximum travel expenses allowed.

Approval Subject To The Following

Full Reimbursement

Transportation

Subsistence only

Other or % _____

SECTION III

Estimated Cost

Transportation (Do not include USC Vehicle) 355.72

Subsistence 4 days @25.00=100.00 X 2 people 200.00

Taxi 15.00

*Other Expenses \$15.00 tips, fare, etc. 15.00

Estimated Total Cost 570.72

*Explain _____

SECTION IV

Account(s) to be charged (see reverse side of pink copy for instructions)

Dept.	Fund	Class	Analytical	Amount
41000	A000	52024		285.36
46000	A000	52024		285.36

SECTION V

Approved

Robert K. Todd

Dept. Head

January 29, 1974

Date

[Signature]
 Dean, V. P. or Provost

2/7/74
 Date

If trip plans are altered after submission of this form, the Treasurer's Office must be notified.

The Travel Expense Voucher for reimbursement should be submitted within seven (7) days after return to campus.

The University reserves the right not to reimburse expenditures without receipts. Be sure to obtain receipts whenever practical.

TREASURER'S OFFICE USE ONLY

Amount or Date Paid
 P
 C
 Common Carrier \$
 Lodging, Meals or Other
 Total \$ _____



UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

Office of the Treasurer

TO: William T. Putnam
FROM: Joseph Jones
SUBJECT: Foreign Travel Approval

Attached is a travel authorization request No. 06886
dated 2-6-74 covering foreign travel to Tokyo, Japan
by Norimitsu Watabe.

Will you please submit this request to the Budget and
Control Board for approval.

1138

Green Accounting Dept. Copy
 Yellow Department Approved Copy
 Pink Department File Copy

UNIVERSITY OF SOUTH CAROLINA
 TRAVEL AUTHORIZATION FORM

TA No. **06886**

Date 2 6 74
 Mo. Day Yr.

SECTION I

Requested by Norimitsu Watabe Dept. Electron Microscope Lab
 Name of Traveler (if more than one person, see reverse side of pink copy for instructions) Name

For the purpose of To attend 4th International Conference on Crystal Growth to be held in Tokyo, Japan and give an invited talk entitled "Crystal Growth of Calcium Carbonate in Biological Systems"

Duration of trip: From March 22 1974 To: April 7 1974
 Mo. Day Yr. Mo. Day Yr.

Destination of Trip Tokyo Japan

Does this authorization supersede a previously approved trip? NO If so, give TA. No. _____

SECTION II

Method of Travel
 Common Carrier
 Bus
 Plane
 Railroad
 Other
 Personal Vehicle
 University Vehicle
 Other - Explain _____

State of South Carolina regulations provide "that in traveling on business of the University, Faculty, and Staff are required to use the most economical mode of transportation". Please refer to the policies and procedures manual for the maximum travel expenses allowed.

Approval Subject To The Following

Full Reimbursement
 Transportation
 Subsistence only
 Other or % _____

SECTION III

Estimated Cost	AMOUNT
Transportation (Do not include USC Vehicle)	\$1,066.20
Subsistence	
*Other Expenses	34.00
Estimated Total Cost	\$1,100.20

*Explain Registration Fee

SECTION IV

Account(s) to be charged (see reverse side of pink copy for instructions)

Dept.	Fund	Class	Analytical	Amount
21800	F101	52024		\$1,100.20

SECTION V

Approved Norimitsu Watabe February 6, 1974
 Dept. Head Date
W. P. or Provost 2-7-74
 Dean, V. P. or Provost Date

If trip plans are altered after submission of this form, the Treasurer's Office must be notified.

The Travel Expense Voucher for reimbursement should be submitted within seven (7) days after return to campus.

The University reserves the right not to reimburse expenditures without receipts. Be sure to obtain receipts whenever practical.

TREASURER'S OFFICE USE ONLY

Amount	P or C	Date Paid
Common Carrier \$	<input type="checkbox"/>	
Lodging, Meals or Other	<input type="checkbox"/>	
Total \$		



UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

2-20-74

Office of the Treasurer

TO: William T. Putnam
FROM: Joseph Jones *JJO*
SUBJECT: Foreign Travel Approval

Attached is a travel authorization request No. 31135
dated Feb. 15, 1974 covering foreign travel to Montreal, Canada
by Dr. Sarah Wise.

Will you please submit this request to the Budget and
Control Board for approval.

Green Accounting Dept. Copy
 Yellow Department Approved Copy
 Pink Department File Copy

UNIVERSITY OF SOUTH CAROLINA
 TRAVEL AUTHORIZATION FORM

TA No. **N^o 31135**

Date February 15, 1974
 Mo. Day Yr.

SECTION I

Requested by Dr. Sarah Wise Dept. Commercial Education
 Name of Traveler (if more than one person, see reverse side of pink copy for instructions) Name

For the purpose of attending International Marketing Conference of the American Marketing Association

Duration of trip: From April 15, 1974 To: April 18, 1974
 Mo. Day Yr. Mo. Day Yr.

Destination of Trip Montreal, Canada

Does this authorization supersede a previously approved trip? No If so, give TA. No. _____

SECTION II
 Method of Travel
 Common Carrier
 Bus []
 Plane
 Railroad []
 Other
 Personal Vehicle []
 University Vehicle []
 Other - Explain _____

State of South Carolina regulations provide "that in traveling on business of the University, Faculty, and Staff are required to use the most economical mode of transportation". Please refer to the policies and procedures manual for the maximum travel expenses allowed.

Approval Subject To The Following
 Full Reimbursement []
 Transportation []
 Subsistence only []
 Other or % _____

SECTION III Estimated Cost	AMOUNT
Transportation (Do not include USC Vehicle)	\$180.94
Subsistence	\$100.00
*Other Expenses	\$135.00
Estimated Total Cost	\$415.94

*Explain Registration Fee, \$115.00; Tips, Limousine Service, \$20.00.

SECTION IV
 Account(s) to be charged (see reverse side of pink copy for instructions)

Dept.	Fund	Class	Analytical	Amount
14000	A000	52024		415.94

SECTION V
 Approved

Dept. Head H. E. Varnum Date 2-18-74
 Dean, V. P. or Provost Date

If trip plans are altered after submission of this form, the Treasurer's Office must be notified.

The Travel Expense Voucher for reimbursement should be submitted within seven (7) days after return to campus.

The University reserves the right not to reimburse expenditures without receipts. Be sure to obtain receipts whenever practical.

TREASURER'S OFFICE USE ONLY		
Amount	P or C	Date Paid
Common Carrier \$	<input type="checkbox"/>	
Lodging, Meals or Other	<input type="checkbox"/>	
Total \$		

Putnam



BOARD MEMBERS

Lachlan L. Hyatt, Chairman
William M. Wilson, Vice-Chairman
I. DeQuincey Newman, Secretary
W. A. Barnette, Jr.
Caroline G. Newhall
C. M. Shiver, Jr.
J. Howard Stokes, M.D.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL

E. KENNETH AYCOCK, M.D., M.P.H., COMMISSIONER
J. MARION SIMS BUILDING — 2600 BULL STREET
COLUMBIA, SOUTH CAROLINA 29201

February 21, 1974

*Foreign Travel
Pub. mty 2/26/74*

Mr. Pat C. Smith, Secretary
State Budget and Control Board
P.O. Box 11333
Columbia, SC 29211

Dear Pat:

We would like to request permission from the Budget and Control Board to allow out of the country travel for Ms. Lee Stang. Ms. Stang is Director of Physical Therapy for our Home Health Services Division and she would be attending the World Confederation for Physical Therapy, Seventh International Congress, being held June 13-22, 1974, in Montreal, Canada. This travel would be in lieu of attendance at the usual annual national conference.

The annual conference of the American Physical Therapy Association will not be held in the United States this year because of the World Confederation for Physical Therapy, Seventh International Congress, being held in Montreal and many physical therapists from the United States are expected to attend.

We feel that it is important that Ms. Stang represent the Agency at the Congress and it is expected that short and long term benefits would accrue from this.

Your early consideration of this request will be appreciated. If additional information is needed, please let us know.

Sincerely,

E. Kenneth Aycock, M.D., M.P.H.
Commissioner

erc

Outgoing

CLEMSON UNIVERSITY
CLEMSON, SOUTH CAROLINA 29631

OFFICE OF THE PRESIDENT

February 21, 1974

*Foreign Grant
and mty 2/26/74*

Mr. P. C. Smith
Secretary
State Budget and Control Board
Post Office Box 11333
Columbia, South Carolina 29211

Dear Mr. Smith:

Dr. Tah-teh Yang, Professor of Mechanical Engineering, is requesting permission to attend the International Gas Turbine Conference to be held between March 29 and April 5, 1974 in Zurich, Switzerland. Of the estimated cost of \$600 in making this trip, \$400 would be paid by University funds.

Dr. Yang will illustrate the capabilities and keen interest of Clemson University in the area directly related to the gas turbine industry and it is our opinion that it would be in the best interests of Clemson University and the State of South Carolina for Dr. Yang to attend this meeting.

We respectfully request approval of this trip to Switzerland on the part of the State Budget and Control Board.

Sincerely yours,

Robert C. Edwards
Robert C. Edwards
President

RCE:ak

STATE OF SOUTH CAROLINA
 PERMANENT IMPROVEMENT FUNDS
 1968 - 1973

Agency	Act 1377, Acts of 1968	Act 349, Acts of 1969	Act 452, Acts of 1969	Act 456, Acts of 1970	Act 1272, Acts of 1970	Act 410, Acts of 1971	Act 1555, Acts of 1972	Act 354, Acts of 1973	Bond Total	Direct Appropriation	Total
Adjutant General						225 000			225 000	143 000	368 000
Aeronautics Commission					408 500			1 400 000	1 808 500	893 379	2 701 879
Agriculture Department								300 000	300 000	26 500	326 500
Archives & History										50 000	50 000
Blind, Commission for							35 000	2 536 000	2 571 000		2 571 000
Budget and Control Board	11 000 000				8 360 000	300 000		11 300 000	30 960 000	437 147	31 397 147
Charleston, College of						5 785 000	5 182 200	6 482 000	17 449 200		17 449 200
Citadel, The							3 000 000		3 000 000	633 044	3 633 044
Clemson University					13 452 000		2 675 000		16 127 000	8 611 000	24 738 000
Corrections, Dept. of					11 115 000			1 332 000	12 447 000	7 818 000	20 265 000
Criminal Justice Academy					1 140 000				1 140 000		1 140 000
Deaf and Blind School					1 216 000		1 100 000		2 316 000	3 400 000	5 716 000
Education, Dept. of										2 000 000	2 000 000
Vocational Education		1 060 000			1 282 500		3 300 000	11 814 000	17 456 500	1 000 000	18 456 500
Educational Television							3 600 000	6 574 000	10 174 000	200 000	10 374 000
Employment Security Comm.								4 000 000	4 000 000		4 000 000
Francis Marion College					4 645 500	4 350 000	3 125 000	3 105 000	15 225 500		15 225 500
Highway Department					95 000			500 000	500 000	1 095 000	1 095 000
John de la Howe School	700 000							925 000	1 625 000	350 000	1 975 000
Lander College								2 700 000	2 700 000	125 000	2 825 000
Medical University					3 961 500		500 000	13 441 000	23 902 500		23 902 500
*Mental Health Comm. (fees)	15 882 384								15 882 384		15 882 384
*Mental Health Comm. (appn)								400 000	400 000	6 000 000	6 400 000
*Mental Retardation (fees)	3 900 550								3 900 550		3 900 550
*Mental Retardation (appn)					1 900 000			6 420 000	8 320 000		8 320 000
Opportunity School	1 500 000								1 500 000	80 000	1 580 000
Parks, Recreation, Tourism	6 249 000				2 683 750		196 000	2 500 000	11 628 750	2 913 000	14 541 750
Ports Authority				8 500 000	31 350 000				39 850 000		39 850 000
Public Railways Comm.								500 000	500 000		500 000
State College	4 500 000				3 800 000		1 360 000	300 000	9 960 000	1 650 000	11 610 000
Technical Education		300 000	500 000		3 154 000	80 500		7 898 000	11 932 500	1 000 000	12 932 500
Tricentennial Commission	6 600 000								6 600 000		6 600 000
University of South Carolina					20 947 500		2 800 000		23 747 500	8 700 000	32 447 500
Vocational Rehabilitation										100 000	100 000
Wildlife and Marine Resources					570 000			4 010 000	4 580 000		4 580 000
Winthrop College					712 500			400 000	1 112 500		1 112 500
Youth Services					1 173 250		3 000 000	1 000 000	5 173 250		5 173 250
Refunding State Notes	15 940 000								15 940 000		15 940 000
Total	72 271 934	1 360 000	500 000	8 500 000	111 967 000	10 740 500	31 298 200	88 912 000	325 549 634	46 130 070	371 679 704
Less:									189 380 000		
Bonds Issued									4 916 649	194 296 649	
Paid From General Fund										131 252 985	
Approved But Not Issued											
Issues Required To Meet Agency Needs											
1974-75									77 061 761		
1975-76									34 275 539		
1976-77									19 915 685		
Total Approved But Not Issued										131 252 985	

*The Mental Health Commission and the Commission of Mental Retardation have two categories of Capital Improvement Bonds; those repaid from patient fees and those repaid through current appropriations.

**Certain Capital Improvement Bond Anticipation Notes were repaid with Current appropriations thereby reducing the amount of bonds which must be issued.

EXHIBIT II
FEB. 26, 1974

AGENCY SUMMARY

PROPOSED PERMANENT IMPROVEMENTS

(NOT YET ACTED UPON)

<u>Agency</u>	<u>Agency Requests</u>	<u>Recommended By Governor</u>	<u>Total</u>
1. Attorney General's Office	\$ 201 185	\$ -0-	\$ 201 185
2. Adjutant General's Office	205 000	-0-	205 000
3. University of South Carolina	21 450 000	-0-	21 450 000
4. Clemson University (Education & Gen)	7 127 000	-0-	7 127 000
5. Medical University	16 500 000	-0-	16 500 000
6. The Citadel	1 537 140	-0-	1 537 140
7. Winthrop College	640 000	-0-	640 000
8. Francis Marion College	680 000	-0-	680 000
9. College of Charleston	4 360 000	-0-	4 360 000
10. Lander College	6 750 000	-0-	6 750 000
11. Department of Education	150 000	2 000 000	2 150 000
12. State Bd. for Technical & Com- prehensive Ed.	-0-	500 000	500 000
13. Opportunity School	175 000	-0-	175 000
14. Arts Commission	1 451 686	-0-	1 451 686
15. Dept. of Health & Environmental Control	24 272 250	378 000	24 650 250
16. Department of Mental Health	-0-	6 000 000	6 000 000
17. State Agency of Vocational Rehabilita- tion	-0-	1 000 000	1 000 000
18. Department of Corrections	-0-	8 600 000	8 600 000
19. State Commission of Forestry	180 000	-0-	180 000
20. Clemson University (Public Service Activities)	266 550	-0-	266 550
21. Department of Parks Recreation & Tourism	-0-	1 500 000	1 500 000
22. Aeronautics Commission	736 697	-0-	736 697
23. Clark's Hill Authority	2 000 000	-0-	2 000 000
24. State Highway Department	-0-	800 000	800 000
25. State Ports Authority	-0-	13 600 000	13 600 000
 Total	 <u>\$ 88 682 508</u>	 <u>\$ 34 378 000</u>	 <u>\$123 060 508</u>

PROPOSED PERMANENT IMPROVEMENTS

(NOT YET ACTED UPON)

<u>Agency/Project</u>	<u>Agency Requests</u>	<u>Recommended By Governor</u>	<u>Total</u>
1. <u>Attorney General's Office</u>	201 185	-0-	201 185
1. Office Repairs & Renovation	201 185	-0-	201 185
2. <u>Adjutant General's Office</u>	205 000	-0-	205 000
1. Const. of Armories - Andrews	100 000	-0-	100 000
2. Const. of Armories - McEntire ANG	105 000	-0-	105 000
3. <u>University of South Carolina</u>	21 450 000	-0-	21 450 000
1. Behavioral Science Center	6 000 000	-0-	6 000 000
2. Wardlaw Addition	2 500 000	-0-	2 500 000
3. Renovation: Horseshoe	2 500 000	-0-	2 500 000
4. Renovation: Barnwell, Davis, Hamilton Wardlaw, Engineering Bldgs.	2 150 000	-0-	2 150 000
5. Regional System: Spartanburg - Library	2 250 000	-0-	2 250 000
6. Regional System: Aiken - Student Center	700 000	-0-	700 000
7. Computer Replacement	1 600 000	-0-	1 600 000
8. Boiler - Chiller	750 000	-0-	750 000
9. Auditorium Complex - Supplement	3 000 000	-0-	3 000 000
4. <u>Clemson University</u>	7 127 000	-0-	7 127 000
1. Utilities Expansion, Phases 1 & 2	740 000	-0-	740 000
2. Post Office Building	147 000	-0-	147 000
3. Renovation: Cooper Library, Phase 2	450 000	-0-	450 000
4. Renovation: Sirrine Hall, Phase 1 & 2	1 000 000	-0-	1 000 000
5. Renovation: Tillman & Godfrey Halls	1 200 000	-0-	1 200 000
6. Renovation: Hardin Hall	390 000	-0-	390 000
7. Renovation: Plant & Animal Science, Phase 1	200 000	-0-	200 000
8. Renovation: Riggs Hall	425 000	-0-	425 000
9. Student Recreation & Intramural Athletic Fac.	500 000	-0-	500 000
10. Renovation: Brackett Hall	400 000	-0-	400 000
11. Renovation: Earle Hall, Phase 1	55 000	-0-	55 000
12. Renovation: Lowry Hall, Phases 1 & 2	150 000	-0-	150 000
13. Renovation: Olin Hall	70 000	-0-	70 000
14. Kinard Laboratory Addition	1 400 000	-0-	1 400 000
5. <u>Medical University</u>	16 500 000	-0-	16 500 000
1. Renovation - Hospital	6 000 000	-0-	6 000 000
2. Radiology, Laboratories, Clinical Science II	10 000 000	-0-	10 000 000
3. Renovation: College of Pharmacy	500 000	-0-	500 000
6. <u>The Citadel</u>	1 537 140	-0-	1 537 140
1. Capers Hall Addition	1 537 140	-0-	1 537 140

<u>Agency/Project</u>	<u>Agency Requests</u>	<u>Recommended By Governor</u>	<u>Total</u>
7. Winthrop College	640 000	-0-	640 000
1. Oakland Avenue Underpass	550 000	-0-	550 000
2. Outside Physical Education Areas	90 000	-0-	90 000
8. Francis Marion College	680 000	-0-	680 000
1. Campus Development	155 000	-0-	155 000
2. Supplement to Learning Center Authorization	255 000	-0-	255 000
3. Renovation: Rogers Library	270 000	-0-	270 000
9. College of Charleston	4 360 000	-0-	4 360 000
1. Fine Arts Center, First Increment	2 700 000	-0-	2 700 000
2. Central Maint. & Warehouse Facility	250 000	-0-	250 000
3. Central Energy Facility, Phase II	750 000	-0-	750 000
4. Outdoor Activities Facility	300 000	-0-	300 000
5. Faculty & Administrative Facilities	300 000	-0-	300 000
6. Botannical Greenhouse	60 000	-0-	60 000
10. Lander College	6 750 000	-0-	6 750 000
1. Student & Administrative Center	2 600 000	-0-	2 600 000
2. Classroom - Office Complex	3 000 000	-0-	3 000 000
3. Land Acquisition	800 000	-0-	800 000
4. Conversion of Existing Library	350 000	-0-	350 000
11. Department of Education	150 000	2 000 000	2 150 000
1. Equipment: Vocational School	-0-	500 000	500 000
2. Construction: Vocational School	150 000	1 000 000	1 150 000
3. Buses	-0-	500 000	500 000
12. Technical & Comprehensive Education	-0-	500 000	500 000
1. Equipment	-0-	500 000	500 000
13. Opportunity School	175 000	-0-	175 000
1. 8-Bed Infirmary	175 000	-0-	175 000
14. Arts Commission	1 451 686	-0-	1 451 686
1. Restoration of Atalaya Castle on Huntington Beach State Park for use as State Arts Center	836 686	-0-	836 686
2. Physical Plant for State Theater	615 000	-0-	615 000
15. Health & Environmental Control	24 272 250	378 000	24 650 250
1. State Park - Paint & Carpenter Shop	48 000	-0-	48 000
2. State Park - Paving	58 000	-0-	58 000
3. Const. & Equip. 12 District Health Centers	24 166 250	-0-	24 166 250
4. Lab. & Data Processing Equipment	-0-	236 000	236 000
5. Emergency Medical Services	-0-	142 000	142 000
16. Department of Mental Health	-0-	6 000 000	6 000 000
1. Additional Village (Treatment Facility)	-0-	6 000 000	6 000 000
17. Vocational Rehabilitation	-0-	1 000 000	1 000 000
1. Model Centers	-0-	1 000 000	1 000 000
18. Department of Corrections		8 600 000	8 600 000
1. Replacement of C. C. I. Facilities	-0-	7 500 000	7 500 000
2. Retire Debt on Laundry		1 100 000	1 100 000

<u>Agency/Project</u>	<u>Agency Requests</u>	<u>Recommended By Governor</u>	<u>Total</u>
19. Forestry Commission	180 000	-0-	180 000
1. Six Residences For Tower Operators	180 000	-0-	180 000
20. Clemson University (Public Svc. Activities)	266 550	-0-	266 550
1. Simpson Station: Greenhouse	50 000	-0-	50 000
2. Sandhill Station: Laboratory	25 000	-0-	25 000
3. Edisto Station: Office Space	60 000	-0-	60 000
4. Truck Station: Security Fencing	25 000	-0-	25 000
5. Earthen Ponds	5 000	-0-	5 000
6. Renovation: Newman Hall	50 000	-0-	50 000
7. Branch Exp. Stations: New & Expanded Programs	10 000	-0-	10 000
8. 4-H Camps: Camp Cooper	11 750	-0-	11 750
9. 4-H Camps: Camp Long	29 800	-0-	29 800
21. Parks, Recreation & Tourism	-0-	1 500 000	1 500 000
1. Recreation Land Trust Fund	-0-	1 000 000	1 000 000
2. Camp for the Handicapped	-0-	500 000	500 000
22. Aeronautics Commission	736 697	-0-	736 697
1. Airport Development			
(1) Aiken	103 125	-0-	103 125
(2) Cheraw	31 250	-0-	31 250
(3) Chester	99 162	-0-	99 162
(4) Conway	32 500	-0-	32 500
(5) Gaffney	23 125	-0-	23 125
(6) Georgetown	31 160	-0-	31 160
(7) Greenwood	133 750	-0-	133 750
(8) Hilton Head	100 000	-0-	100 000
(9) Kingstree	26 875	-0-	26 875
(10) Loris	31 000	-0-	31 000
(11) Orangeburg	124 750	-0-	124 750
23. Clark's Hill Authority	2 000 000	-0-	2 000 000
1. Capital Outlay	2 000 000	-0-	2 000 000
24. Highway Department	-0-	800 000	800 000
1. Beach Maintenance	-0-	800 000	800 000
25. Ports Authority	-0-	13 600 000	13 600 000
1. Facilities Expansion	-0-	13 600 000	13 600 000

February 21, 1974

GENERAL OBLIGATION BONDS OUTSTANDING

END OF YEAR

<u>Period Ending</u> <u>June 30</u>	<u>Total</u>	<u>Institution</u> <u>Bonds</u>	<u>School</u> <u>Bonds</u>	<u>Highway</u> <u>Bonds</u>	<u>Ports</u> <u>Bonds</u>	<u>Capital</u> <u>Improvement</u> <u>Bonds</u>	<u>Schoolbook</u> <u>Notes</u>
1963	180 876 000	22 771 000	120 105 000	20 200 000	17 200 000	-0-	600 000
1964	169 767 000	23 122 000	113 745 000	16 300 000	16 300 000	-0-	300 000
1965	160 553 000	20 993 000	111 760 000	12 400 000	15 000 000	-0-	400 000
1966	151 665 000	20 500 000	105 965 000	8 600 000	16 400 000	-0-	200 000
1967	151 125 000	34 565 000	95 085 000	5 300 000	15 175 000	-0-	1 000 000
1968	150 395 000	36 575 000	97 370 000	-0-	13 950 000	-0-	500 000
1969	167 899 000	40 319 000	97 830 000	-0-	12 725 000	15 000 000	525 000
1970	191 888 000	37 563 000	95 000 000	-0-	11 500 000	46 300 000	525 000
1971	239 955 000	39 180 000	97 500 000	14 500 000	10 275 000	77 700 000	800 000
1972*	279 902 000	36 497 000	92 500 000	15 000 000	9 050 000	126 180 000	675 000
1973	354 957 000	46 222 000	105 050 000	49 000 000	7 825 000	146 310 000	550 000
January 31, 1974	381 047 000	42 672 000	109 600 000	48 000 000	7 475 000	172 750 000	550 000

*During the fiscal year 1971-72, State Revenue Notes totaling \$15,940,000 were refunded through the issuing of Capital Improvement Bonds.

STATE OF SOUTH CAROLINA
SCHEDULE SHOWING ANNUAL PRINCIPAL AND INTEREST
PAYMENTS ON OUTSTANDING GENERAL OBLIGATION BONDS
AS OF JANUARY 31 1974

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total Principal</u> <u>And Interest</u>
1974	4 675 000 00	7 684 965 00	12 359 965 00
1975	30 750 000 00	14 859 845 00	45 609 845 00
1976	30 085 000 00	13 668 457 50	43 753 457 50
1977	30 970 000 00	12 466 332 50	43 436 332 50
1978	30 845 000 00	11 232 307 50	42 077 307 50
1979	30 795 000 00	10 007 002 50	40 802 002 50
1980	30 645 000 00	8 804 452 50	39 449 452 50
1981	29 935 000 00	7 596 275 00	37 531 275 00
1982	29 285 000 00	6 403 245 00	35 688 245 00
1983	28 035 000 00	5 197 082 50	33 232 082 50
1984	25 340 000 00	4 076 423 75	29 416 423 75
1985	24 740 000 00	3 006 266 25	27 746 266 25
1986	23 215 000 00	1 951 912 50	25 166 912 50
1987	18 140 000 00	1 030 585 00	19 170 585 00
1988	10 842 000 00	378 080 00	11 220 080 00
1989	2 750 000 00	64 625 00	2 814 625 00
Totals	381 047 000 00	108 427 857 50	489 474 857 50

STATE BUDGET AND CONTROL BOARD
Division of General Services
Agenda

EXHIBIT VI
FEB. 26, 1974

February 26, 1974

- I. Geology Building - Act 508 of 1971 provided for a loan of \$1,350,000 for certain construction and renovations in the Capitol Complex. Although not specifically mentioned in the Act, it was anticipated that two (2) 4,000 square foot pre-engineered buildings could be constructed for \$40,000 each. Because of problems in location and use neither of these has been constructed. Recently bids were taken on a 4,000 square foot building for the Division of Geology of the State Development Board and the bids came in slightly over \$100,000. By substituting equipment and design features it has been possible to reduce this amount to \$82,000, of which the Development Board can provide \$20,000.

It is recommended that approximately \$60,000 of the funds provided in Act 508 be allocated for construction of the building for Geology and that it be recovered through rental payments.

Future recommendations will provide alternative methods of financing the second warehouse building for the Department of Health and Environmental Services.

- II. Surplus Property Conference - The State will host the Spring Conference for Region IV - State Agencies for Surplus Property and DHEW in Charleston April 9, 10 and 11, 1974. It is requested that the Board approve expenditure of up to \$750 from Division funds to defray part of the expenses for the meeting.
- III. Reports are attached on action taken on behalf of the Board in accord with established procedures.

REPORTS

Purchase and Exchange of Vehicles

The agencies listed on attached sheet have been authorized to exchange or purchase motor vehicles in accord with policy established by the State Budget and Control Board.

Space Rental

The following agencies have been authorized to execute leases in accord with policy established by the State Budget and Control Board:

South Carolina Licensing Board for Contractors - Three (3) year lease for 1,644 square feet at an annual rent of \$7,560 at 1300 Pickens Street.

South Carolina Retirement System - Two (2) year lease for 13,856 square feet at an annual rent of \$84,000 in Bankers Trust Tower.

University of South Carolina - Lease of warehouse space, 11,000 square feet at a monthly rent of \$900 at 801 Green Street.

South Carolina Vocational Rehabilitation - Three (3) year lease for 22,477 square feet at a monthly rent of \$9,834 at Landmark Center, 3600 Forest Drive.

South Carolina Wildlife and Marine Resources Dept. - Three (3) year lease for 1,676 square feet at an annual rent of \$11,313 in Bankers Trust Tower.

Records Disposition

The following agency has been authorized to dispose of records in accord with statute and policy of the State Budget and Control Board:

Comptroller General's Office

Tideland Permits

In accord with established procedures the attached sheets of permits have been granted after review and recommendations by all State agencies involved.

Equipment

South Carolina Educational Television Network - Purchase 1 Heidelberg Offset Press Model Kord 18 x 25 $\frac{1}{4}$ with standard attachments

South Carolina Highway Department - Purchase 1 A. B. Dick Model 350 Offset Duplicator with work organizer, light and cleaning attachment

University of South Carolina - Purchase 1 Stand Alone Editing Terminal Model 5200
1 Model 2961-TL
2 Model 7200-L
1 Pos One Series 6500

PERMITS

Beaufort County

Broadwell, W. C. - Construct and maintain a dock for private use, Calibogue Cay, Hilton Head Island

City of Beaufort - Install an outfall sewer line in the Beaufort River, Port Royal

Cooper, Rudolph R. - Construct a pier with a floating dock in Chowan Creek

Dobson, General John W. - Construct and maintain a dock for private use in Broad Creek, Brams Point, Hilton Head Island

Howe, P. G. - Construct and maintain a bulkhead in Baynard Cove Creek, Baynard Cove Road, Hilton Head Island

Killingsworth, Robert B. - Construct and maintain a bulkhead in Baynard Cove Creek, Baynard Cove Road, Hilton Head Island

Remke, Robert L. - Construct and maintain a bulkhead in Baynard Cove Creek, Baynard Cove Road, Hilton Head Island

Sea Pines Company - Construct and maintain additional floating docks at existing pier, Wakely Cove, Hilton Head Island

Svalina, Samuel L. - Construct a pier with a float in Factory Creek, Ladies Island

Berkeley County

Berkeley County Supervisor - Construct a boat ramp adjacent to Durham Creek approximately 2 miles from West Branch Cooper River

S. C. Public Service Authority - Construct four (4) community boat docking areas with ten (10) piers and four (4) bulkheads in Lake Marion on Pintail Island

Charleston County

Albrecht, Herman - Construct a shed and an approval of plans for an existing pier on Hamlin Creek at the western end of the Isle of Palms

Ashley Square - Relocating Gadsden Creek, a tributary of the Ashley River at the City of Charleston landfill site adjacent to Spring Street and Lockwood Drive Extension. Purpose of project is to provide better drainage facilities

Botany Bay Investors - Provide erosion control measures and to construct docking facilities and a boat ramp in Ocella Creek, North Edisto River & Atlantic Ocean, on Botany Bay Island

Fox, Sam - Construct a floating dock in Scott Creek, Edisto Island

Charleston County

Geentiens, Gaston P. - Construct a dock in the Stono River, St. Andrews Parish

Kyzer, Lorenzo Aaron, Sr. - Construct a pier and floating dock adjacent to Scott Creek at the south end of Edisto Island

O'Rourk, Ms. Margaret C. - Construct a pier in Folly River, Folly Beach

Wimpy, Edgar K. - Construct a bulkhead and rip-rap in Molasses Creek approximately 1.1 mile from the confluence of Wando River

Horry County

Inlet Harbour Development - Perform maintenance dredging of canals adjacent to Murrells Inlet Creek approximately 2.7 miles southwest of Garden City Beach

Skyway Golf Club, Inc. - Construct two (2) small piers in the Atlantic Intracoastal Waterway approximately 1.7 miles north of the city limits of Myrtle Beach

Report - Action Taken in Accord with Policy Established by the State Budget and Control Board

Purchase and Exchange of Vehicles

Agency	Class -	Mercury	Amn. Amb. Brougham	Amn. Mtrs. Matador	Compact Sub-Comp.	Station Wagon	Police	Utility Wagon	Suburb Carryall	Van Wagon	Add to Fleet	Ex- change
		I	II	III	IV	V	VI	VII	VIII	IX	X	
Agriculture Department			1									
Alcoholic Beverage Control Comm.			4									3
Clemson University			1		1							1
College of Charleston					1							
Education Department						4						
Health and Environmental Control						1						1
Parks, Recreation and Tourism								1				
Social Services										2		
Wildlife and Marine Resources							2	1				1
Youth Services						2				2		1
Totals			6		2	7	2	2		4	16	7
Purchase - 23												
Exchange - 7												

EXHIBIT VII
FEB 26, 1974

REQUEST FOR APPROVAL OF DUAL EMPLOYMENT

February 26, 1974

<u>REQUESTING (SECONDARY) AGENCY</u>	<u>NAME OF APPLICANT AND PRESENT CLASSIFICATION</u>	<u>EMPLOYING (PRIMARY) AGENCY</u>	<u>DESCRIPTION OF EMPLOYMENT</u>	<u>AMOUNT & TERMS OF COMPENSATION</u>	<u>PRESENT SALARY</u>
1. University of South Carolina	J. Fred Watts Assistant Professor	College of Charleston	Teacher, Physics 223 Charleston Navy Base	\$1066 - 60 Hrs. Jan 7-Feb 22, 1974	\$12,300.00
2. University of South Carolina	Walter Bland Mathis Associate Professor	The Citadel	Teacher, English 101 Charleston Navy Base	\$700 - 45 Hrs. Feb 20-April 1, 1974	\$13,300.00
3. University of South Carolina	J. Reid Ingraham Associate Professor	The Citadel	Teacher, Math 142 Charleston Navy Base	\$935 - 4:30-7:30 p.m. Feb 20-March 29, 1974	\$13,300.00
4. University of South Carolina	Thomas A. Palmer Associate Professor	College of Charleston	To present concluding address of National Security Seminar/Workshop	\$100 - 13 Hrs. Jan 25 & 26, 1974	\$20,000.00
5. University of South Carolina	Laurence W. Moreland Assistant Professor	The Citadel	Teacher, International Studies 101 Charleston Navy Base	\$700 - 45 Hrs. Jan 30-March 11, 1974	\$15,716.00
6. University of South Carolina	Isaac S. Metts, Jr. Assistant Professor	The Citadel	Teacher, Computer Science 207 Charleston Navy Base	\$535 - 30 Hrs. Jan 14-Feb 6, 1974	\$13,850.00
7. University of South Carolina	James Gibson Alford Clinical Social Worker	S. C. Department of Mental Health (Santee-Wateree Cntr)	Teacher Psychology 505 Teacher Sociology 101	\$1500 - Irregular Jan 14-May 7, 1974	\$14,679.00
8. University of South Carolina	Carolyn Smith Associate Professor	Winthrop College	Math Consultant for S. C. Teacher Corps. Project	\$675 - 8 Hrs/Day 9/24-10-25-30-11-1, 15,20,27-12-4,10, 1973	\$19,595.00
9. Division of Administration	Chester W. Bain Professor	University of South Carolina	Two-day conference on Human Resource Devel.	\$700 - Appx. 7 Days March 28 & 29, 1974	\$21,450.00

EXHIBIT VII
FEB 26, 1974

REQUEST FOR APPROVAL OF DUAL EMPLOYMENT

February 26, 1974

<u>REQUESTING (SECONDARY) AGENCY</u>	<u>NAME OF APPLICANT AND PRESENT CLASSIFICATION</u>	<u>EMPLOYING (PRIMARY) AGENCY</u>	<u>DESCRIPTION OF EMPLOYMENT</u>	<u>AMOUNT & TERMS OF COMPENSATION</u>	<u>PRESENT SALARY</u>
1. University of South Carolina	J. Fred Watts Assistant Professor	College of Charleston	Teacher, Physics 223 Charleston Navy Base	\$1066 - 60 Hrs. Jan 7-Feb 22, 1974	\$12,300.00
2. University of South Carolina	Walter Bland Mathis Associate Professor	The Citadel	Teacher, English 101 Charleston Navy Base	\$700 - 45 Hrs. Feb 20-April 1, 1974	\$13,300.00
3. University of South Carolina	J. Reid Ingraham Associate Professor	The Citadel	Teacher, Math 142 Charleston Navy Base	\$935 - 4:30-7:30 p.m. Feb 20-March 29, 1974	\$13,300.00
4. University of South Carolina	Thomas A. Palmer Associate Professor	College of Charleston	To present concluding address of National Security Seminar/Workshop	\$100 - 13 Hrs. Jan 25 & 26, 1974	\$20,000.00
5. University of South Carolina	Laurence W. Moreland Assistant Professor	The Citadel	Teacher, International Studies 101 Charleston Navy Base	\$700 - 45 Hrs. Jan 30-March 11, 1974	\$15,716.00
6. University of South Carolina	Isaac S. Metts, Jr. Assistant Professor	The Citadel	Teacher, Computer Science 207 Charleston Navy Base	\$535 - 30 Hrs. Jan 14-Feb 6, 1974	\$13,850.00
7. University of South Carolina	James Gibson Alford Clinical Social Worker	S. C. Department of Mental Health (Santee-Wateree Cntr)	Teacher Psychology 505 Teacher Sociology 101	\$1500 - Irregular Jan 14-May 7, 1974	\$14,679.00
8. University of South Carolina	Carolyn Smith Associate Professor	Winthrop College	Math Consultant for S. C. Teacher Corps. Project	\$675 - 8 Hrs/Day 9/24-10-25-30-11-1, 15,20,27-12-4,10, 1973	\$19,595.00
9. Division of Administration	Chester W. Bain Professor	University of South Carolina	Two-day conference on Human Resource Devel.	\$700 - Appx. 7 Days March 28 & 29, 1974	\$21,450.00

REQUEST FOR APPROVAL OF DUAL EMPLOYMENT

February 26, 1974

<u>REQUESTING (SECONDARY) AGENCY</u>	<u>NAME OF APPLICANT AND PRESENT CLASSIFICATION</u>	<u>EMPLOYING (PRIMARY) AGENCY</u>	<u>DESCRIPTION OF EMPLOYMENT</u>	<u>AMOUNT & TERMS OF COMPENSATION</u>	<u>PRESENT SALARY</u>
10. Department of Mental Retardation	Lewis Chartock Assistant Professor	University of South Carolina	Development of Computer System for Profile Studies	\$2000 - Feb 15 thru May 30, 1974	\$18,001.00
11. Department of Education	Roland Hughes Associate Professor	University of South Carolina	Committee for Evaluation of The Teacher Education Program - Presbyterian College	Expenses Only	\$21,839.00
Department of Education	Aaron Felman Associate Professor	S. C. State College	SAME AS ABOVE	SAME AS ABOVE	\$19,329.00
Department of Education	Jackson Lee Assistant Professor	Francis Marion College	SAME AS ABOVE	SAME AS ABOVE	\$16,529.00
12. S. C. E.T.V. Network	Don N. Upton Safety Education Director	Department of Labor	Host for 26 One half hour ETV Programs - "Management in Education"	\$100 per program Off-duty hours	\$12,800.00
13. S. C. Department of Health & Environmental Control	Richard N. Henderson Dir.-Admission & Placement	S. C. Department of Mental Retardation	Attendance at Family Planning Advisory Council	Travel & Subsistence	\$17,853.00
14. University of South Carolina	John T. Anderson Education Program Consultant	S. C. Department of Education	Teacher, Education	\$900 - 4 Hrs/Wk. Jan 14-May 10, 1974	\$13,649.00
15. University of South Carolina	Laney Ray Mills Assistant Professor	College of Charleston	Teacher, Physics 201 Charleston Navy Base	\$1066 - 60 Hrs. Jan 7-Feb 13, 1974	\$12,000.00
16. S. C. Department of Health & Environmental Control	Lewis T. Finch Associate Professor	Clemson University	Attendance of EMS Communications Systems	Travel & Subsistence	\$21,968.00

REQUEST FOR APPROVAL OF DUAL EMPLOYMENT

February 26, 1974

<u>REQUESTING (SECONDARY) AGENCY</u>	<u>NAME OF APPLICANT AND PRESENT CLASSIFICATION</u>	<u>EMPLOYING (PRIMARY) AGENCY</u>	<u>DESCRIPTION OF EMPLOYMENT</u>	<u>AMOUNT & TERMS OF COMPENSATION</u>	<u>PRESENT SALARY</u>
17. S. C. Department of Health & Environmental Control	Jean Martin Assistant Professor	Medical University	Conduct Prenatal Clinic	Travel & Subsistence	\$14,000.00
S. C. Department of Health & Environmental Control	Margaret Ann Corbett Nurse-Midwife	Medical University	SAME AS ABOVE	SAME AS ABOVE	\$11,500.00
S. C. Department of Health & Environmental Control	Sister Norma Pacenta Assistant Professor	Medical University	SAME AS ABOVE	SAME AS ABOVE	\$14,000.00

Putnam



EXHIBIT VIII
FEB. 26, 1974

State of South Carolina
PERSONNEL DIVISION
1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

February 14, 1974

803-758-3334

TO: MEMBERS OF THE STATE BUDGET AND CONTROL BOARD

The State Employee Grievance Committee held a hearing on February 12, 1974, on the appeal of Robert N. Stanley, concerning his termination from employment as a Manpower Specialist III by the Employment Security Commission. The State Grievance Committee met, following the hearing on February 12, and reached its decision, a copy of which is attached.

Enclosed, also, is a copy of the case records along with the decision of the Merit System Council as the last level of appeal within the agency.

The State Employee Grievance Committee hearing was recorded and can be transcribed for review by members of the Board should such be desired.

Under the Grievance Act, the Board has thirty (30) days in which to render its decision dating from February 15, 1974.

It is the intention of the State Employee Grievance Committee and endorsed by the State Personnel Division that no indication of the Committee's action be made public or released to the parties until the Board has rendered its decision or elects to permit the Committee's decision to take effect after thirty days. Therefore, your confidence in the interim would be greatly appreciated.

Mr. Fred B. Haskell of this Division attended the hearing on February 12, in my behalf, and would be happy to appear before the Board to answer any questions.

If we may be of further assistance prior to your meeting to deliberate your action, please let us know.

Sincerely,

Jack S. Mullins
State Director of Personnel

JSM/nls

enclosures

cc: The Honorable P. C. Smith
Secretary, Budget and Control Board

NOTICE TO BUDGET AND CONTROL BOARD OF GRIEVANCE COMMITTEE ACTION

GRIEVANCE HEARING

APPELLANT'S NAME: Robert N. Stanley
JOB CLASSIFICATION: Manpower Specialist III
AGENCY: Employment Security Commission DATE: February 12, 1974
NATURE OF CASE: Termination of employment

FINDINGS: (Use additional pages if necessary.)

In view of the fact that the CEP Program was terminated and that employees were offered positions in other locations, and whereas it was necessary to transfer these employees in order to maintain their employment, the State Employee's Grievance Committee upholds the decision of the Employment Security Commission in terminating the employment of Robert N. Stanley.

RECOMMENDATION:

Signatures of Committee Members:

Stanley Redding Jr. Willie J. Brown
Margaret A. Taylor Arthur Anderson
Robert H. Stedman Bruce R. Campbell
Signature _____ Date February 12, 1974
COMMITTEE CHAIRMAN

Miss Madelyn Walker was not present due to illness.

ACTION BY BUDGET AND CONTROL BOARD

DECISION: (Use reverse side or additional pages if necessary.)

COMMENTS:

Signature: _____ Date _____
BUDGET AND CONTROL BOARD

EMPLOYEE GRIEVANCE APPLICATION FORM

(THIS FORM TO BE COMPLETED BY THE EMPLOYEE INITIATING THE APPEAL)

Employee's Name ROBERT N. STANLEY

1. Have you been a permanent employee for at least six (6) months? YES.
2. Have you complied fully with the grievance policies and procedures within your agency? YES.
3. Have you received a final decision from your agency? YES.

(IF YOUR ANSWER IS "YES" TO THE THREE QUESTIONS ABOVE AND YOU WISH TO APPEAL THE DECISION OF YOUR AGENCY TO THE SOUTH CAROLINA STATE EMPLOYEE GRIEVANCE COMMITTEE, YOU MAY DO SO BY COMPLETING THIS FORM.)

APPELLANT'S NAME: ROBERT N. STANLEY
JOB CLASSIFICATION: MANPOWER SPECIALIST 111
AGENCY: SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION
HOME ADDRESS: P.O. BOX 1414, Grangeburg, S. C. 29115 (2219 CHESTNUT, NE)
TELEPHONE: 534-4458

GRIEVANCE

STATEMENT OF FACTS INVOLVED:

(Be as specific as possible as to names, dates and location. Continue on additional page or pages if necessary.)

RELIEF SOUGHT:

Signature

Robert N. Stanley
APPELLANT

Date

01-10-74

Original (white) returned to State Personnel Division
Copy (blue) retained by Employee-Complainant

Orangeburg, South Carolina
January 4, 1974

Mr. Jack F. Mullins, Personnel Director
State of South Carolina
1205 Pendleton Street
Suite 326 Edgar A. Brown Office Building
Columbia, South Carolina 29201

Dear Mr. Mullins:

On December 18, 1973 an informal appeal hearing was held in Columbia by the Merit System Council at my request following a notice of employment termination scheduled to become effective on December 28, 1973. Results of this hearing have been received in a letter from its chairman, Mr. Jack R. Callison dated December 21, 1973 and received by me on December 28, 1973.

Following the procedure outlined in the Employee Grievance And Appeal Policy, Step Five, I hereby request a FORMAL APPEAL HEARING to consider questions still unresolved as result of the prior hearing. A list of the basic complaints are contained in SCESC-16 form attached.

Yours very truly,

Robert N. Stanley

Robert N. Stanley

CC: Mr. L.E. Evans, ES Personnel Director



GRIEVANCE FORM

EMPLOYEE'S GRIEVANCE

Robert N. Stanley
Employee's Name

Manpower Specialist 111(Job Developer)
Job Title

37 Months - 10 Days
Length of Service with Agency

37 Months - 10 Days
Length of Service in Present Position

1. Give full explanation of grievance. 1- What qualifications were lacking as related to job description in Manpower Specialist 111?
 2- Explanation why seniority policy not followed. No opportunity was given to try job or training provided to see if able to perform satisfactorily.
 3- Not advised of openings existence until position filled by individual with less seniority though Orangeburg Local Manager knew verbally that I desired employment in his office and Mr. Edwin Slaughter, Employability Mgr., and Mr. Phil Calhoun, Field Supervisor were equally aware that I was in no position to relocate elsewhere and why. Also, I was not made aware of the necessity at this point in time of writing a letter to be considered.
 4- I feel that a responsible accounting is required for actions of those persons denying me access to employment in Orangeburg and Columbia where commuting is feasible.
2. Describe in detail the corrective action or personal relief sought.
 1- I should like to be reinstated so as to not have a break in continuity in state employment.
 2- I do not think it unreasonable that an opening be made available in the Orangeburg Local Office for my classification and pay scale.
 3- A temporary solution could be employment in the Columbia Local Office or YOC until an opening is available in Orangeburg or any other Office close enough to reasonably commute to. (Note: None of the four offices to which interviews were previously available were within commuting distance and required relocation for employment.)

3. I wish to appeal my grievance to:

Step II	Yes	No	Step V	Yes	No
Step III	Yes	No	Step VI	Yes	No
Step IV	Yes	No			

Receipt Acknowledged by

Personnel Section

Date

South Carolina
Employment Security Commission

COMMISSION

W. MARSHALL COMER, CHAIRMAN
FRANK E. BALDWIN, JR., VICE-CHAIRMAN
C. LEM HARPER, COMMISSIONER



1225 LAUREL STREET
P. O. BOX 995
COLUMBIA, S. C. 29202

EXECUTIVE DIRECTOR
B. FRANK GODFREY

January 18, 1974

RECEIVED
JAN 21 1974

Mr. Jack S. Mullins
State Director of Personnel
1205 Pendleton Street
Columbia, South Carolina 29201

S. C. STATE
PERSONNEL DIVISION

Dear Mr. Mullins:

As per your request dated January 11, 1974, please find the attached material concerning Mr. Stanley's separation from the Employment Security Commission effective December 28, 1973.

Sincerely yours,

B. F. Godfrey
Executive Director

jwt
Attachment



SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION
SOUTH CAROLINA STATE EMPLOYMENT SERVICE

November 7, 1973

P. O. BOX 1404
COLUMBIA, S. C.

Mr. Robert Stanley
2219 Chestnut Street, N. E.
Orangeburg, South Carolina 29115

Dear Mr. Stanley:

This is to advise that our CEP Program will be terminated as of
December 28, 1973.

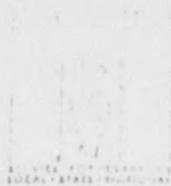
Since you failed to respond to the offer of a transfer to another
locality, this is to officially inform you that you will be
separated at the close of business upon the expiration of the
CEP Program.

Sincerely,

D. L. McLeod, Jr.
State Director

DLM/dm

cc: Mr. Godfrey
Mr. Ford
Adm. Serv.
Personnel ✓
Mr. Calhoun



SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION
SOUTH CAROLINA STATE EMPLOYMENT SERVICE

Employment Security Commission
Attached with
Concentrated Employment Program
Post Office Drawer 519
Orangeburg, South Carolina 29115

DEC 10 1973

OFFICE OF
W. H. H. SUPERVISOR
December 04, 1973
ORANGEBURG, S. C.

Mr. George M. Rogers, Jr., Manager
South Carolina State Employment Service
555 Middleton NE
P.O. Box 1084,
Orangeburg, South Carolina 29115

Dear Mr. Rogers:

The purpose of this letter is to request transfer to the staff of the Orangeburg Local ES Office. This I do with the full knowledge and permission of Mr. Edwin M. Slaughter, Jr., Employability Manager whose address is: Orangeburg CEP Center, P.O. Drawer 519, Orangeburg, South Carolina, 29115.

I have been employed by the South Carolina Employment Security Commission since December 19, 1970, at which time I was assigned to The Concentrated Employment Program in Orangeburg, South Carolina as a Job Developer. My ES title initially was Interviewer II, then Manpower Specialist II, and currently Manpower Specialist III.

Due to the nature of my job and the closeness with which I have been associated with your office during the past three years, I shall not list my employment duties at this time.

I feel that transition into your office would be a natural and relatively smooth operation for me as I know most of the staff reasonably well and feel that I could adapt with minimum training to your procedures.

Your favorable consideration of this request will be most appreciated.

Yours very truly,

Robert N. Stanley

ROBERT N. STANLEY
Manpower Specialist III

cc: Mr. McLeod

THIS CASE MAY HAVE SOME OR ALL OF THE FOLLOWING DEFECTS WHICH MAY BE QUESTIONABLE WHEN READING. IN SPECIAL PROBLEM AREAS, THIS ROLL NOTE MAY BE REFILMED BEFORE THE DOCUMENT OR DOCUMENTS IN QUESTION.

1. PHOTOCOPY NOT CENTERED PROPERLY CUTTING OFF SOME OF THE INFORMATION.
2. DOCUMENTS ARE OF POOR LEGIBILITY AND MAY NOT PHOTOGRAPH WELL.
3. DOCUMENTS DAMAGED OR TORN BEFORE ARRIVING FOR FILMING.
4. DOCUMENTS CONTAIN A DOUBLE-COPY IMAGE, THE UNDERLYING IMAGE IS IRRELEVANT TO THE READABLE INFORMATION.
5. OVERSIZED DOCUMENTS THAT COMPRISE TWO OR MORE FRAMES.
6. DOCUMENTS WITH GLUED INSERTS WHICH WERE OR COULD NOT BE REMOVED, INFORMATION MAY OR MAY NOT BE UNDER THE INSERT.



SOUTH CAROLINA STATE EMPLOYMENT SECURITY COMMISSION
SOUTH CAROLINA STATE EMPLOYMENT SECURITY COMMISSION

Employment Security Commission
Affiliated with
Concentrated Employment Program
Post Office Drawer 519
Orangeburg, South Carolina 29115

RECEIVED

DEC 10 1973

OFFICE OF
MERIT SUPERVISOR

Orangeburg, S. C.
December 07, 1973

Ms. Elizabeth J. Plumer,
Merit System Supervisor
Employment Security Commission
1325 Laurel Street,
P.O. Box 995
Columbia, South Carolina 29202

Dear Ms. Plumer:

I wish to thank you again for the courtesy shown in seeing me without an appointment on November 23, 1973. Our conversation dealt with the notification of termination of my employment with ES and the circumstances involved.

Following our talk, I saw Mr. George Rogers, Manager of the Orangeburg ES Local Office and discussed with him his feelings regarding my employment in his office. He assured me I would be welcome and ask me to secure an appointment with Mr. Eugene Ford and explain the past events. In attempting to accomplish this, I got Mr. Ford on the phone and was advised by him to write a letter to Mr. Rogers requesting transfer to the Orangeburg ES Office and to send a copy to Mr. McLeod. I suppose that at this writing there has not been sufficient time to have heard, as I have not.

The more I think about it the more I am sure that I would like to ask for a review by THE MERIT SYSTEM COUNCIL. I therefore request that you proceed to arrange this action in my behalf and advise me accordingly. Should the situation satisfactorily conclude prior to the actual action requested, we could cancel.

Your personal attention to this matter will be most appreciated.

Yours very truly,

Robert N. Stanley

ROBERT N. STANLEY
Manpower Specialist III

Enc. 1

MERIT SYSTEM COUNCIL
SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION

Merit System Council

Jack R. Callison
J. S. Binn
George H. Pittman

1225 Laurel Street
P. O. Box 995
Columbia, S. C.
29202

December 11, 1973

Merit System Supervisor

Elizabeth J. Plumer

Mr. Robert N. Stanley
P. O. Box 1414
Orangeburg, South Carolina

Dear Mr. Stanley:

In response to your request dated December 7, 1973, and received in our office on December 10, 1973, the Merit System Council has set a meeting for 3:00 p.m. on Monday, December 16th, in the Merit System Office.

The Council will be glad to have you appear before them at that time and present the information which you feel is pertinent.

Yours very truly,

Elizabeth J. Plumer
Merit System Supervisor

South Carolina
Employment Security Commission



COMMISSION

W. MARSHALL CUMER, CHAIRMAN
FRANK E. BALDWIN, JR., VICE CHAIRMAN
C. LEM HAEPER, COMMISSIONER

EXECUTIVE DIRECTOR
B. FRANK GODFREY

1225 LAUREL STREET
P. O. BOX 995
COLUMBIA, S. C. 29202

December 13, 1973

CERTIFIED MAIL

Mr. Robert Stanley
2219 Chestnut Street, N. E.
Orangeburg, South Carolina 29115

Dear Mr. Stanley:

Reference is made to the notification of November 7, 1973, by the Employment Service Director, Mr. D. L. McLeod, Jr., which at that time informed you that the CEP Program would be terminated as of December 28, 1973. This was written after you failed to request a transfer to another locality.

I have been informed by Mr. Phillip C. Calhoun that you were notified through Mr. Ed Slaughter on or about September 17 - October 1 that the CEP Program would be terminated. You advised at that time that the only areas that you would accept would be Aiken, Columbia and Orangeburg. After being interviewed by the Aiken Local Office Manager, you informed Mr. Calhoun that you did not desire to relocate or transfer to the Aiken Local Office. Since currently no vacancies exist in the Columbia and Orangeburg areas, it is necessary that I inform you that you will be separated December 28, 1973.

In accordance with personnel procedures, I would like to inform you that you have the right of appeal from this decision in accordance with Section 2203, Paragraph 2, of the Personnel Manual. Such appeal will have to be not later than ten days after receipt of this letter.

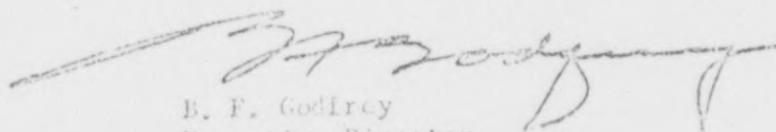
In order to be of maximum assistance to you in securing re-employment,

December 13, 1973

may I suggest that you confer directly with Miss Elizabeth J. Plumer, Merit System Supervisor, P. O. Box 995, Columbia, South Carolina 29202, in order to accomplish your reinstatement to the register.

It has been a pleasure working with you, and you can rest assured that we will assist you in any way that we can.

Sincerely yours,



B. F. Godfrey
Executive Director

cc: Administrative Services
Personnel Division
Miss Plumer
Mr. McLeod
Mr. Ford
Mr. Slaughter
Mr. Calhoun

STATE OF SOUTH CAROLINA
SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION

1225 Laurel Street
P. O. Box 505
Columbia, S. C.
29202

Merit System Council

Jack R. Callahan
J. L. Hird
George H. Fischer

Merit System Supervisor

Elizabeth J. Plumer

December 21, 1973

Mr. Robert N. Stanley
P. O. Box 1414
Orangeburg, South Carolina

Dear Mr. Stanley:

During the meeting of the Merit System Council on Tuesday, December 18th, when your separation from employment by the Employment Security Commission was reviewed, representatives of the Agency stated that an employee with less seniority than you has been retained in preference to you because he possesses qualifications which are essential to the duties he will be performing, whereas they did not feel that you had these qualifications.

The rules and regulations governing the reduction in force procedure (Section 2103 of the Personnel Manual) state: "No employee shall be retained in preference to another employee in the competitive area who has greater seniority except where the duties of the position involved cannot be satisfactorily performed by an available employee with greater seniority after a reasonable training period."

In view of the fact that the determination that the other employee possesses essential qualifications which you do not possess was made by managerial and supervisory personnel who are familiar with your qualifications and those of the other employee, and under whom the duties in the Orangeburg Employment Service Office will be performed, the Merit System Council decided that they are not in a position to overrule the evaluation made by the operating personnel. Therefore, it is the opinion of the Council that the procedures governing a reduction in force have not been violated in retaining an employee with less seniority than you.

The Council would recommend that you request in a letter to Mr. D. L. McLeod, Employment Service Division Director, with copies to the Agency Personnel Director and other appropriate persons,

1171

December 21, 1973

Mr. Robert H. Staley

that you be reinstated to the first vacancy for Manpower Specialist III (and Manpower Specialist II if you can accept an appointment in that class) which occurs in those localities to which you could go.

The Council regrets that the reduction in force made necessary your separation from the Agency and wishes you the best in your efforts to locate other employment.

Yours very truly,

Jack R. Callison

Jack R. Callison
Chairman, Merit System Council

Copies to:
L. E. Evens, Personnel Director
D. L. McLeod, Employment Service Director

Handwritten notes:
L. E. Evens
D. L. McLeod
J. R. Callison
R. H. Staley

JOHN MARSHALL
HALL OF JUSTICE
BOSTON, MASS.

1877



1877

The Board of the Employment Security Commission

cial Security Act, as amended. (1953 Code § 63-58; 1912 Code § 7035-01; 1936 (39) 1716; 1939 (41) 487; 1941 (42) 369; 1957 (59) 580.)

§ 63-59. *Standards for appointments, promotion and demotion.* — The Commission shall adopt and enforce fair and reasonable regulations for appointments, promotion and demotion of its employees based upon ratings of efficiency and fitness. Such regulations shall provide:

(1) For the establishment of a merit system council composed of three persons who do not hold political office, are not officers of a political party or organization, are of recognized standing and are in sympathy with the improvement of public administrations and the impartial selection of efficient government personnel on a merit basis, such council members to be selected for terms of five years, their initial appointment have been for terms of one, three and five years, respectively, and to be removable only for cause;

(2) That no employee of the Commission shall be dismissed except for good cause, that any employee who is dismissed may appeal to the merit system council and that the decision of the council as to whether or not the termination was for proper cause in accordance with the regulations prescribed under this section shall be binding upon the Commission except in cases of dismissal due to reduction of force or curtailment of funds;

(3) For the holding of examinations to determine the qualification of applicants for vacancies in classified positions and that, except for temporary appointments not to exceed six months in duration, all personnel shall be appointed from registers set up as a result of such examinations; and

(4) That the merit system council shall be vested with the control of administration of merit examinations to determine fitness and efficiency and shall be charged with the selection and supervision of a supervisor of examinations to conduct actively and administer the merit system of personnel administration set up in accordance with the requirements of this section.

The provisions of this section relating to the merit system shall not operate to repeal any prior act of the General Assembly which may provide for a State personnel board or which may provide for a joint administration of the merit system for this Commission and any other department and agency of the State, and insofar as the provisions of this section are in conflict with any such act they shall be inoperative. The Commission shall not employ or pay any person who is an officer or committee member of any political party or organization. (1952 Code § 63-59; 1912 Code § 7035-01; 1936 (39) 1716; 1939 (41) 487; 1941 (42) 369.)

§ 63-63. *Delegation of authority; funds.* — The Commission may delegate to any person employed pursuant to § 63-57 such power and authority as it deems reasonable and proper for the effective administration of this

ADVICE DATE 1/10/74	SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION COLUMBIA, S. C. PERSONNEL ACTION		74-2013
SOCIAL SECURITY NO. 262-24-4573	NAME OF EMPLOYEE STANLEY, Robert H.	PROGRAM CODE	3745/73 5:30 P.M. 28
NATURE OF ACTION Separation			CERTIFICATE NO. DATE
DESIGNATION	FROM	TO	DATA CODES DATE OF BIRTH
Division	ES		04800
Section	Mpr Trng		SLY
Grade	13		MARITAL STATUS
Position	Manpower Spec III		VEHICULAR STATUS
Salary	\$8264.00 p.a.		RETIREMENT NO.
Headquarters	Orangeburg CEP		

Remarks: Separation effective December 28, 1973. Had to credit on date of separation 89.5 hours accumulated annual leave to be paid.

ADDRESS:
2219 Chestnut St., N.E.
Orangeburg, S. C. 29115

RECEIVED
JAN 21 1974

S. C. STATE
PERSONNEL DIVISION

Batch No.	Trans Code	Employee Number	Cost Center	Sick Leave Earned	Sick Leave Taken	Annual Leave Earned	Annual Leave Taken	Employee Name	Class	Work
14	46	7-15	31-35	36-40	41-45	46-50	51-55	STANLEY, Robert H.	13	ES

Recommended: *[Signature]*
 Approved: *[Signature]* Executive Director *[Signature]* Personnel Director

11-10-70			
262-24-2573	Stanley, Robert N.	62	71-10-70 11-10-70

Appointment - Permanent

Division	KS	4900	8-2-71
Center	Local Office	10	Male
Grade	10	2-51-030	M 2
Position	Exp Interv 11		Vet 2
Salary	\$5700.00 per annum		
Headquarters	Orangeburg CEP		

Remarks: This action was approved by the Executive Director subject to the satisfactory completion of a six (6) months probationary period in accordance with Sections 1800 and 1801 of the Personnel Manual.

EMPLOYEE	EMPLOYEE					STATUS	EMPLOYEE		PAY	DATE
	NAME	PILOT	STATUS	STATUS	STATUS		STATUS	STATUS		
Stanley, Robert N.										

Approved: *[Signature]*
 Approved: *[Signature]*

REPORT OF SERVICE RATING

(Regular _____ Probationary _____ Trial Period _____ Special Quarterly _____)

Name of Employee Robert E. Stanley Title Emp Intv II

Section or Local Office ES-O'Leary CEP

Period on Which Performance Eval'd From 11-19-70 to 4-18-71

Remarks: Mr. Stanley is dedicated to Public Services and will be an asset to the Employment Service.

1
SATISFACTORY

CONDITIONAL

UNSATISFACTORY

Certification by Rating Official: In preparing this rating, the following elements were considered: 1. Habits of Work, 2. Quality of Work, 3. Amount of Work, 4. Cooperation, 5. Aptitude, 6. Initiative. I hereby certify that this report constitutes my best judgment of the actual performance of the employee's work and is based on personal observation and knowledge of his work.

Ellen M. Shultz
Signature of Rating Official

4/19/71
Date

This rating has been reviewed and approved by me.

Philip C. Colborn
Signature of Reviewing Official

4/19/71
Date

Statement by Employee: My initials shall not be construed as meaning that I necessarily agree with the rating but that I have had an opportunity to review it with the rating official. Also, the rating official has informed me of my right of appeal and of the appeal procedure.

R.E.S.
Employee's Initials

04/19/71
Date

SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION

REPORT OF SERVICE RATING

(Regular Probationary Trial Period Special Quarterly)

Name of Employee Stanley, Robert H. Title Hbr. Spec II

Section or Local Office Orangeburg CEP

Based on Work Performance From May 12, 1971 to April 30, 1972

Remarks: Mr. Stanley has performed effectively as a Job Developer, working under difficult conditions. He is a dedicated public servant and is an asset to the Employment Service.

SATISFACTORY

CONDITIONAL

UNSATISFACTORY

Certification by Rating Official: In preparing this rating, the following elements were considered: 1. Habits of Work, 2. Quality of Work, 3. Amount of Work, 4. Cooperation, 5. Aptitude, 6. Initiative. I hereby certify that this report constitutes my best judgment of the actual performance of the employee's work and is based on personal observation and knowledge of his work.

William M. Shugler, Jr.
Signature of Rating Official

May 4, 1972
Date

This rating has been reviewed and approved by me.

Philip C. Cotton
Signature of Reviewing Official

May 4, 1972
Date

Statement by Employee: My initials shall not be construed as meaning that I necessarily agree with the rating but that I have had an opportunity to review it with the rating official. Also, the rating official has informed me of my right of appeal and of the appeal procedure.

RHS
Employee's Initials

05-04-72
Date

SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION
EMPLOYEE'S PERFORMANCE APPRAISAL/SERVICE RATING

Regular _____ Probationary _____ Trial _____ Special xx

Name of Employee Stanley, Robert A. Position Title Mbr Spec II

Organizational Unit Orangeburg-CEP Location Orangeburg

Based on Work Performance from 1-6-72 to 1-6-73

SECTION I: PERFORMANCE EVALUATION CHARACTERISTICS

The five rating levels to be used are defined as follows:

<u>ACHIEVEMENT LEVEL</u>	<u>EVALUATION</u>	<u>DEFINITION</u>
Meritorious*	ME	Highly superior performance; work is characterized by unusual accomplishments.
Above Standard*	AS	Better than normally acceptable performance; work frequently exceeds normal job requirements.
Satisfactory	S	Work is satisfactory and acceptable.
Marginal	M	Work is satisfactory in some respects but does not fully meet normal job requirements. Immediate improvement anticipated or desired.
Unsatisfactory	U	Poor performance; work below job requirements. Improvement not anticipated.

* Must be fully justified in writing.

SECTION IA.

<u>ELEMENTS</u>	<u>ME</u>	<u>AS</u>	<u>S</u>	<u>M</u>	<u>U</u>	<u>Not an element of job</u>
See Instructions for Discussion of element and rating meanings						
Knowledge of Work			x			
Dependability		x				
Productivity			x			
Safety						x
Quality of Output			x			
Cooperation			x			
Relationships with Others				(x)		
Initiative			x			
Organization and Planning			x			
Judgment			x			

ADDITIONAL ELEMENTS FOR MANAGEMENT AND SUPERVISORY EMPLOYEES

Management of Time						
Management of People						
Delegation of Authority						
Originality and Imagination						
Decision Making						

SECTION II: RATING PERSON'S SUMMARY OF EMPLOYEE EVALUATION AND RECOMMENDATIONS.

This section is to be used to record a narrative summary of your evaluation of the employee and to make specific recommendations for career progress as well as for salary increase or other change. Be as specific as possible, but be objective and open-minded.

After all factors have been rated, determine your overall evaluation of the employee's performance for the period under review, recognizing that the relative importance or weight of the factors varies from position to position, and check the appropriate box in the summary appraisal.

1. Discuss employee's strengths and positive qualities: commitment on schedule or in advance of appointed times, even if it requires working at times other than the normal hours. He has exceeded his quota of the goal for job entry for this program year.
2. Discuss employee's weaknesses and negative qualities: He has difficulty in being objective in his relationship with other team members and is at times impatient with program participants. He has been counseled on occasions regarding this problem.
3. To what extent has there been improvement in previously noted weak factors: None had been noted in previous ratings.
4. What action is recommended to assist employee to improve his performance and potential: Continue in-service training and should encourage him to participate in out-service seminars and/or training that will strengthen his area of weakness.

EVALUATION SUMMARY

Within the scope of his (her) present duties and responsibilities, indicate (check) your overall evaluation of the performance of this employee. In doing this, bear in mind:

- (a) The rating assigned on all individual factors in SECTION I. ME AS S M U
- (b) The differing importance of factors from position to position.

Employee's Comments: _____

Employee Statement: My initials on this form shall not be construed as meaning that I necessarily agree with the rating but that I have had an opportunity to review it with the rating official. Also, the rating official has informed me of my right of appeal and of the appeal procedure.

I hereby certify that this report constitutes my best judgment of the actual performance of the employee's work and is based on personal observation and knowledge of his work.

<p><u>John M. [Signature]</u> Signature of Rating Official</p> <p><u>[Signature]</u> Reviewed by</p> <p><u>[Signature]</u> Employee's Initial</p>	<p><u>January 3, 1973</u> Date</p> <p><u>January 3, 1973</u> Date</p> <p><u>01-04-73</u> Date 1180</p>
---	---

ADVICE DATE 7-5-73		SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION COLUMBIA, S. C. PERSONNEL ACTION			NO. 74-131	
SOCIAL SECURITY NO. 262-24-4573		NAME OF EMPLOYEE Stanley, Robert N.		PROGRAM CODE 86	EFFECTIVE DATE 6-28-73	SCHOLAR CODE 41
NATURE OF ACTION: Promotion					MERIT SYSTEM AUTHORITY	
					CERTIFICATE NO.	
					DATE	
DESIGNATION	FROM		TO		DATA CODES	DATE OF BIRTH
Division					4800	
Section	Mpr Training		Mpr Training		13	SEX
Grade	11		13		2-51-031	MARITAL STATUS
Position	Mpr Spec II		Mpr Spec III		01	VETERAN STATUS
Salary	\$7078.00 per annum		\$7786.00 per annum		6-28-73	RETIREMENT NO.
Headquarters	Orangeburg CEP		Orangeburg CEP			

Remarks: This action was approved by the Executive Director subject to the satisfactory completion of a six (6) months trial period in accordance with Section 1507 of the Personnel Manual.

COST ACCOUNTING

Batch No.	Trans Code	Employee Number
1-3	4-6	7-15

FISCAL

Pay Code	Approved

ndl

Regular Hly Rate	Overtime Hly Rate	COST CENTER	Sick Leave Earned	Sick Leave Taken	Annual Leave Earned	Annual Leave Taken	Employee Name	U.F.E.	Mos. Work
16-22	23-29	31-35	36-40	41-45	46-50	51-55	56-65	66-7-69	70-72 73-75

Recommended: _____
Division Director

Approved: _____
Dep. Executive Director

_____ *L.E. Evans* _____
Personnel Director

1181

ADVICE DATE 7-5-73		SOUTH CAROLINA EMPLOYMENT SECURITY COMMISSION COLUMBIA, S. C. PERSONNEL ACTION		NO. 74-131	
SOCIAL SECURITY NO. 262-24-4573		NAME OF EMPLOYEE Stanley, Robert N.		PROGRAM CODE 86	EFFECTIVE DATE 6-28-73 FICHER CODE 41 MERIT SYSTEM AGENCY CERTIFICATE NO. DATE
NATURE OF ACTION: Promotion					
DESIGNATION	FROM	TO		DATA CODE	DATE OF BIRTH
Division				4800	
Section	Mpr Training	Mpr Training		13	SCA
Grade	11	13		2-51-031	MANUAL DESIGN
Position	Mpr Spec II	Mpr Spec III		01	VETERAN STATUS
Salary	\$7078.00 per annum	\$7786.00 per annum		6-28-73	RETIREMENT NO.
Headquarters	Orangeburg CEP	Orangeburg CEP			

Remarks: This action was approved by the Executive Director subject to the satisfactory completion of a six (6) months trial period in accordance with Section 1507 of the Personnel Manual.

COST ACCOUNTING

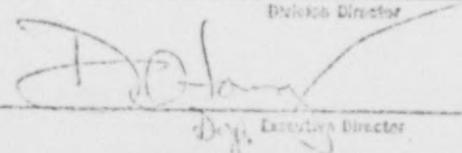
Batch No.	Trans Code	Employee Number
1-3	4-6	7-15

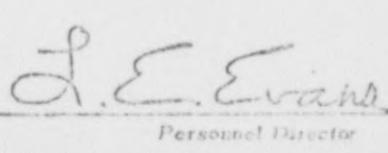
FISCAL

Pay Code	Approved
	mdl

Regular Hly Rate	Overtime Hly Rate	COST CENTER	Sick Leave Earned	Sick Leave Taken	Annual Leave Earned	Annual Leave Taken	Employee Name	DATE	Mos. Work
16-22	23-29	30	31-35	36-40	41-45	46-50	51-55	56-65	66-75
								66-69	70-72 73-75

Recommended: _____
Division Director

Approved: 
Dept. Executive Director


Personnel Director

SECTION II. RATING PERSON'S SUMMARY OF EMPLOYEE EVALUATION AND RECOMMENDATIONS.

This section is to be used to record a narrative summary of your evaluation of the employee and to make specific recommendations for career progress as well as for salary increase or other change. Be as specific as possible, but be objective and open-minded.

After all factors have been rated, determine your overall evaluation of the employee's performance for the period under review, recognizing that the relative importance or weight of the factors varies from position to position, and check the appropriate box in the summary appraisal.

1. Discuss employee's strengths and positive qualities: commitments on schedule or in advance of appointed times, even if it requires working at times other than the normal hours. He has exceeded his goal for job entry for this program year.
2. Discuss employee's weaknesses and negative qualities: He has difficulty in being objective in his relationship with other team members and is at times impatient with program participants. He has been counseled on occasions regarding this problem.
3. To what extent has there been improvement in previously noted weak factors: None had been noted in previous ratings.
4. What action is recommended to assist employee to improve his performance and potential: Continue in-service training and ~~also~~ encourage him to participate in out-service seminars and/or training that will ~~strengthen~~ his areas of weakness.

EVALUATION SUMMARY

Within the scope of his (her) present duties and responsibilities, indicate (check) your overall evaluation of the performance of this employee. In doing this, bear in mind:

- (a) The rating assigned on all individual factors in SECTION I. ME AS S M U
- (b) The differing importance of factors from position to position.

Employee's Comments: _____

Employee Statement: My initials on this form shall not be construed as meaning that I necessarily agree with the rating but that I have had an opportunity to review it with the rating official. Also, the rating official has informed me of my right of appeal and of the appeal procedure.

I hereby certify that this report constitutes my best judgment of the actual performance of the employee's work and is based on personal observation and knowledge of his work.

Edwin M. Blough, Jr. January 3, 1973
 Rating Official Date

Phillip C. Clark January 3, 1973
 Reviewed by Date

ms 01-04-73
 Employee's Initial Date **1183**



STATE OF SOUTH CAROLINA



CLASS TITLE	CLASS CODE
Manpower Specialist III	2-51-031

(Note: The examples of work listed in this class specification are not necessarily descriptive of any one position in the class. In a specific classified position, some similar or related duties may be required and some examples may be omitted. The intent of the listed examples is to give a general indication of the levels of difficulty and responsibility common to all positions in this class.)

In order to be considered for employment in a position in this class, an applicant must have the stated minimum education and experience or an acceptable equivalence as approved by the State Personnel Division. Selection for employment into open positions will be made from those most qualified as determined by appropriate examination processes.)

Function:

Under limited supervision directs a unit or exercises responsibility for areas such as claims interviewing, application and order taking, selection and referral, employer contact, selective placement of the handicapped, special services to veterans and/or other special groups within the Employment Security Commission.

Examples of Work Performed:

Interviews applicants and/or employers for the purpose of matching qualified workers with area job openings and openings on inter-office recruitment orders; disseminates labor market information to applicants and employers; may exercise hiring authority for employers.

Evaluates applicants and determines ones in need of employability development services; assists them in developing an employment plan; refers applicants to training opportunities and/or other agencies for supportive services if needed; provides selective placement of handicapped applicants.

Interviews applicants for unemployment compensation and initiates claims for benefits on all of the unemployment compensation programs administered by the South Carolina Employment Security Commission.

Reviews and resolves problem cases.

Visits employers for the purpose of interpreting the Employment Security programs; collects occupational and labor market information; solicits orders and job vacancy data for workers; may represent the Employment Security before civic groups, employers and worker groups.

Participates in and assists with the planning of programs for the recruitment of workers; arranges for and assists with the conduct of pooled interviews.

Acts as manager during the manager's absence in the small local offices.

Carries out one of the special programs of the Employment Security Commission in a local office; coordinates these programs with other staff members in the office; maintains necessary records on special programs.

Assigns and supervises the work of subordinate employees and assists in their evaluation and training; may be responsible for the claimstaking activities in a local office.

Performs related duties.

Required Knowledge; Skills and Abilities

Extensive knowledge of the theory, practices and problems involved in providing manpower services in an Employment Security office.

Extensive knowledge of policies, practices and procedures necessary to provide service to the insured unemployed in an Employment Security office.



STATE OF SOUTH CAROLINA



CLASS TITLE	CLASS CODE
Manpower Specialist III (continued)	2-51-031

Working knowledge of state and federal laws pertaining to public employment service, unemployment compensation within the state and state laws pertaining to employment.

Some knowledge of labor and industrial conditions.

Ability to recognize the special needs of applicants and/ or claimants to resolve pertinent problems.

Ability to communicate effectively with individuals, employers, community groups and other agencies.

Ability to plan, coordinate and direct the work of others.

Minimum Training and Experience:

A bachelor's degree and one (1) year experience which must be involved in sales, customer relations, public relations or similar type activities or high school graduation and five (5) years experience, three (3) years of which must be involved in sales, customer relations, public relations or similar type activities and two (2) years of which must be involved in clerical or general office experience.



State of South Carolina
PERSONNEL DIVISION
1205 Pendleton Street
Columbia, South Carolina 29201

Jack S. Mullins, Ph.D.
Director

803-758-3334

March 18, 1974

Mr. Robert N. Stanley
2219 Chestnut Street, N. E.
P. O. Box 1414
Orangeburg, South Carolina 29115

Dear Mr. Stanley:

In compliance with the State Employee Grievance Act, you are hereby advised of the final decision on your appeal to the South Carolina Employee Grievance Committee of your termination from employment by the South Carolina Employment Security Commission.

The decision of the Committee, which was not modified by the Budget and Control Board, is that your termination as a Manpower Specialist III be upheld. A copy of the Committee's decision is enclosed for your information.

If you have any questions, please advise.

Sincerely,

Jack S. Mullins
State Director of Personnel

JSM:bjc

Enclosure

cc: Members, Budget and Control Board
Mr. Robert H. Stoudemire
Mr. Frank B. Godfrey

E N D