

MINUTES OF

Budget and

Control Board

Meeting

December 8, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

DECEMBER 8, 1978 4:10 P. M.

The Budget and Control Board met at 4:10 p.m. on Friday, December 8, 1978 at the Public Service Authority Facility at Wampee with the following members in attendance:

Governor James B. Edwards
Mr. Grady L. Patterson, Jr.
Senator Rembert C. Dennis

Also attending were Executive Director William T. Putnam, Governor's Administrative Assistant Walter R. Pettiss, State Auditor Edgar A. Vaughn, Jr., Attorney General Daniel R. McLeod, SLED Agent Robert M. Stewart, Computer Systems Management Division Director Charles H. Burr and staff member Charles Forbes, Auditor Robert W. Wilkes, Jr., and Board Secretary William A. McInnis.

EXECUTIVE SESSION - It was announced that one computer procurement contractual matter had been proposed for consideration in Executive Session. The Budget and Control Board without objection agreed to consider this matter whereupon the meeting was declared to be in Executive Session.

RATIFICATION OF EXECUTIVE SESSION ACTION - Following the Board's consideration of the Executive Session item, the meeting was opened and the following action taken by the Board in Executive Session was ratified without objection:

(1) Awarded a computer procurement contract to the apparent low bidder on the condition that the firm run satisfactorily the benchmark tests specified in the original Request For Proposals, contingent upon advising the administration of the agency involved and giving that agency an opportunity to react to the Board's action.

UNIVERSITY OF SOUTH CAROLINA - ACQUISITION OF AIRPLANE - Executive Director Putnam advised the Board that the University of South Carolina has

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requested Board reaction to a proposal by the University to transfer funds in order to purchase a new airplane for use by the University. Mr. Putnam further indicated that System Vice President B. A. Daetwyler had requested, by letter, that the Board react to this proposal so that the University could proceed with the bidding procedure involved.

In the ensuing discussion, Mr. Patterson reported that he and Mr. Morris and Representative Mangum had discussed this proposal previously and had agreed to authorize the University to acquire an airplane on the condition that it be assigned to the Aeronautics Commission and that a memorandum of agreement be developed expressing an understanding that the University would have first priority on the use of that airplane.

Senator Dennis disqualified himself from participation in the discussion and action on this matter.

Governor Edwards broached the idea of allowing the University to buy-in on one of the airplanes presently owned by the Aeronautics Commission but, in the ensuing discussion, it apparently was agreed that insufficient time on any of those airplanes would be available.

Following this discussion, the Budget and Control Board agreed to the transfer of funds necessary to enable the University of South Carolina to acquire an airplane to be assigned and maintained by the Aeronautics Commission on the condition that a memorandum of understanding be developed covering the use of that airplane and giving priority use of it to the University of South Carolina .

Information relating to this matter has been retained in these files and is identified as Exhibit I.

The meeting was adjourned at 5:10 p.m.

[Secretary's Note: In compliance with Section 9 of Act 593 of 1978 (the Freedom of Information Act), public notice of and the agenda for this meeting were posted on bulletin boards in the Office of the Governor's Assistant for Public Affairs in the State House and near the Board Secretary's office in the Wade Hampton Building on the morning of December 7, 1978.]



UNIVERSITY OF SOUTH CAROLINA

COLUMBIA, S. C. 29208

EXHIBIT I
12/8/78

SYSTEM VICE PRESIDENT
BUSINESS AND FINANCE

December 1, 1978

Mr. William T. Putnam
Executive Director
Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

Dear Bill:

As we discussed recently by phone, the University has made a study of the economics of chartering aircraft as opposed to lease-purchase. We have come to the unanimous opinion that the most economical way for the University is to purchase a new aircraft. We are therefore requesting Budget and Control Board approval to proceed with the bidding process for an airplane.

We have studied a number of different types of aircraft and find that one particular airplane fits the needs of the University System more completely than any other type. This is a Piper Chieftain. The requirement is for an aircraft that would hold from eight to ten people. We also need an aircraft that can operate in an out of hard surface runways of 3000 feet or over. As you know we have eight campuses outside of Columbia, all of them have airports but some with fairly short runways. The Piper Chieftain will be able to negotiate any of the runways that we normally use.

During the last twelve months through October, President Holderman, accompanied by three to six System administrators, has flown 226 hours to and from our Regional Campus System, and other trips requiring this type aircraft. He of course made numerous other flights on commercial aircraft taking him out of state on official business. With the University's one system concept, we are finding that we have more and more meetings on the Columbia campus, as well as visitation of System administrators to the outlying campuses. A tremendous number of hours are expended each week in automobile travel between the various campuses. Although there were only 226 chartered hours flown last year, had the University owned an airplane we conservatively estimate a minimum of 500 hours would have been flown by System Administrators. It is proposed that the aircraft will be used by all the University's top administrative personnel, including the two and four year campus directors.

Charter service for twin engine aircraft with six to eight seats has recently increased to a cost of \$175.00 per hour, including pilot time. It is for this reason that we feel that we need to operate a University owned aircraft. On page three of Exhibit I attached is shown the cost of operating a brand new Piper Chieftain. The figures can be verified in a number of official, objective publications and therefore I feel they are accurate. As you can see, the operating cost of the Piper Chieftain is \$80.76 per hour. This includes insurance as well as hangar rental, which may not be appropriate, if we could get suitable space in the

Mr. William T. Putnam

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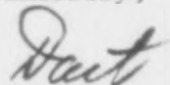
December 1, 1978

Aeronautics hangar. To this figure must be added the expense of a pilot at \$30.00 an hour, which is based on the State Classification System of roughly \$15,000 per year salary. To the combined figure of \$110.76 for operating cost and pilot cost would be added an adjusted investment cost.

Purchase price of a Piper Chieftain is approximately \$310,000 in the configuration that we feel would be necessary to make it all weather capable. This would include radar and other avionics navigation equipment. One of the important reasons for deciding on a Piper Chieftain, in addition to meeting the qualification as stated earlier in this letter, is the residual value for this particular airplane. There are very few used Chieftains available, because of the extremely high resale value. Exhibit II is a copy of some current quotes taken from a periodical known as "Trade a Plane" which lists used aircraft and their values. After a period of five to seven years, the Chieftain almost invariably sells for the same dollar value as the initial investment. In other words, if we pay \$310,000 for a Chieftain today, seven years from now it will have a dollar value of almost \$310,000, assuming a steady rate of inflation. The aircraft if properly maintained should have a useful life of at least twelve to fifteen years. I feel therefore that the investment cost should be adjusted for some residual value of the plane's worth at the ends of the financing period, which we propose to be seven years. Financing this airplane for the principal and interest would cost \$69,372 per year for seven years. This would result in \$112.30 per hour for the gross investment cost. However, considering the value of the aircraft at the end of seven years, an adjusted investment cost would be \$70.17. This is arrived at by amortizing all the interest for seven years plus 20% of the cost of the aircraft.

We feel that our proposal is not only sound economically, but has many additional benefits which are purely subjective. Primary among these are the ready availability of the aircraft and pilot, plus the thousands of hours that would eventually be saved in road travel by our top University administrators.

Sincerely,



B. A. Daetwyler

BD:11

cc: President James B. Holderman

EXHIBIT I

Piper Aircraft Corporation

1979

Operating Economics Guide

Chieftain

PA 31-350



Piper Aircraft Corporation

Chieftain PA 31-350

ESTIMATED AIRCRAFT OWNERSHIP AND OPERATING EXPENSE

TOTAL OPERATING EXPENSE (SCHEDULE I)

Type Aircraft 1979 CHIEFTAIN

Business Usage 100%

Assumed Hours Per Year 500

Assumed Years of Ownership 7

	ESTIMATED EXPENSE (A)	ESTIMATED EXPENSE NET OF TAX SAVINGS (B)
Assumed Purchase Price	\$303,250	
Estimated Resale Value	<u>\$181,950</u>	
Expense of Asset	\$121,300	\$121,300
Tax Savings:		
Less 48% Tax Bracket (C)	---	(\$ 58,224)
Less 10% Investment Tax Credit (D)	<u>---</u>	<u>(\$ 30,325)</u>
Net Investment Expense	\$121,300	\$ 32,751
Net Investment Expense Per Year	\$ 17,329	\$ 4,679
Net Investment Expense Per Hour	\$ 34.66	\$ 9.36
Operating Expense/Hour - Schedule II	<u>\$ 80.76</u>	<u>\$ 42.00</u>
Travel Expense Per Hour	<u>\$ 115.42</u>	<u>\$ 51.36</u>
Travel Expense Per Nautical Mile 191.4 Knots Block Speed	\$.603	\$.268
Travel Expense Per Seat Nautical Mile		
2 Seats	\$.302	\$.134
3 Seats	\$.201	\$.089
4 Seats	\$.151	\$.067
5 Seats	\$.121	\$.054
6 Seats	\$.101	\$.045
7 Seats	\$.086	\$.038
8 Seats	\$.075	\$.034

Fuel Consumption - Nautical Miles Per Gallon 5.62 (Statute miles per gallon 6.47)
@ 65% Power & 20,000 Feet P.A.

(A) Before Tax Savings.

(B) This column is presented for example purposes only and it should be understood that all tax situations can vary significantly and your tax advisors should be consulted.

(C) Reflects Federal Tax savings only.

(D) Providing maximum tax limitation has not been exceeded.

VARIABLE AND FIXED EXPENSES (SCHEDULE II)

Annual Fixed Expense

Hangar Rental — \$ 152 Per Month \$ 1,824

(1) Insurance

Hull — \$ 250 Deductible \$ 3,033

Liability - Single Limit — \$ 3 Million \$ 600

Total Annual Fixed Expense \$ 5,457

Operating Expense Per Hour

Variable Expense

Fixed Expense Per Hour — 500 Hours \$ 10.91

(2) Fuel — 34.1 GPH at \$0.82 Per Gal. \$ 27.96 X

(3) Oil \$ 1.27 X

(4) Inspection and Maintenance \$ 13.26 X

(5) Engine (Exchange) \$12.11 Each \$ 24.22 X

(6) Prop Overhaul (with De-Ice) \$ 1.13 Each \$ 2.26 X

(7) Avionics Maintenance Reserve Per Hour \$.88 X

Total Operating Expense Per Hour \$ 80.76 \$ 69.85

(1) Hull insurance computed at current average rates for an IFR equipped aircraft.*

(2) Fuel expenses are computed at a block consumption rate for 65% power with allowance for start, taxi, take-off, climb, cruise, and descent.

(3) Oil expenses are based on a normal consumption rate of 0.5 pint per hour, oil change every 100 hours, oil filter expenses and oil expense of \$4.08 per gallon. Filter change at 50 hours.

(4) Inspection and maintenance expenses are based on a programmed inspection schedule, include miscellaneous repairs, and parts.

(5) Engine exchange allowance is computed for manufacturer's recommended engine life of 1600 hours at remanufactured engine exchange expenses and includes labor and accessories.

(6) Expense computed at 1000 hours propeller overhaul — includes removal and installation expenses.

(7) Expense computed for an average Dual NAV/COM package with Transponder, ADF, DME, Encoding Altimeter and an Autopilot System.

*Rates are for Private and Corporate owners and do not apply to Commercial operations. Rates may vary depending upon pilot qualifications, experience and other related factors.

Personalized Operating Economics Guide

(This form is provided for calculating your individual expense)

ANNUAL FIXED EXPENSES:

Hangar rent @ _____ per month \$ _____
 Insurance: Hull _____ deductible _____
 Liability — single limit _____ million \$ _____
 TOTAL ANNUAL FIXED EXPENSES: \$ _____

VARIABLE HOURLY OPERATING EXPENSES:

Fuel _____ gph @ \$ _____ per gallon \$ _____
 Oil _____
 Inspection, maintenance and minor repairs _____
 Engine (overhaul) (exchange) @ _____ x _____ engines _____
 Prop overhaul @ _____ x _____ props _____
 Avionics maintenance reserve _____
 TOTAL VARIABLE HOURLY OPERATING EXPENSES: \$ _____

TOTAL OPERATING EXPENSES PER NAUTICAL MILE

	HOURS OPERATED ANNUALLY		
	300	600	1200
NM flown annually			
Variable hourly expense	\$ _____	\$ _____	\$ _____
Fixed hourly expense	\$ _____	\$ _____	\$ _____
TOTAL HOURLY OPERATING EXPENSES:	\$ _____	\$ _____	\$ _____
Operating expenses per nautical mile _____ (block speed)	\$ _____	\$ _____	\$ _____
2 people	\$ _____	\$ _____	\$ _____
4 people	\$ _____	\$ _____	\$ _____
6 people	\$ _____	\$ _____	\$ _____
8 people	\$ _____	\$ _____	\$ _____
10 people	\$ _____	\$ _____	\$ _____

Nautical Miles per gallon _____
 Nautical seat miles per gallon:
 2 people _____
 4 people _____
 6 people _____
 8 people _____
 10 people _____

Statute Miles per gallon _____
 Statute seat miles per gallon:
 2 people _____
 4 people _____
 6 people _____
 8 people _____
 10 people _____

Piper Aircraft Corporation reserves the right to make changes in specifications, materials, equipment or prices at any time without prior notice or to discontinue models as required.



PIPER AIRCRAFT CORPORATION
 LOCK HAVEN, PENNSYLVANIA 17745
 A BANGOR PUNTA COMPANY
 MEMBER OF GAMA

A G R E E M E N T

This Agreement made and entered into this the 2nd day of August, 1979, by and between the University of South Carolina and the South Carolina Aeronautics Commission sets forth the responsibilities to be accepted by each of these State agencies regarding the scheduling, operation, general maintenance, and joint usage of the University of South Carolina executive aircraft (Piper Chieftain).

1. Condition of Aircraft Assignment and Maintenance Support

The University of South Carolina purchased Piper Chieftain aircraft is to be assigned to and maintained by the South Carolina State Aeronautics Commission. The South Carolina State Budget and Control Board, in its instructions for aircraft assignment and maintenance, also provides for the University to have priority use of this aircraft. (Minutes of the Budget and Control Board meeting, December 8, 1978.)

2. Pilot Qualification and Control

(a) Pilot personnel scheduled to fly mission support for authorized requestors must be approved by the Director of the South Carolina State Aeronautics Commission.

(b) The minimum qualifications to act as pilot in command of the University Piper Chieftain aircraft are: 1500 hours total pilot in command, 250 multi-engine time, hold a current Commercial Pilot's license, and be instrument and multi-engine rated.

(c) The University Piper Chieftain aircraft will normally be flown by a pilot assigned to the staff of the University. Pilot personnel assigned to the Aeronautics Commission will become qualified to fly the Piper Chieftain aircraft and when scheduling permits, will fly assigned missions in support of authorized requests. When neither a University nor Aeronautics Commission pilot is available for mission assignment, the Aeronautics Commission or University will provide pilot support from an Approved Pilot List maintained by the Commission.

3. Maintenance

(a) Maintenance support for the University aircraft will be performed at certified FAA maintenance facilities. Corrective maintenance, discrepancy items and periodic inspections will be initiated by the University pilot, or pilot in command, and will be coordinated with the assistant to the Director for Flight Operations. Aircraft maintenance discrepancies will be posted in the aircraft log, maintained in the aircraft, and the list of discrepancies will be provided to the Commission's Chief of Flight Scheduling and Maintenance.

(b) The Piper Chieftain aircraft will be assigned parking space in the Aeronautics Commission facility hangar when space becomes available. The University will be required to pay a rental fee to the Commission for assigned hangar space and at a rate to be determined by agreement between the Commission and the University.

(c) The Piper Chieftain will be serviced (fuel, oil, etc.) from Commission supplies. The Commission will bill the University at the Commission's established billing rates.

(d) Servicing of the Piper Chieftain aircraft will be accomplished by Commission and/or SLED security personnel. When neither of these resources are available and/or it is not practicable to use such resources, servicing will be performed by other means as authorized by the Commission. In most instances, pilots will be responsible for requesting and supervising the servicing of an aircraft. Exterior and interior cleaning of the aircraft will be accomplished on the same basis as for other aircraft assigned to the Commission.

(e) University pilots will have access to all Aeronautics Commission facilities that are normally available to Commission pilots.

(f) Storage space will be provided at the Commission facility for supplies, equipment and special items normally carried aboard the Piper Chieftain aircraft.

(g) Settlement of accounts for hangar space and the consumption of supplies will be settled monthly. The Aeronautics Commission will use the State IDT Voucher and IDT Credit Invoice procedure to satisfy the billing and crediting of accounts.

4. Scheduling

The Piper Chieftain aircraft will be scheduled for University missions through the University System Vice President for Business and Finance. Daily mission schedules and changes in scheduling will be communicated to the Aeronautics Commission office each day, not later than (NLT) 4:00 p.m. Negative reports will be required. If the Piper Chieftain aircraft is not scheduled for the day following or is scheduled for only part time on any single day, the aircraft will be considered available to meet the mission requests of the Aeronautics Commission.

5. Aircraft Records

Aircraft logs for the Piper Chieftain will be maintained in accordance with the announced South Carolina Aeronautics Commission policies and procedures, and will be permanently filed with the Aeronautics Commission.

6. Reciprocal Use of University and Aeronautics Commission Aircraft

(a) The Piper Chieftain aircraft may be requested for use by other State agencies and State officials through the Aeronautics Commission. The University may request use of Aeronautics Commission aircraft through normal request channels.

(b) To facilitate smooth interchange of aircraft, Commission pilots and University pilots will become current in similar reciprocating twin-engined aircraft.

(c) Accurate records, for each aircraft interchanged, for billing purposes will be maintained and net transfer of funds will be made between the Commission and the University on a monthly basis. Settlement of accounts will be accomplished by the State IDT Voucher and IDT Credit Invoice. The aircraft charges will be made at the current operating cost rate as established by agreement between the University and the Commission.

(d) Measurement of flying time for logs, billing and maintenance purposes will be by the Hobbs meter, which will be actuated by gear up.

This Agreement will be subject to an annual review by the South Carolina Aeronautics Commission, the University of South Carolina and the State Budget and Control Board.

The S. C. Aeronautics Commission

By: 

Title: Director

Date: August 2, 1979

The University of South Carolina

By: 

B. A. DAETWYLER
System Vice President
Title: for Business and Finance

Date: July 26, 1979