

MINUTES OF MEETINGS

SOUTH CAROLINA

STATE BUDGET AND CONTROL BOARD

FISCAL YEAR

1966-67

MINUTES OF BUDGET AND CONTROL BOARD MEETING

AUGUST 9, 1966

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The Budget and Control Board met in the Conference Room of the State Auditor's Office at 10:30 A. M., Tuesday, August 9, 1966, with all members present except Senator Brown who was absent because of illness. Also present throughout the meeting were Messrs. P. C. Smith and F. E. McEachern, Jr.

The following business was transacted.

UNIVERSITY OF SOUTH CAROLINA - Permanent Improvement Projects

Dr. Thomas F. Jones, President, and Dr. William H. Patterson, Vice President, of the University of South Carolina, appeared before the Board requesting approval of the following permanent improvement projects.

1. Acquisition of Columbia Hotel - \$ 1,100,000.00

Dr. Jones requested the Board's approval to purchase the Columbia Hotel property, corner of Sumter and Gervais Streets, in the City of Columbia, at a price of \$1,100,000.00.

The Board was informed that applications for the admission of new students to the University for the 1966 fall term now number in excess of 7,500, an increase of approximately 25% over the number of applicants at this time last year. The University is accordingly concerned that additional dormitory space be made available for these additional students.

Capstone House, the new graduate facility previously approved by the Board, is just getting under construction and will not be available for student occupancy during the 1966-67 school term. University authorities have made efforts to obtain housing accommodations within the immediate area of the University campus but have been unsuccessful in securing the amount of accommodations that it now appears will be needed. Owners of the Columbia Hotel, being aware of the University's needs in this regard, and desiring to dispose of this property, accordingly approached the University on the matter of the proposed sale.

Dr. Jones further informed the Board that the University has a definite commitment from Mr. Irwin Kahn, of Columbia, to purchase the Hotel from the University, at a price of \$1,100,000.00, August 1, 1970. The University proposed to enter into such a sale contract with Mr. Kahn if the original purchase by the University is approved. A copy of the proposed sale contract between the University and Mr. Kahn was presented to the Board for its information. A copy is attached herewith as a part of the minutes.

The purchase of the Hotel property was proposed to be financed by borrowing by the University under its present legislative authorization to incur indebtedness for dormitory facilities. Funds borrowed for this purpose would be repaid from the proceeds of the sale of the property to Mr. Kahn in 1970.

Since the University does not have authority to sell real property, the sale contract with Mr. Kahn will necessarily be conditioned upon the obtaining of such authority from the General Assembly.

In view of the University's intent to hold the property for only four years, it is proposed that a loan of \$1,100,000.00 be obtained from local banks, in lieu of a formal bond issue. Dr. Jones stated that preliminary investigation indicated that such a bank loan might be obtained on terms acceptable to the University. The loan will be scheduled to mature at the time of the resale of the property to Mr. Kahn and will be retired out of the proceeds of the sale.

After a full discussion of the proposal the following action was taken by the Board.

a) The Board approved the purchase of the Hotel property by the University at a price of \$1,100,000.00. The Board noted that University authorities had omitted to provide the usual statement of revenue coverage indicating its capacity to incur an additional \$1,100,000.00 of dormitory indebtedness. The Board's approval of the purchase was therefore conditioned upon the University's presenting the usual financial information to meet this requirement.

(Following the meeting of the Board, University authorities submitted a statement of projected dormitory revenue indicating that the Board's requirement of coverage can be more than met. A copy of this statement is attached herewith as a part of the minutes. Upon receipt of this information the Board's approval became unconditional.)

b) The Board gave its approval to the financing of the property by bank loan. This approval was given with the understanding that the terms of the loan provide for an annual principal payment of not less than 5% of the original amount of the loan.

c) In the event legislative authority is not obtained to sell the property to Mr. Kahn, the Board agreed to purchase for the Retirement System such amount of University dormitory revenue bonds as may be necessary to retire the balance due the bank August 1, 1970.

2. Construction of Energy Facility - \$ 950,000.00

Dr. Jones requested the Board's approval to construct a new facility at the corner of Green and Henderson Streets to provide heating and air conditioning for Capstone House, the new Humanities Center and other future projects planned in the University's expansion program east of Pickens Street.

The facility is to be financed by the issuance of State Institution Bonds.

The Board approved the project and agreed to purchase the bonds for the Retirement System, at an interest rate of 5½%.

3. Purchase of Warehouse, Lower Main Street - \$ 190,000.00

The Board was requested to approve the University's purchase of a warehouse on the west side of lower Main Street, opposite property now owned by the University and, until recently, occupied by a division of the Columbia Post Office.

The proposed purchase would be financed through the issuance of State Institution Bonds.

The Board agreed to the purchase of the property and to purchase the bonds as an investment of the Retirement System, at an interest rate of 5½%.

The University presented financial information indicating its capacity to support bond issues for the last two above listed projects.

STATE BOARD OF EDUCATION - Allocation from Civil
Contingent Fund for Survey

Messrs. N. J. Laney, Chairman, and Dr. R. Cathcart Smith, member, of the State Board of Education, appeared before the Board with a request that it reconsider the action taken June 29 in declining a request of the State Board of Education for funds for a study of the organizational structure of the State Department of Education.

Mr. Laney stated to the Board that it was their intent to employ the management consultant firm of Cresap, McCormick & Paget to furnish advice and counsel in the development of a new and more effective plan of organization of the department. It was emphasized that the management firm would provide guidance mainly in this undertaking and that the personnel of the department would be actively involved in the study.

After some discussion the Board approved the allocation of \$9,200.00 from the Civil Contingent Fund for this study as requested. It was further understood that the State Auditor would be kept informed as the study progressed.

GENERAL FUND FINANCIAL REPORT

Dr. James A. Morris, Dean of the Graduate School of the University of South Carolina, and Mr. Thomas P. Evans, of the State Auditor's Office, were present for a presentation to the Board of reports dealing with present and future status of the State's General Fund.

At the opening of this item of business Dr. Morris gave the Board a general report on the general economic outlook for the Nation, and for South

Carolina in particular, for the immediate future.

Using a projector, Mr. Smith presented for the Board's information preliminary statements of revenue collections for 1965-66 and the condition of the State's General Fund at the end of the year. This was followed by a series of charts developed by Dr. Morris and Mr. Evans indicating prospective revenue for 1966-67 and 1967-68. Information was included in this series of charts to show the range of appropriations that might reasonably be made for various purposes in the light of prospective General Fund income.

The information was discussed at some length by the Board and received as information.

CLEMSON UNIVERSITY - Health Center Approved

At the request of Clemson University the Board approved the construction of a new Health Center, at an estimated cost of \$800,000.00, to replace present obsolete infirmary facilities.

The new Center is to be financed by the issuance of State Institution Bonds for which it was shown the University has sufficient revenue capacity. The Board agreed to purchase the bonds for the Retirement System, at an interest rate of 5½%.

DEPARTMENT OF EDUCATION - Additional Funds for "Non-Teaching Principals, Supervisors and Special Teachers"

The Board was informed by Dr. Jesse T. Anderson, State Superintendent of Education, that the 1965-66 appropriation for "Non-Teaching Principals, Supervisors and Special Teachers" lacked approximately \$313,000.00 in being sufficient to meet the amount due school districts under the allocation formula prescribed by law.

It was noted that appropriations for Teachers' Salaries, Maintenance and Operation, and Supervision and Overhead all carry a proviso to the effect that whatever amount is necessary to pay school districts under prescribed formula is appropriated regardless of the amount listed in the Appropriation Act for each of these line items. There is not, however, a similar authorization applicable to the appropriation for "Non-Teaching Principals, Supervisors and Special Teachers".

The Board was requested to authorize the expenditure of the additional \$313,000.00 required for this purpose.

The Board was in doubt as to its legal authority to approve such a request and accordingly requested the Secretary to obtain the Attorney General's opinion. Action was accordingly deferred at this time.

STATE BOARD OF HEALTH - Salary Schedule for County Personnel

The Board had before it a request of the State Board of Health to approve its proposed range of salaries for county personnel for 1966-67. This list was not available when other salaries were acted upon by the Board June 21, 1966.

In reviewing the proposed schedule the Board noted what it considered rather excessive rates of increases. The list was accordingly referred to the State Auditor with the request that it be reviewed by him with Board of Health authorities. No specific action was taken.

SCHOOL FOR THE DEAF AND THE BLIND - Transfer of Funds Approved

The Board was informed by the School for the Deaf and the Blind that permanent improvement funds available for the new Aphasic Building, Renovation of Ballard Hall and Construction of the New Primary Building, totaling approximately \$1,100,000.00, were \$15,000.00 short of the amount required for these projects. It was therefore requested that the Board approve the use of \$15,000.00 of 1966-67 Maintenance and Operation funds for these projects.

The request was approved.

FORESTRY COMMISSION - Funds for Forest Survey

The 1966-67 Appropriation Act includes an item of \$40,000.00 to the Forestry Commission for conducting a State-wide forest survey. This appropriation is conditioned upon the obtaining of an additional \$40,000.00 in contributions for this purpose from forestry industries.

Mr. John Tiller, State Forester, informed the Board by letter that it has been possible to secure only \$12,000.00 of contributions from industries. He

requested the Board to advise whether or not any, or all, of the State's appropriated \$40,000.00 would be available under these circumstances.

The Board was of the opinion that it had no authority to authorize the use of any part of the State appropriated funds except upon the prescribed conditions set forth in the Act. The Secretary was accordingly directed to advise Mr. Tiller that the full \$40,000.00 from industries must be obtained before the State's share of this survey will be available.

GENERAL SERVICES DIVISION

1) Sinking Fund Loans in Arrears

Mr. McEachern informed the Board that Sinking Fund loans to Clemson University, Dorchester County and Dillon County were in arrears. Details of the status of each of these loans was presented to the Board.

No action was taken on these loans at this time. The Board requested the State Treasurer to confer with the Attorney General as to the status and action that might be taken in the Board's interest on each.

2) Requests for Long-Term Loans

Requests have been received by Mr. McEachern from Cherokee Springs Fire District and the Town of Pacolet for Sinking Fund loans extending beyond the present Board limit of 5 years. The Board declined to approve exceptions to this established policy.

3) Lease Extensions Approved

The Board approved extensions of existing leases between the Department of Insurance and the Federal Land Bank and between the University of South Carolina and "19 East Post Road, Inc.".

No further business was transacted and the meeting adjourned at 1:15

P. M.

AGENDA MATERIALS
AND SUPPORTING DOCUMENTS
FOR THE MEETING OF

AUGUST 9, 1966

WHEREAS, the Trustees (the Trustees) of the University of South Carolina (the University) have heretofore advised the State Budget and Control Board of South Carolina (the State Board) of the urgent need for facilities with which to house male students entering the University in the Fall semester in the year 1966, and have sought permission of the State Board:

(a) to purchase and renovate The Columbia Hotel property at the northeast corner of Gervais and Sumter Streets, in the City of Columbia, South Carolina, for that purpose;

(b) to finance the cost of such acquisition and renovation through a sale of \$1,100,000 Student and Faculty Housing Revenue Bonds, Second Series of 1966, to be dated June 1, 1966, to mature: \$55,000 on June 1 in each of the years 1967 to 1986, inclusive, and to bear interest, payable on the first days of June and December of each year, beginning December 1, 1966, at the rate of four per centum (4%) per annum until June 1, 1970 and thereafter, until the maturity of said bonds, at the rate of five and one-half per centum (5-1/2%) per annum (the Bonds);

(c) to sell the bonds to a syndicate comprised of a group of Banks operating in the City of Columbia, South Carolina, headed by The Citizens and Southern National Bank of South Carolina (the Banks) at par; and

(d) to secure from the State Board its agreement with the Banks that the State Board will repurchase the Bonds from the Banks on or before June 1, 1970 at par (plus accrued interest, if any, to the date of such repurchase); and

WHEREAS, the State Board has examined the statutory and contractual requirements by which the Trustees are empowered to issue Student and Faculty Housing Revenue Bonds and have determined that the revenues derived from Student and Faculty Housing Facilities of the University permit the issuance of the Bonds and that such issuance would not adversely affect the issuance of

\$3,200,000 of Student and Faculty Housing Revenue Bonds of 1966, which the University is obligated to issue pursuant to a Loan Agreement made between the University and the Department of Housing and Urban Development and against which Bond Anticipation Notes have been issued;

NOW, THEREFORE, BE IT RESOLVED BY THE STATE BUDGET AND CONTROL BOARD OF SOUTH CAROLINA:

(1) The State Board approves and authorizes the purchase and improvement of The Columbia Hotel property above described, by the Trustees;

(2) The State Board approves and authorizes the Trustees to issue \$1,100,000 Student and Faculty Housing Revenue Bonds, Second Series of 1966, dated June 1, 1966;

(3) The State Board, pursuant to Section 9 of Act No. 904 of the Acts of the General Assembly of the State of South Carolina for the year 1960, as amended, authorizes the Trustees to sell the bonds to the Banks, on the terms and conditions set forth above;

(4) The State Board, acting in its capacity as Trustee of the funds of the South Carolina Retirement System, agrees to purchase from the Banks on or before June 1, 1970, that portion of the Bonds then outstanding, at par (and accrued interest, if any); and

(5) A copy of this Resolution, when duly certified, shall be delivered to the Banks as evidence of the unconditional obligation of the State Board to effect the purchase of the Bonds at the time and under the terms and conditions above set forth; and a letter in form substantially as annexed hereto shall be signed on behalf of this Board by its Secretary and delivered to the Banks.

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