

REAL PROPERTY COMMITTEE

5:30 p.m., Tuesday, April 2, 2013
Public Safety Building Training Room
30 J.C. Long Boulevard, Isle of Palms, South Carolina

The Real Property Committee held its regular meeting at 5:30 p.m., Tuesday, April 2, 2013 in the Training Room of the Public Safety Building, 30 J.C. Long Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmember Buckhannon and Loftus, Chair Stone, City Administrator Tucker, Assistant to the Administrator Dziuban and City Clerk Copeland; a quorum was present to conduct business.

1. Chair Stone called the meeting to order and acknowledged that the press and public had been duly notified of the meeting in accordance with the Freedom of Information Act.

2. Approval of Previous Meeting's Minutes

MOTION: Councilmember Loftus moved to approve the minutes of the regular meeting of March 6, 2013 as written; Councilmember Buckhannon seconded and the motion PASSED UNANIMOUSLY.

3. **Citizens' Comments – None**

4. **Comments from Marina Tenants – None**

5. Old Business

A. Review of actions relative to use of municipal parking lot by IOP Water and Sewer to house temporary structure(s) for placement of antennae and the need for the City to apply for a Special Exception from the Board of Zoning Appeals

Representing the IOP Water and Sewer Commission was Bill Jenkins, Special Projects Administrator, representing the cell carriers was Jonathan Yates, and Bill Schupp of Schupp Enterprises was present as the municipal parking lot lessee.

MOTION: Councilmember Buckhannon moved to recommend authorizing the City Administrator to sign a Special Exception application for the placement of temporary antennae and to execute a lease with the Water and Sewer Commission to place the temporary antennae in the next off-season; Councilmember Loftus seconded.

Councilmember Loftus asked Mr. Jenkins to explain how the IOP Water and Sewer Commission had decided not to remove the water tower and replace it with a monopole.

Mr. Jenkins deferred to Administrator Tucker, who assured the Committee that the Water and Sewer Commission decided to reverse their decision. The Administrator added that she was hesitant to re-sign the Special Exception application without reminding this Committee, City Council and the public what is going to happen. Based on the preliminary schedule Mr. Jenkins distributed, there exists a possibility that this work may overlap with Mr. Schupp's lease period for the municipal parking lots; therefore, he needs to be present for these discussions.

In January 2013, the City was approached again by the Water and Sewer Commission about removing the water tower and replacing it with a monopole antenna to house the communications carriers. While the water tower is an appurtenance for the Water and Sewer Commission, the City does not believe that a monopole constructed on City property is intrinsic to the Commission. Therefore, any leases with communications carriers installed on the new monopole should be with the City, and not the Water and Sewer Commission.

Mr. Jenkins added that, if the elevated tank were to be removed, the Commission's plan was to remove all of the steel structures from the site to build a larger, concrete reservoir; the placement of the monopole back on the property the infrastructure would compromise that placement. The Water and Sewer Commission decided it was not in the best interest of the Commission to go forward with the water tank removal.

Mr. Yates noted that, while the monopole would serve the carriers well, the carriers have a good relationship with their landlord and support the decision.

On the subject of using part of the municipal lot while under Mr. Schupp's lease, Mr. Jenkins stated that he had spoken with Mr. Schupp last year when this was originally proposed and Mr. Schupp had indicated that he did not see a problem mobilizing in the month of September. Mr. Jenkins intends to re-approach Mr. Schupp on the same subject.

Councilmember Loftus pointed out that Labor Day falls in the period in which the temporary antennae are to be delivered, and that is a day when the lots are typically full. Mr. Schupp indicated that any issues would be around the amount of space the Water and Sewer Commission would need. Mr. Jenkins then showed Mr. Schupp a conceptual drawing of the space they anticipated needing, and Mr. Schupp said that he did not foresee a problem. Mr. Jenkins said that he would talk with the engineers to see if the delivery can be made after Labor Day, which is September 2nd.

VOTE: The motion PASSED UNANIMOUSLY.

A copy of the proposed time schedule is attached to the historical record of the meeting.

B. Discussion of amendment to Marina Outpost lease

Brian Berrigan, lessee, informed the Committee that, based on the City's budget constraints, he was withdrawing his request for the lease amendment at this time, but he did ask that the replacement of the fuel pumps on the hill remain in the FY14 budget.

Administrator Tucker recalled that the subject of a long-term lease was brought up at the Council meeting, and she explained that the marina store lease started out with a two-year (2 yr.) term in 2008; after that period, there are three (3) five-year (5 yr.) renewals for a total term of seventeen (17) years. The discussions that a lease term of twenty or twenty-five years (20-25 yrs.) would make the request, that has now been withdrawn, go away; while the lease is not twenty or twenty-five years (20-25 yrs.), the tenant has had a relationship with the City for thirteen or fourteen (13-14) years and there has never been "blip" in any of the leases. The lease is currently in its first renewal term that expires January 2015.

Mr. Berrigan reiterated that lenders do not see the lease term in the same way as the City; a longer lease is seen as more significant than renewable terms.

MOTION: At the Administrator's request, Councilmember Loftus moved to re-order the *Agenda* to discuss items *A* and *B* under *New Business*, because the budget discussion will be lengthy; Councilmember Buckhannon seconded and the motion PASSED UNANIMOUSLY.

6. New Business

A. No cost adjustment to CSE work task

Administrator Tucker introduced Steven Traynum from Coastal Science and Engineering (CSE), who is present to answer questions the Committee may have.

The Administrator recounted that, when the City entered into the agreement with CSE, there was a menu of tasks to be accomplished and an addition was made; the City has followed along for a couple of budget cycles tracking expenses against each of the tasks. A recent addition was the permit modification as Task 11 for five thousand dollars (\$5,000); the work related to getting this permit has been much more extensive with the public hearing and responding to many questions. As a result, Task 11 has exceeded the cost by fifteen thousand dollars (\$15,000) and some change; CSE is proposing that savings from Tasks 8 and Tasks 10, as well as some savings on direct expenses, be redirected to cover the over-run in Task 11. This does not represent a cost adjustment to the contract that the City has approved, just a reallocation of funds, and the Committee does not need to take any action.

B. Discussion of biological monitoring related to benthic infaunal invertebrate communities

This biological survey concerns the area impacted by the shoal scraping; since the City submitted the permit amendment request, Department of Natural Resources (DNR) has made known their desire to study the benthic organisms to determine if there is any adverse impact on them as a result of shoal scraping. DNR would do the study at the City's expense of approximately thirty thousand dollars (\$30,000). The study is expected to prove that there is no adverse impact on the benthic organisms from these projects, and there would be no further requirement ever to look at this subject again. If the study proved there is some impact, the City would then have additional expenses for on-going monitoring to know when these colonies restore themselves.

Administrator Tucker commented that Mr. Traynum believes that the City will not get the permit amendment without paying for this study. CSE has talked DNR out of the study in the past, but they seem reluctant to favor the amendment without the study.

Responding to Chair Stone's question, Mr. Traynum said that studies like this have been done at Seabrook with the inlet relocation; it is a common request for new projects or new borrow areas. Mr. Traynum indicated that the City circumvented the study when it requested two (2) events despite how hard the study was being pushed. Other studies have shown that the

organisms recover quickly, especially if the sand qualities match; DNR acknowledges that they recover rapidly, but they want the City to prove it. DNR's concern appears to be if the long-term strategy is continued management of the shoals at yearly increments during certain periods – that repetitive projects will not allow benthic colonies to recover in the period of time between events.

According to the wording of the DNR proposal, four (4) monitorings are planned, i.e. pre-event, one (1) month post-event, three (3) months post-event and six (6) months post-event, for the project area and a control area. If the impact area responds as the same way as the control area, it is deemed recovered. Mr. Traynum recommended the insertion of language stating that the City would agree to these four (4), but additional monitoring would be the responsibility of DNR; if the recovery was not seen at six (6) months, the City could agree to a couple more, but there needs to be an end date for monitorings.

Administrator Tucker stated that this thirty thousand dollars (\$30,000) was not included in the FY14 budget.

Since a project is not planned for the spring, Mr. Traynum indicated that the City was not under any time constraints for responding.

Mr. Traynum recalled that one hundred forty-one thousand dollars (\$141,000) was included for biological monitoring, but he was not sure that the City had agreed to leave it in the contract. He indicated that very little of that money has been spent and would cover this DNR study; Administrator Tucker said she would check the minutes of the meeting for confirmation.

Councilmember Loftus voiced his opinion that the data exists from the many years that sand scraping has been a practice for beach renourishment. Mr. Traynum's contact at DNR expressed confidence that the organisms would recover, but DNR appears to want to prove the same results at the Isle of Palms.

Chair Stone thought the Isle of Palms may be different in the number of events that it may need, as opposed to one (1) event every five (5) years.

Mr. Traynum stated that DNR has requested the OCRM include this study as condition of the permit modification. He indicated that CSE could craft a response citing all of the previous studies and hope for permit issuance without the study as a condition.

Councilmember Buckhannon stated that it appears the money is allocated for this biological study in the contract; the Administrator said that she would determine if that is the case for the Ways and Means meeting.

MOTION: Councilmember Buckhannon moved to recommend moving the DNR proposal for \$30,000 for biological monitoring to Ways and Means for consideration; Chair Stone seconded.

Councilmember Loftus repeated that the data is available; he suggested partnering with DNR to perform the study at their expense. In his opinion, the City is being asked to be a test tube.

Administrator Tucker stated that Mr. Traynum was trying to determine whether the City will spend the money to exercise the permit if the permit amendment is issued with this condition.

Chair Stone said that he felt “strong-armed” by DNR.

Mr. Traynum said that the study will not determine if the permit is issued, but it could be a condition of the permit amendment, and, if it is, how does the City want CSE to proceed?

VOTE: The motion was UNANIMOUSLY DEFEATED.

5. Old Business

C. Review of FY14 Budgets

Administrator Tucker noted that the “green” budget does contain the capital expenditures for the Marina that were withdrawn earlier in the meeting.

Marina Fund Revenues

All marina tenants' leases	333,986
Interest income	<u>1,802</u>
	335,788
Transfer in – debt service – State ATAX	178,157
Transfer in – watersports dock – State ATAX	180,800
50% of cost to design, permit and construct new dock	
Total Marina Revenue	<u>694,745</u>

A change to this version of the budget is State ATAX funds paying half of the cost for the design, permitting and construction of the watersports dock; the balance will be paid from the Marina Fund. Since this transfer in from State ATAX is new to the “green” budget, it was not in the version approved by the ATAX Committee.

The planning number that is being used for the budget is based on the design/build estimates the City received from the request for bid on the watersports dock; the number is also based on giving the tenant everything it could need for the new dock, like shore power, and infrastructure upgrades. The plan is to design the construction bid package with alternates and have the bids come in for less money than estimated.

Marina Expenses

General and Administrative

Debt service – interest	109,471
Interest due on Marina GO bond and marina bulkhead GO bond	

Other expenses paid from this cost center are the Charleston County annual hazmat charge, irrigation around the sign, legal fees and solid waste disposal fees, which are charged to the tenants, as well as five thousand dollars (\$5,000) for advertising.

Marina Store

Expenses included here are water and sewer, termite inspection, depreciation, insurance, professional services and a small contingency for approximately forty thousand dollars (\$40,000).

Marina Operations

Items expensed to this cost center are depreciation, advertising and a portion of the dock insurance and property, liability and underground storage tank insurance for the docks. The Administrator recalled that the docks have been under-insured, and the City has been slowly increasing the coverage.

Councilmember Loftus questioned that money is allocated in two cost centers for advertising; Administrator Tucker stated that one (1) of the leases does state that the City will pay for advertising. Typically the advertising appears in *The Waterway Guide*, marinas.com and the *ICW Guide*, and the City reimburses the costs to the marina or pays the invoice.

Mr. Berrigan said that his contract does state that the City will pay for advertising; he added that it is his responsibility to advertise for all of the businesses at the marina, i.e. Morgan Creek Grill, watersports, kayaks, eco-tours, etc.

Councilmember Loftus pointed out that the budget amount for water and sewer in "General and Administrative" expenses appears to be too high; based on history, the actual expense is about thirty dollars (\$30.00) per month. Other lines he thought might be high are depreciation; he thought it should go down each year, not be stable. The Administrator said that she would check these expenses.

Marina Restaurant

The biggest single expense to the restaurant is their share of the dock insurance and other insurance coverage; in addition, they have the annual termite inspection, depreciation and back-flow testing.

Marina Fund expenditures for FY14 decrease three percent (3%) from the FY13 budget.

Marina Fund – Capital Outlay and Bond Principal Payments

Based on Mr. Berrigan's announcement earlier in the meeting, the Capital Outlay has been reduced by one hundred sixty-one thousand dollars (\$161,000). Expenses remaining are:

Principal pymts on 2 GO bonds	425,000
Design and permitting of watersports dock	32,600
Construction of watersports dock	329,000
Replace fuel dispensers – store	30,000

If the Committee is agreeing to assume the responsibility for replacing the fuel dispensers at the store, Administrator Tucker said that the City attorney will need to produce an amendment to the lease identifying it as such.

Mr. Berrigan indicated that the marina lease states that the fuel system on the docks is the City's responsibility, but that language is not in the store lease.

MOTION: Councilmember Loftus moved to task the City Attorney with writing an amendment to the store lease to identify the store fuel dispensers as the City's responsibility to replace; Councilmember Buckhannon seconded and the motion PASSED UNANIMOUSLY.

Administrator Tucker noted that, as a money savings endeavor, certain items were removed from the marina budget, i.e. the canopy for the land fuel dispensers at forty thousand dollars (\$40,000) and the design of the new Morgan Creek docks for one hundred thousand dollars (\$100,000) in order to leave money in the Marina Fund.

Chair Stone commented that removing the design of the new Morgan Creek docks means that the City will be postponing its application for the Boating Infrastructure Grant.

The Administrator agreed that the lack of a canopy did degrade the dispensers that are there, but that took many years to happen; therefore delaying the canopy for a year or so should not mean that the dispensers are unreadable as they are today.

Municipal Accommodation Fee Fund Revenue

Projects relevant to this Committee are the following:

To Island-wide Beach Maintenance Fund	50,000
Increase reserve for future beach restoration efforts, same as previous years	
Transfer to Beach Restoration Fund for debt service	315,482
100% of debt service for Beach Restoration Loan	

Municipal Accommodation Fee Fund Expenditures

Front Beach Area

Front Beach printing and office supplies	3,200
Supplies for parking meter kiosks and ticketing devices	
Bank service charges	150
Electricity and gas	4,000
Telephone and cable	1,000
Service to ER call boxes	
Water and sewer	5,000
Non-capital tools and equipment	12,000
Replace 3 handheld ticket writers, originally purchased in 2006	
Maintenance and service contracts	31,450
Kiosks, ticket devices, sidewalks, parking lot, irrigation, lighting, benches, trashcans, info kiosks, sod and green spaces, road resurface/patch	
Machinery and equipment repair	7,500
Based on actual; includes repair parts for aging kiosks	

BSO uniforms	2,000
Outfitting 6 BSOs	
Street signs	2,500
Insurance	1,171
Property and liability on parking meters, lights and fixtures	
Professional services	11,300
Annual subscription to parking ticket mgmt. system, service to locate address for unpaid violators, armored car/counting service	
Miscellaneous and contingency	2,000
Unanticipated costs; parking meter and parking lot activities	

Administrator Tucker stated that Charleston County has informed the City that the grant that paid for additional BSOs last year will be funded again, and the mechanism for applying has been communicated to the City as well. The City is, therefore, planning for six (6) BSOs in the FY14 budget.

Councilmember Loftus again questioned the need for six (6) BSOs when they did not generate any additional revenue last year. Administrator Tucker agreed that there was not an increased number of tickets, but revenues from parking meters and lots are predicted to increase in FY14 based on last year and the increase in rate for the lots. The Administrator added that she thinks the presence of the BSOs prevents crime, which cannot be measured.

State ATAX Fund Expenditures

Public Restrooms/Front Beach Area

The only changes from the FY13 budget are increases in *Cleaning and Sanitary Supplies* based on actual and *Insurance* with the anticipated five percent (5%) rate increase.

Administrator Tucker noted that staff continues to look into refinancing the GO bonds; the most attractive choice is the marina GO bond.

The last schedule for review was the fund balance schedule for the Marina Fund; the numbers clearly illustrate why the activity for the marina in the coming year had to be scaled back.

FY12 audited ending fund balance	<u>734,536</u>
FY13 budgeted revenues and transfers	494,260
FY13 budgeted expenditures	(267,645)
FY13 budgeted reservations of fund balance	(615,000)
FY13 actual reservations higher/lower than budget	<u>225,000</u>
FY13 projected Ending Fund Balance	<u>571,151</u>
FY14 budgeted revenues and transfers	694,745
FY14 budgeted expenditures	(254,030)
FY14 budgeted reservations of Fund Balance	<u>(977,600)</u>
FY14 projected Ending Fund Balance	<u>34,266</u>

Administrator Tucker explained if staff not looked at funding some of the elements out of different sources and also cutting the budget, the FY14 ending fund balance would have ended the year in the negative. The Administrator explained that the big reduction in Marina Fund balance came when the City budgeted the dredging project at three hundred thousand dollars (\$300,000) and the project actually cost the City almost twice that amount; the Marina Fund took an unexpected hit of three hundred thousand dollars (\$300,000). If the City still had that money, the Boating Infrastructure Grant and funding the watersports dock from the Marina Fund might have been possible.

Chair Stone thought that delaying the Boating Infrastructure Grant a year would be better received by Council, and Administrator Tucker admitted to being both disappointed and relieved at the postponement.

MOTION: Councilmember Loftus moved to withdraw the Boating Infrastructure Grant application from consideration in FY14; Councilmember Buckhannon seconded and the motion PASSED UNANIMOUSLY.

C. Consideration of Contracts in Excess of \$10,000 – None

7. Miscellaneous Business

A. Report on Status of Waterline Repair

Administrator Tucker noted that B&C Utilities will begin work on Wednesday, April 3.

B. Marina Rents Report

The Administrator reported that all tenants are current through March; April rents were due on the first and will be past due on April 10th. In addition, she stated that the Morgan Creek Grill additional rent provision goes back to what it was in the contract as of June 30, 2013.

Next Meeting Date: 5:30 p.m., Wednesday, May 8 in the Conference Room.

7. Executive Session – not needed

8. Adjourn

MOTION: Councilmember Buckhannon moved to adjourn the meeting at 7:00 p.m.; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:

Marie Copeland
City Clerk