

## WAYS AND MEANS COMMITTEE

6:00 p.m., Tuesday, August 18, 2009

The regular meeting of the Ways and Means Committee was held at 6:00 p.m. on Tuesday, August 18, 2009 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Council members Bergwerf, Bettelli, Buckhannon, Duffy, Loftus, Piening and Rice, Chairman Taylor, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland. There was a quorum present to conduct business.

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

The Chairman asked Assistant Dziuban to introduce her mother, Judy Dziuban, who was visiting from Orlando, Florida, and had chosen to spend her evening at this meeting.

### 2. **Approval of Previous Meeting's Minutes**

**MOTION: Councilwoman Rice moved to approve the minutes of the regular meeting of July 21, 2009 as submitted; Mayor Cronin seconded and the motion PASSED UNANIMOUSLY.**

3. **Citizens' Comments** - None

4. **Financial Statement** – City Treasurer Debbie Suggs

Treasurer Suggs reported that the Committee members were in possession of the July 2009 financial statement; she stated that she was not going to discuss it in detail because, being the first month of the fiscal year, there was little activity. She noted that a good deal of the revenue received in July was revenue that would count for the previous fiscal year, FY 09.

#### Beach Restoration

There was very little activity and much of it related to the prior year.

#### Public Safety Building

New activity was reported on Page 4 of the schedule; expenditures were for the furnishings for the building and normal payments to Mashburn and Cole+Russell.

Councilwoman Rice asked how far along Mashburn was on the punch-list; Administrator Tucker reported that Mashburn was still in the process of completing it and Mashburn will be asked to make one (1) more visit to review the punch-list items.

#### Tourism-Related Revenues

The City has received another month of Hospitality Tax Revenue and Municipal Accommodations Fee revenues, but the FY09 figures for State Accommodations and Hospitality Tax are complete as shown here. The City will receive one (1) more month of Municipal Accommodations Fee. Hospitality Tax Revenue ended the FY 09 with higher receipts than there were in FY 08.

Councilman Loftus noted that a concern with the no-smoking ordinance had been the possibility of a negative impact on the City's restaurants and bars; he asked if Treasurer Suggs had seen that concern become a reality. She responded that she had not analyzed the numbers with that fact in mind. Councilman Taylor did point to the schedule that shows that the City's receipts have been less since January 2009 to present than they were for the same period in FY 2008.

#### Newspaper Analysis

Treasurer Suggs stated that this schedule was the result of research into the City's advertising over the past twelve (12) months from an inquiry made by Councilman Loftus. She explained that she had taken the cost of newspaper advertising for the three (3) newspapers typically seen by residents of the Isle of Palms, i.e. *The Post and Courier* (daily), *The Island Eye* (bi-weekly) and *the Moultrie News* (weekly). After the information was gathered, she categorized the advertising, such as employment, invitation to bid, meeting notices, etc. For ads run in *The Post and Courier*, the Treasurer highlighted ads that she thought were eligible for shifting to one (1) of the less expensive publications; the total of these ads was three thousand eight hundred eight dollars (\$3,808). At this point, the Treasurer applied the discounted rates that she had been quoted to determine a potential savings of two thousand two hundred eighty-four dollars (\$2,284) every year. In the "Notes," Treasurer Suggs pointed out three (3) important facts; they are as follows:

- Ads can only be re-directed to the smaller publications when deadlines can be met within the constraints of a weekly or bi-weekly publication.
- *The Post and Courier* prints meetings weekly dates and times free of charge.
- *The Post and Courier* discounts display ads at 31% and classified ads at 63% based on a volume contract. By decreasing the volume at the next renewal, the discounts will be reduced to 31% and 60%, respectively.

Councilman Loftus thanked the Treasurer for her time in gathering and preparing the information. He commented that he understood the Internet has become the primary source of employment advertising and thought that the City could do less newspaper advertising and utilize the Internet more in an effort to drive costs down even further. Treasurer Suggs deferred a definitive answer to the opinions of the Fire and Police Chiefs since they do the most hiring; she did note that the City seeks to reach the largest and best pool of candidates for each position.

Councilwoman Rice cautioned that not everyone who would apply for a position with the City has access to the Internet; she indicated that lack of Internet access was a major concern across the entire state of South Carolina. Councilman Loftus suggested running an ad simultaneously in the newspaper and the Internet to determine which ad generated the best results.

Chairman Taylor stated that he was more interested in reducing the total cost of advertising than in shifting advertisement from paper to paper. He stated that this topic would appear on the September agenda for further discussion and a decision.

Council Loftus asked Administrator Tucker on use of the Internet for various applications, like job boards for job postings, sites like Craig's list for sale of surplus IOP equipment and local internet sites to advertise holiday schedules. The Administrator stated that she had spoken with Miriam Hair of the MASC related to the Councilman's query about small municipalities, which may not have access to a daily paper to meet the requirement of advertising in a newspaper of general

circulation. Ms. Hair explained that, when there is only weekly or bi-weekly publication available, the requirements are met by advertising in those publications. Ms. Hair did warn the Administrator that, in a market such as Charleston where there is a newspaper of daily circulation, people might surmise that the City were trying to avoid communication or avoid transparency by not utilizing the daily newspaper.

In conclusion, Treasurer Suggs referred to an email she had sent to Committee members with updated figures for June 30, 2009; she indicated that little has changed since the information was presented in July. In her attempt at predicting the surplus for FY 2009, she calculated four hundred twelve thousand three hundred ninety dollars (\$412,390). She stated that one (1) item that was not reflected in these numbers was the bi-annual payment from Charleston County for the County's Municipal Accommodations Fee, which is historically twenty percent (20%) of the Isle of Palms' collections; she has been told that the amount of the check will be between ninety and one hundred thousand dollars (\$90,000-100,000).

**5. Old Business - None**

**6. New Business**

- A. Recommendation from the Recreation Committee to spend an amount not to exceed \$1,700 from the Tree Fund to replace a dead live oak tree and to remove and replace a dead palm tree.**

Administrator Tucker reported that the Recreation Committee had voted unanimously in favor of using the Tree Fund to replace the two (2) trees, a dead live oak and a dead palm; she added that this would be a non-budgeted expense.

**MOTION: Councilwoman Rice moved to use \$1,700 from the Tree Fund to replace a dead live oak and a dead palm at the Recreation Center; Councilman Bettelli seconded.**

Councilwoman Rice reported that there is at least forty-four thousand dollars (\$44,000) in the Tree Fund.

**Call for the Question: The motion PASSED UNANIMOUSLY.**

**B. Recommendations from the Public Safety Committee**

- 1. Acceptance of donation of one (1) Low Speed Vehicle (LSV).**

Administrator Tucker indicated that there had been an article in the newspaper about the donation to Sullivan's Island of one (1) of these vehicles; the same company has offered the City the same deal – use of the Low Speed Vehicle to promote a green initiative and promotion for the company. She reported that the Public Safety Committee had unanimously approved acceptance of the donation for use by the Police Department.

**MOTION: Mayor Cronin moved to accept the Low Speed Vehicle for use by the Police Department; Councilman Bettelli seconded.**

Chairman Taylor sought clarification that the City was given the use of the vehicle, but that the donor could take it back at any time and that the only cost to the City was the cost to insure the vehicle. He added that the City would research whether the donor's insurance would cover the vehicle, but the City would have liability insurance for its use.

Councilman Bettelli reported that it had been made clear at the Public Safety Committee meeting that there were "no strings attached" for the City to accept the donation.

Councilman Taylor was assured that the vehicle would not be added to the City's fleet of vehicles or to the inventory replacement schedule. Chief Buckhannon stated that the vehicle would be stored in the Police bay.

**Call for the Question: The motion PASSED UNANIMOUSLY.**

**2. Consideration of Removing Surplus Right-of-way on Palm Boulevard between U.S. Post Office and Carolina.**

The Administrator recounted that the City had considered the intersection at approximately 11<sup>th</sup> and Palm as a possible site for the Public Safety Building; in that area, there is some excess right-of-way where Pavilion originally ran angling off Palm Boulevard to Ocean. The SC DOT right-of-way that supported Pavilion Drive still runs along the same path; Mayor Cronin has had conversations with DOT about the City's acquiring that excess right-of-way from them; they are agreeable. The Public Safety Committee unanimously voted to recommend to Ways and Means to accept the right-of-way. Administrator Tucker stated that there are no plans for the use of the property at this time.

**MOTION: Mayor Cronin moved to accept the excess right-of-way that exists between the U.S. Post and Carolina; Councilman Bettelli seconded.**

Councilman Loftus asked how the strip of land had become the property of SC DOT and if there were any possibility that the property could, at any time in the future, revert to the original owner. The Administrator stated that she did not know the island's historic detail that far in the past, but that segment of Pavilion was the route for the trolley from Sullivan's Island. Councilman Taylor recalled that the entire island was originally owned by J.C. Long and/or the Beach Company or one (1) of their many corporations. Councilman Taylor stated that, should the motion pass tonight, there would be a week for Attorney Sottile to determine if there is an owner who could lay claim to the property in the future.

**Call for the Question: The motion PASSED UNANIMOUSLY.**

**3. Award of Contract for Security Gate for Temporary Evidence Storage in the Public Safety Building in an amount not to exceed \$1,800.**

Administrator Tucker recalled that, much earlier in the construction process for the Public Safety Committee, a change order had been presented for fencing on the interior of the building to segregate off an evidence storage area. The decision at the time was to take no action on it and re-visit it at a later time; Chief Buckhannon has received bids for the work to be done.

**MOTION: Councilman Bettelli moved to award a contract for a security gate for temporary evidence storage in the Public Safety Building in an amount not to exceed \$1,800; Councilwoman Bergwerf seconded and the motion PASSED UNANIMOUSLY.**

**4. Approval of Donation of two (2) Portable Defibrillators to SC Aquarium and an Equipment Exchange with the Awendaw Fire Department.**

The defibrillators to go to the SC Aquarium can no longer be used by the City and are presently in surplus equipment storage. The City has excess hose that would be traded with Awendaw for breathing apparatus that are compatible with those used by the City's Fire Department; it is considered to be an exchange of equally valued items. The Public Safety Committee unanimously approved the donation and exchange.

**MOTION: Councilwoman Rice moved to approve the donation of two (2) defibrillators to the SC Aquarium and the exchange of hose for breathing apparatus with the Awendaw Fire Department; Councilman Buckhannon seconded.**

Councilman Buckhannon explained that the two (2) defibrillators have reached their life span within the Fire Department in that the software cannot be updated to meet the latest requirements.

Mayor Cronin was interested in how Awendaw would learn that the City has excess hoses; Chief Graham explained that firefighters often work more than one (1) station so that word of excess equipment quickly travels between departments.

**C. Acceptance of the bid for the sale of pumper fire truck**

The Administrator pointed out that the financing for the new truck had been initiated earlier in the meeting, and this was the sale of the old truck. Two (2) bids were received as follows:

- |                                                              |          |
|--------------------------------------------------------------|----------|
| 1. Company Two, Varnville, South Carolina                    | \$17,500 |
| 2. Brindlee Mountain Fire Apparatus,<br>Union Grove, Alabama | \$15,500 |

The bid opening occurred between the Public Safety Committee meeting and Ways and Means, but she would like a recommendation to City Council to accept the high bid of seventeen thousand five hundred dollars (\$17,500) from Company Two.

**MOTION: Councilman Buckhannon moved to accept the high bid of \$17,500 from Company Two, Varnville, South Carolina for the pumper fire truck; Councilman Bettelli seconded.**

Councilman Loftus asked if there had been advertising other than *The Post and Courier* and the City's website. Assistant Dziuban stated that the sale had been advertised on the MASC website, and the City's website; Captain Maibach notified regional fire departments of the potential sale of the truck.

Councilman Loftus asked if there were any type of fire association website where the truck could have been advertised. Chief Graham stated that many of the sites prefer to broker equipment and she did not want to hold on to the truck any longer than necessary; she recounted that the Department had been contacted by *GovDeals* when the trailers were being sold from their monitoring of the City's website.

**Call for the Question:            The motion PASSED UNANIMOUSLY.**

**D.       Recommendation from the Real Property Committee to award the contract for Operation of the Isle of Palms Marina to Marina Joint Ventures.**

Chairman Taylor related that he had asked both the Administrator and Real Property Chairman to walk through the process that has occurred to get to the point tonight of making a recommendation to City Council. He indicated also that he had been asked to go into Executive Session, but he wanted to balance the public information from that which would be appropriate for Executive Session.

Initially, Administrator Tucker reviewed the key dates that related to the management agreement with Marina Joint Ventures beginning in October 2006 and running to the present; this information is detailed in writing and attached to the official minutes of the meeting. The following were key facts:

- The current agreement with Marina Joint Ventures expires September 30, 2009.
- The City has had a management agreement in place at the marina since it acquired the marina in 1999.
- Tax-exempt financing on the marina limited the City on the number of long-term leases it could have at the marina site.
- With the re-financing to a taxable bond, the City was given the option to have long-term contractual relationships with all of the marina tenants, should it decide to do so.
- The RFP for the marina management was published in North Carolina, Georgia, the local newspaper and verbally noticed in the northern part of Florida.
- At the Real Property Committee meeting of August 4, Administrator Tucker was charged with proceeding with negotiating with Marina Joint Ventures Lease Option 3 to come to the most advantageous agreement for the City.

Administrator Tucker explained that, since the meeting of August 4, 2009, two (2) activities have been occurring simultaneously, 1) negotiating the financial portion of the lease and 2) working through the terms of the lease.

Chairman Taylor acknowledged that a specific timeline for the finalization of the marina RFP was established in May 2009 whereby the RFP was available by June 1, 2009 and providing the bidders a window of six (6) weeks to study it and generate their responses for delivery no later than 2 p.m., July 15, 2009.

Mayor Cronin, Chairman of the Real Property Committee, expressed the fact that the marina is a valued asset to the City, as well as the largest single income stream for the City. The goal was twofold, to get the best deal for the City and to put a competent management team in place; the City got two (2) competent bidders, Marina Joint Ventures and the IOP Marina Team. The Real Property Committee's strategy was to evaluate the quantitative information in detail to determine the qualifications of each bidder to operate the City's marina before learning the financial side of the bids. The Committee selected the third lease option presented by Marina Joint Ventures; the lease option was selected because the City can enter into a longer agreement than in the past, the burden on the City is reduced and the liability equation between the parties is changed.

Chairman Taylor reported that the management agreement bids were for twenty-eight percent (28%) of gross profit and thirty and a half percent (30.5%), and only one (1) bidder chose to bid on the lease option. The Committee then went through multiple calculations to determine what scenario would generate the most revenue for the City, as well as conferenced with the City Attorney.

A couple of items of concern to the bidders in the bid package were first who has the responsibility of the underground tank, and it was agreed that responsibility for monitoring the status of the tank fell to the marina manager, but, should the tank fail or be damaged by reasons other than the manager's neglect, the City would be responsible for replacing the tank. Secondly there was concern about the responsibility for paying property taxes, should any entity other than the Isle of Palms tax City-owned property; the leaseholder will be responsible on that.

Administrator Tucker repeated that the members of the Real Property Committee, at their request, were not aware of the financial bids for the marina RFP until after they had discussed the qualitative information and references provided by the bidders in the Special Meeting of August 4. As a result, there was no staff analysis of the bids; all calculations and analyses were done by the Committee members in the meeting.

Councilman Duffy asked if there were any restrictions of any kind that would prevent the City from operating the marina. Chairman Taylor answered in the negative and stated that the discussion was held each time the management of the marina was up for bid. The Administrator reminded the Committee that the City's management of the marina was discussed in relation to the taxable re-financing; she and the Treasurer had worked through several scenarios prior to the re-finance and learned that the figures were unfavorable to the City at that time.

Chairman Taylor commented that the City has sought to function with fewer than one hundred (100) employees to avoid certain government regulations, and management of the marina would certainly put the City over the threshold.

Administrator Tucker noted that the City's management of the marina would always be an option.

The discussion moved to the financial analysis that the Treasurer had prepared entitled "Marina Operations Negotiations;" a copy is attached the City's official minutes of this meeting. The Administrator explained that the specific direction from the Real Property Committee was to negotiate terms with Marina Joint Ventures on Lease Option 3 for the most advantageous terms for the City. Staff approached that directive from the perspective that the City wanted to maintain or increase the revenue stream from the marina.

Since there are factors outside of human control that affect the marina, i.e. weather, gas prices, etc., the revenue basis for analysis was an average of the last four (4) years' actual gross revenue to the City from the marina, which was one hundred seventy two thousand dollars (\$172,000). Secondly the staff computed an average Consumer Price Index (CPI) because it is a component of the lease agreement; the conservative average was two percent (2%). At this point, attention went to the additional rent component; with the lease, the City will receive a flat amount monthly, and, once the marina has profitability of a certain amount, the City will receive a percentage of that as well. In order to achieve the goal of equal or better revenue for the City, the revenue threshold at which the additional rent component would activate was lowered to four hundred fifty thousand (\$450,000) from the proposal and increased the percentage to the City from ten percent (10%) to fifteen percent (15%). Based on historical figures, the terms presented to the bidder were as follows:

- Base rent of one hundred fifty thousand dollars (\$150,000) and
- fifteen percent (15%) of revenues in excess of four hundred fifty thousand dollars (\$450,000).

The Staff concluded that the terms described would keep the City's revenues about the same as they have historically been, provide a longer-term relationship and transfer some of the liability that the City has currently, under the management agreement, to the leaseholder.

According to the Administrator, changes to the lease include the financial arrangement just described, the clarification on the underground storage tanks, the requirement for the leaseholder to carry business interruption insurance and the reduction in rent should there be an interruption in revenue-generating business at the marina, the exhibits were refined to be more exact, clarification about parking and addition of a statement that free parking will be provided for tenant employees.

Councilwoman Rice pointed out that one (1) of the deciding factors in selecting the lease option over the management agreement was the guaranteed income from the lease versus the unpredictability of the management agreement.



**MOTION: Councilwoman Rice moved to award the contract for operations of the marina to Marina Joint Ventures in the form of a lease with an annual payment totaling \$150,000, the application of the CPI every year beginning in year 2 of the lease and additional rent in the amount of 15% of all gross revenues in excess of \$450,000 annually; Councilman Buckhannon seconded.**

Councilman Piening asked Mr. Berrigan of Marina Joint Ventures to provide an estimate of the improvements he would make to the marina in ten (10) years; Mr. Berrigan stated that he intended to invest between ten and twenty thousand dollars (\$10,000-20,000) per year.

Councilman Loftus asked why the commissions paid on boat rental was so high on Marina Joint Ventures financial statement; Mr. Berrigan explained that the commercial operators pay five percent (5%) of gross revenues to Marina Joint Ventures; Marina Joint Ventures, in turn, pays the City twenty-eight percent (28%) of its five percent (5%).

**MOTION: Councilman Loftus moved to go into Executive Session to discuss contractual matters at 7:13 p.m.; Councilman Duffy seconded and the motion PASSED UNANIMOUSLY.**

The Ways and Means Committee returned to regular session at 8:16 p.m.; Chairman Taylor reported that the Committee had taken no action and had taken no votes during Executive Session.

**Call for the Question: The motion to enter into a lease agreement with Marina Joint Ventures as negotiated to lease the marina assets for rent of \$150,000 annually, application of the CPI beginning in year 2 and additional rent at 15% of gross revenue in excess of \$450,000 PASSED UNANIMOUSLY.**

The Administrator explained that the contract award would be on the City Council agenda for next week and there would be a final version of the lease available for Marina Joint Ventures and its attorney. She noted that she would confer with counsel about the need for an "out" for the City in the lease agreement.

Assuming that the lease agreement is approved by City Council, the legal documents could be signed the following day, Wednesday, August 26, 2009.

## **7. Miscellaneous Business**

Councilman Bettelli inquired as to the status of the architectural/engineering proposals for the renovation of City Hall. Administrator Tucker stated that the staff was not yet ready; the work is being formalized into a City RFP with its associated documents. She stated that she anticipates it to be another month before it will be on the agenda again.

Chairman Taylor commented to the fact that the City Hall staff no longer has any security since the Police Department has moved into the Public Safety Building.

**MOTION: Councilman Bettelli moved to approve the purchase of a security surveillance system for City Hall; Councilwoman Rice seconded and the motion PASSED UNANIMOUSLY.**

**Next Meeting Date: 5:45 p.m., Tuesday, September 15, 2009**

**8. Executive Session**, held earlier to discuss contractual matters

**9. Adjourn**

**MOTION: Councilman Bettelli moved to adjourn at 8:25 p.m., Councilman Buckhannon seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk