



Town of Hilton Head Island
FINANCE AND ADMINISTRATION COMMITTEE
MEETING
Tuesday, November 14, 2023, 1:00 PM
Minutes

Call to Order: Chair Brown called the meeting to order at 1:00 PM.

Adoption of the Agenda:

David Ames moved to approve the agenda as presented. Steve Alfred seconded. Motion carried 4-0.

Approval of the Minutes:

David Ames moved to approve the minutes of October 17, 2023 with clerical changes. Glenn Stanford seconded. Motion carried 4-0.

Appearance by Citizens:

Skip Hoagland addressed the Committee regarding the need for transparency with the use of ATAX funds. He requested a forensic audit for Hilton Head Island, with full transparency of the accounting procedures.

Melinda Tunner addressed the Committee regarding the RBC Heritage request for additional financial support. She asked how the privileges listed in the proposed contract compare to last year's contract. She also asked if the Town's commercial ad is the run during the entirety of the event or if it was only for a single day.

Unfinished Business:

Consideration of Approval of a Sponsorship Agreement with the Heritage Classic Foundation for the RBC Golf Tournament - Josh Deputy, Deputy Town Manager

Josh Gruber addressed the Committee regarding the request, from the Heritage Classic Foundation to the Town of Hilton Head Island, to consider a sponsorship agreement for this year's upcoming 2024 RBC Golf Tournament. The Heritage is requesting an increase in sponsorship support from \$200,000 to \$500,000 for this year's event. Mr. Gruber introduced Simon Fraser, Chairman of the Heritage Classic Foundation to answer concerns that were raised at last month's Finance & Administration (F&A) Committee meeting.

Simon Fraser addressed the committee with additional clarity about the magnitude of cost difference between a regular PGA Tour event to this being a Signature Event. It is a cost difference from \$8.5 million to \$20 million. One of the cost differentials includes the Skybox contract with bleachers going from \$1 million to \$2 million. All sponsors involved in the Tour are paying more, including hospitality sponsors, real estate companies, and various banks. There is a 30, 40 or 50% increase for all involved in upgrading the overall tournament, skyboxes, bleachers, and transportation for handling a big event. Additionally, RBC utilizes local vendors, civic clubs, rotary clubs, and high school boosters to volunteer for a donation or allotment of tickets as partial payment for services rendered. Mr. Fraser also noted the RBC Heritage and Boeing covers the tournament purse; it is not part of the Town funding.

Mr. Fraser reiterated the strong partnership between the tournament and the Town. He commented that other than the four major golf tournaments, last year the RBC Heritage had the highest TV rating of any other event. CBS was given talking points by the Heritage, and provided excellent coverage of the Island. The Town's commercial was displayed on the video boards during the tournament on a continuous loop, appearing once an hour.

Committee members asked questions and made comments regarding the need to be good stewards of public dollars and see justifications for the increase; Town Council requested a sampling of the percentage of increases that the sponsors are experiencing; an opportunity to measure the distribution of some of the additional work needed for a successful tournament; the opportunity to distribute some of that work to minority businesses; the request to see more images of the Town during the broadcast; additional guidance from key staff employees regarding the promotion of the Town with the television broadcast; and the need to provide a packet of information to the television broadcast network specifically regarding the Gullah Geechee Historic Neighborhood community and Mitchelville.

Chair Brown asked if there were any public comments.

Skip Hoagland addressed the committee asking questions and making comments regarding the sponsorship legalities for the Town. He also addressed the use of funds to dredge Sea Pines, workforce housing and the Chamber. He continued with his request for transparency of how the millions of tax funds are being used and dispersed.

It was the consensus of the Committee to circle back to this item and place it on an upcoming agenda.

Discussion of Act 57 of the 2023 South Carolina General Assembly Legislation Session, Development of Workforce Housing - Josh Gruber, Deputy Town Manager

Josh Gruber addressed the committee regarding Act 57 of the 2023 South Carolina General Assembly Legislation Session and the development of workforce housing in relation to the Attorney General's (AG) opinion on questions the Town had posed to their office. Mr. Gruber noted the Attorney General provided their thoughts on what the court is most likely to do; however, only an actual court case will provide guidance on this matter.

Mr. Gruber discussed the AG's response to the questions regarding what the allowable percentage of revenue that may be used to develop Workforce Housing; if the action is permissible utilizing nonprofit vs a for-profit organizations to develop Workforce Housing; and if local government identified a lack of Workforce Housing as an impediment to economic growth and the well-being of the community, would making a donation or a grant from the local government's general fund to a nonprofit entity that develops affordable housing meet the public purpose doctrine.

Mr. Gruber went on to discuss the details of the South Carolina Supreme Court Nichols case that identified how to go about interpreting whether an expenditure of public funds is a public purpose. It was noted that the four-way test provided in Nichols is not a series of exact requirements that must be met. Rather it is a series of analyses that the government must engage in prior to the use of public funds.

Josh Gruber went on to discuss the options that the Town Council could take in moving this forward. Some of the options include a process in place to qualify applicants, and consideration of an out of cycle funding request. A memorandum of understanding (MOU) will ensure that the funds are used for the purposes for which they're expended with an outline of the respective rights and responsibilities between those entities as well as provide ongoing oversight of the funds. The MOU will include summarizing and justifying those expenses.

Committee members asked questions and made comments regarding a summarization of the four-way test from the Nichols case; details about the purpose of the funds and who would benefit; how does Tow Council pick and choose between different applicants; an the process and timeline to move forward.

Chair Brown asked if there were any public comments.

Skip Hoagland addressed the committee asking questions and making comments regarding the use of ATAX funds and if it is legal to use those funds for workforce housing. He continued to make comments regarding the Chamber and the dredging of Harbour Town in Sea Pines.

Melinda Tunner addressed the committee asking questions and making comments regarding an answer to the question of the 15% limit and how it is calculated. She recommends that the Town be conservative with its calculation.

Moving the matter back to the dais, Chair Brown thanked Mr. Gruber and staff.

New Business

Consideration of a Resolution Approving a Memorandum of Understanding with Island Recreation Association - Josh Gruber, Deputy Town Manager

Josh Gruber addressed the committee regarding the consideration of a Resolution approving a memorandum of understanding (MOU) with the Island Recreation Association

(Island Rec.) Mr. Gruber started the presentation explaining that back in July of 2018, the Town entered into a MOU with the Island Recreation Association. That agreement was expiring at the end of September. Town Council took action to adopt a continuing resolution which allowed the agreement to continue on a month-to-month basis based upon the existing terms and conditions outlined in the memorandum.

The Town had formed a working group of members of Town Council and staff to meet with representatives of the Island Rec. Based upon feedback received from both of those entities, the Town prepared a draft MOU which would carry this agreement forward into the future. The draft document in the agenda packet has been presented and unanimously approved by the Island Recreation's Board of Directors.

Mr. Gruber introduced Frank Soule, Executive Director of Hilton Head Island Recreation Association to answer questions from the Committee.

Frank Soule addressed the committee regarding the activities and events held by the Island Rec, including the Oyster Festival, Turkey Trot and assisting with the Lantern Parade. Mr. Soule discussed the staffing for the Island Rec. They have added two full-time people; one employee whose focus is on events and sponsorships; the other employee's focus is on reservations at the new pickleball courts. The Island Rec's goal is to improve member play as well as provide lessons. Event revenue has been a significant portion of the revenues for the Island Rec Center. It allows the ability to provide scholarships, with last year providing over \$375,000 in scholarships to the childcare area, including their summer camp, an after-school program, a Challenge Camp program for special needs children and athletics and swim lessons. Mr. Soule noted that the Island Rec's budget is shared directly with the Town and Councilmember Alex Brown on a regular basis. The Town staff representative on the Board is Ben Brown.

Committee members asked questions and made comments regarding the Island Rec events around the Island; how the Island Rec's staff has grown in the last couple years; if the event revenue is a significant portion of the overall revenues for the Rec Center; who manages the reservations of the new pickleball courts at Old Schoolhouse Park; what are the fees of the pickleball courts; and a better understanding of the budget beyond what is shared with finance department at Town Hall.

Chair Brown asked if there were any public comments.

Skip Hoagland addressed the committee asking questions and making comments regarding the need for the Town to have tax recipient agreements documenting the legal and proper use of tax funds. He continued about the need for transparency and accountability.

Butch Kisiah addressed the committee asking questions and making comments regarding his time on the Island Recreation Association Board. He believes the Island Rec is doing a fantastic job for the citizens and visitors here on Hilton Head Island. He encourages the adoption of the MOU.

Chair Brown brought the matter back to the dais.

David Ames moved to forward the recommendation from staff to Town Council for

consideration of a resolution approving a memorandum of understanding with the Island Recreation Association. Glenn Stanford seconded the motion. The motion carried 4-0.

Consideration of a Resolution Approving a Memorandum of Understanding with the University of South Carolina Beaufort (USCB) Inclusive of the Island Ambassador Program - Josh Gruber, Deputy Town Manager

Josh Gruber addressed the committee regarding consideration of a resolution approving a memorandum of understanding (MOU) with the University of South Carolina Beaufort (USCB) inclusive of the Island Ambassador Program. Mr. Gruber began his presentation with a historical perspective. The Town and USCB entered into a partnership whereby the Town would provide funding in exchange for receiving certain services from the University related to special events, volunteerism and hospitality training. In the last budget cycle, the Town had previously funded USCB based upon a fixed percentage of local accommodations tax collections. Town Council asked Town staff to come back with a MOU that would allow the Town to continue to redefine and receive those services and how they would be funded. Staff met with representatives of the University and developed a proposed MOU for the Finance & Administration (F&A) Committee's consideration. Inside the agenda packet is a list of services that the University would provide.

Sarah Beachkofsky, USCB, Director of the Center for Lowcountry Hospitality Education (CLHE) was introduced to speak about the Island Ambassador Program and the Quality Management Program. The Quality Management Program includes secret shoppers at local businesses. The secret shoppers provide quantifiable feedback and comments to those businesses on the overall experience at their establishment. Ms. Beachkofsky also spoke about the Island Ambassador Program. This course had included a large portion of ecotourism education; however, Ms. Beachkofsky's department has redeveloped the program. Based on information received from the Town, they have redesigned to include more history and cultural content, including the Gullah Geechee Corridor information, and Mitchelville. There is a recommendation to expand from English to include a Spanish version. CLHE will continue to personalize those programs for the individual schools, businesses, and the Town. There is also a focus to provide continuing education for those individuals on the Island within the different hospitality and tourism sectors. The idea is to bring the community together to be educated throughout the year.

Ms. Beachkofsky introduced Eva Smith, USCB Associate Professor and Chair of the Hospitality Management Program, to speak about USCB and bringing the community to the USCB- Hilton Head Island campus. Ms. Smith addressed the committee by discussing the student attendance on the Hilton Head Island campus. There are a number of items they are doing to increase enrollment on the Hilton Head Island campus. Some include offering fewer courses online; encouraging students to take classes face to face, offer more enticing classes (ex: wedding planning, special event planning,) and aggressively targeting social media sites (ex: Instagram, Facebook, and LinkedIn.) There are also discussions of student housing and dual enrollment at the Beaufort County schools.

Ms. Smith noted that in the agreement before the committee today, there's a provision stating that as part of the annual budget process, USCB will also submit a corresponding annual report. This report will contain detailed information about the Island Ambassador Program, participation levels, accomplishments during the reporting period and other relevant information about the performance and effectiveness. It will allow the Town to gauge the effectiveness of the program going forward.

Committee members asked questions and made comments regarding the details secret shopper program including who participates; identifying the number and type of entities that are participating or receiving services within the Quality Control Program; and the results of some of the secret shopping program with the satisfaction controls; concerns over the low number of students on the Hilton Head Island campus; how USCB is trying to stimulate use of this campus for the students; more information about the students that come to this campus (including part time vs full time students, how many work on the Island, and their income ranges;) ability to provide Island workers the opportunity to serve the residents and tourists at a higher level; and the list of services provided and tracking the most important ones.

Chair Brown asked if there were any public comments.

Melinda Tunner addressed the committee asking questions and making comments regarding the structure of the MOU and funding. In particular, USCB funding is built into the MOU at \$235,000 plus the inflation factor for five years. In contrast, the Island Rec does not have their funding built into the MOU.

Skip Hoagland addressed the committee asking questions and making comments regarding the ATAX law and what is allowable. He continued to speak about the amount of money given to the Chamber of Commerce.

Chair Brown brought the matter back to the dais.

It was the consensus of the Committee to place this on an upcoming agenda.

Adjournment

The meeting was adjourned at 2:55 PM.

Approved: December 19, 2023

The recording of this Meeting can be found on the Town's website at www.hiltonheadislandsc.gov