



## **SPECIAL CITY COUNCIL - WORKSHOP**

**5:00pm, Tuesday, July 12, 2022**

**1207 Palm Boulevard, Isle of Palms, SC**

**broadcasted live on YouTube: <https://www.youtube.com/user/cityofisleofpalms>**

### **MINUTES**

#### **1. Call to order**

Present: Council members Bogosian, Hahn, Anderson, Ward, Streetman, Pierce, Miars, Popson and Mayor Pounds

Staff Present: Administrator Fragoso, Director Kerr, various department heads

#### **2. Citizen's Comments**

Ed Valle, Carolina Boulevard, spoke about the recent presentation of recommendations from the Planning Commission regarding short-term rentals. He said he does not believe the case has been made for a cap. He does not want there to be a change across the entire island because of what is happening in the area labeled Zone 2.

#### **3. Dashboard of City Operations**

Administrator Fragoso presented highlights of City activities for June. Revenues have been exceeded in all main budget categories. Tourism, property taxes, and licenses and fees are significantly higher than budgeted. Actual expenses are running below budget. The main driver for the difference between budget and actual is the shift of Phase 3 Drainage expenses into FY23.

The amount of parking tickets written is at 50% of what it was this time last year. Driving that change were several weekends with technological challenges where the kiosks and parking apps were down, so the Police Department intentionally did not write a lot of tickets for time expired. Additionally, the Text-to-Park option has resulted in less violations. The delineated parking spaces along Palm Boulevard have also led to less parking infractions. Council Member Hahn would like to see more people writing tickets. Administrator Fragoso said staff is evaluating outsourcing all of the parking to a third party next year. She said the pay rate for BSOs has been adjusted several times and there is still one opening for that position.

Public Works collections are slightly below where they were last year.

The significant jump in Recreation Department registrations is due to the availability of online registration as well as the volume of summer campers is back to where it was pre-Covid.

Of note from the Building Department is the construction value permitted for the first half of 2022 is \$90M compared to \$117M for all of last year. Thirty new homes have been permitted

and there is a 7% increase in the number of short-term rentals that have been licensed as compared to last year. Permits for 30 new homes have been given out so far this year when there were 49 for all of last year.

Council Member Anderson shared some aesthetic corrections that could be made to the charts on the dashboard to help with readability and consistency.

#### **4. Departmental Reports**

Captain Swain reported that the 4<sup>th</sup> of July was largely successful for the Police & Fire Departments. The exodus of traffic from the island went well. He thanked Mt. Pleasant Police for their help with the green light cycle at Rifle Range Road. Personnel participated in Coffee with a Cop and two community events in June. There were 45 arrests, 411 traffic stops, 11 drug charges, and two gun violations in June. Of the 148 traffic citations written, 13 were for DUI. Calls for service and traffic collisions were up in June compared to last year. There are three vacancies in the police department. The full-time Code Enforcement Officer started today, and they are still looking for someone to fill the part-time position. There is also one vacancy in Communications.

Director Page is the RFP for the basketball and pickleball courts received no response. They did receive feedback from some interested parties, and the RFP will be reissued in August. There were 53 teams for the Sand Sculpting event. The Beach Run will be July 23. Farmer's Markets will continue to be held on the third Thursday of the month through October.

Director Pitts said vehicle maintenance will finish the year under budget. He reported that backyard service in Pelican Bay will be eliminated by September 1. He also said that another commercial dumpster will be added to Mariner's Walk soon. Both of these changes will create efficiencies and help keep down labor costs. Public Works will also be working on upgrading and remodeling at the City compactor.

Council Member Popson said he would like to see something done to enhance the exterior of the Public Works building, specifically the side facing the Connector.

Chief Oliverius reported that there were 140 calls for service in June and 25 of those were water/beach related calls. For the second year in a row, the department received the Fire Safe South Carolina Award, which is a community risk reduction initiative by the State. Fire personnel participated in summer camp at the Recreation Center, vacation bible schools, and the Farmer's Market. He said the police and fire departments have participated in a several shared training opportunities in June.

Council Member Hahn noted significantly more calls for service relating to non-residents. He asked Chief Oliverius if he anticipated an increase of calls for service in "Zone 2" as there are more short-term rentals in that area. Chief Oliverius said that while they do not look at the data at that granular of a level, he will review data from the previous few years more closely to see what he could discern. He also said their new RMS will be able to help them track that sort of information going into the future.

Council Member Streetman encouraged everyone to look at the in-depth reports provided by the department heads online.

## **5. Strategic Plan Policy Initiatives and Priorities**

Mayor Pounds reviewed the City's mission and vision statements.

### **A. Livability**

#### **i. Discussion of short-term rental regulations [*Priority 4, Goal a.*]**

##### **(1) Presentation by Brumby McLeod, Ph.D. Riley Center Research Fellow, Associate Professor and Chair of Department of Hospitality & Tourism Management, School of Business, College of Charleston**

Dr. McLeod suggested the Council be cautious about setting a cap on short-term rentals. He said the bigger challenge on IOP is the volume of daytime excursions. He sees no issues with the current short-term rental situation on the island. He suggested focusing on locating the unauthorized rentals. Council Member Bogosian said if the Council and residents set a vision for the island of the "1/3, 1/3, 1/3" split as it has been for some time, then why not set a cap to ensure that makeup moving into the future. Council Member Anderson said she did not support setting limits but wants to focus on addressing and maintaining the character of the island.

Council Member Miars asked if there have been legal challenges to caps in other cities. Dr. McLeod said there have been. He also said setting a cap could invite legal action from the State.

Dr. Brumby said the most effective way for cities to handle short-term rental concerns has been through auditing the licensing process and keeping tracking of who was doing what. Too much regulation, such as occupancy and counting cars, does not work as well.

Council Member Pierce said that making zones would be like picking winners and losers. He would like to see a cap for the island and then let the market determine where the rentals will be.

When asked about the effect of short-term rentals on property values, Dr. McLeod said, "There is strong evidence in housing research that allowing short-term rentals increases housing investment." He used Canonborough-Elliottborough as an example where it has become a "very hot and trend-setting neighborhood" in the past 10 years. He said cities do better when they engage the tourism economy because it is "shapeable."

### **B. Environmental**

#### **i. Update from the Environmental Advisory Committee [*Priority 5, Goals a-d*]**

Director Kerr reviewed the recent work done by the Environmental Advisory Committee to help prevent holes from being dug and left open on the beach. He believes there will be a new recommendation coming out of that committee this week in response to the changes they were asked to consider by the Public Works Committee.

He also reported that the Committee is backing off the idea of asking City Council to sign a climate change resolution and instead consider a strong educational campaign about climate change for the public.

**ii. Discussion of proposal from Fisher Recycling for collection and recycling of glass [Priority 5, Goals a-d]**

The Environmental Advisory Committee is also considering a proposal from Fisher Recycling to put two glass recycling bins on the island. Isle of Palms would be the first local city to recycle glass if this is approved. The glass is used to create countertops. The \$9500 annual cost to have the bins emptied could be offset by grants.

**C. Public Services**

**i. Updated on SCDOT's IOP Connector study [Priority 1, Goals a & b]**

Administrator Fragoso reported data collection for the second part of the study focusing on the corridor between the Palm Boulevard and Highway 17 will be happening this month. She added, "We are trying to schedule another meeting, a sort of a midpoint meeting with SCDOT staff and their consultant to make sure that we are on track for the expectation of getting results back and a complete report by the fall with the recommendations for alternative lane configurations. We're hoping to have that meeting either later this week or early next week. Jan came with us as Chair of the Public Safety Committee. She came with Jennifer Bihl and I to a meeting with DOT I thought was very successful. So we are looking forward to that meeting. In addition, I want to report on the second phase of the work with SCDOT that included a more expansive project which we are calling the corridor study that looks at not only the Connector but also the key intersections on both sides. We've decided to go ahead and collect data on our own this summer to make sure we didn't lose that summer timeline. So we're collecting, we have hired a traffic count firm to collect data and traffic counts at 14<sup>th</sup> and the Connector, the intersection here, also at the curve at 41<sup>st</sup> and Palm, and the two intersections in Mt. Pleasant, Hungryneck and Rifle Range. So we will be having those results by the end of this month."

**ii. Discussion of entering into Automatic Aid Agreement with Mt. Pleasant for fire protection [Priority 3, Goal d]**

Chief Oliverius gave a detailed presentation about automatic aid, the ways in which it is different than mutual aid, and how it benefits citizens and fire personnel. He is proposing the City enter into such an agreement with Mt. Pleasant, City of Charleston, North Charleston, James Island, Johns Island, and St. Andrews. Agreements such as these increase not only economies of scales among departments but also increase safety and efficiencies.

He explained how the Isle of Palms would remain protected should there be a need for one of the City's trucks to respond to an incident off island. Council Member Anderson said the City benefits from this type of agreement by keeping the department the right size for the island. The City could receive the benefit of the resources from surrounding departments if the need arose.

Chief Oliverius proposed a 12-month pilot program beginning in the fall. They have selected metrics to track throughout the year to determine the efficacy of signing an automatic aid agreement. This item will be on future City Council agendas for discussion.

**D. Personnel**

**Discussion of proposed changes to annual leave policy and accrual rates and holidays observed [Priority 6, Goals a & b]**

Administrator Fragoso said that updating the annual leave policy, accrual rates, and holiday schedule is the last set of recommendations from the wage and compensation study. Referring to information provided in the meeting packet, she said, “You can see our current standing essentially for vacation and how people accrue time for annual leave based on time of service. What the proposal would essentially do is increase each of those time of service categories by five days, and we would be creating a separate category for people that have been serving the City between 6 and 15 years...Another recommendation that we came up with and are presenting to you all is for department heads to start accruing at the 15-day rate...We also want to encourage employees to take at least one week of annual leave per year consecutively.”

If approved by City Council, all employees would start accruing at the new rate so at the end of the one year, everyone would have an additional five days to their leave. Additional updates will be addressed in the employee handbook which will be reviewed next year. These changes will make the City’s benefits more in line with the Towns of Mt. Pleasant and Kiawah Island.

The addition of another holiday was also discussed and it was generally agreed that it should be the day after Christmas.

**MOTION: Mayor Pounds made a motion to accept the proposed changes to the leave policy and add a holiday for staff as the day after Christmas Council Member Streetman seconded the motion. The motion passed unanimously.**

**E. Other items for discussion**

**i. Discussion of marina leases reassignment to Morgan Creek Marina, LLC**

Mayor Pounds reported that there were approximately 75 people who attended the meeting on Monday evening with the potential new marina operator. The latest draft of the lease amendments has been received. The Mayor asked Council members to review the draft and to send their comments to Administrator Fragoso by Wednesday noon so that the next draft is ready for the City Council meeting.

Council Member Ward asked about the wording regarding a “certified report” believing it should be “certified opinion.”

Council Member Miars said, “I respectfully disagreed with Mayor Pounds’ comments last night saying that due diligence items were not needed because he believes that these guys can run a marina and make lease payments. The attorney we hired, the City paid for, came up with nine

due diligence items that were not requested by City Council. They were not invented by anybody other than our attorney who is an expert in the field, and he told us that we needed answers to those items. He did not tell us that we just needed the answers to the two questions of whether or not they can run a marina and pay rent. So I believe that we need to heed our own counsel's advice that we paid for, and we need to get those nine items. I also believe that those nine items need to be provided to the public. The public needs to see them. They are not confidential. They are not attorney-client privileged. They were prepared by our counsel and given to the proposed tenant. So there is no privilege attached to them. So I would respectfully ask that we let the public see what it is that we have asked for and not received all of."

Council Member Bogosian said Mr. Schuler "kept repeatedly saying that he's not intending to change very much, but what his words are in the documents, I feel, this is my opinion, the words that he was saying and the documents that we are currently reviewing don't match one another. What he is saying is he's not changing much. What the documents leave open are a whole lot of change in my opinion. For example, a boat club, he says he anticipates having 8-10 boats, but our agreement allows for up to 40 boats to go down there. So there are disconnects like that." Mayor Pounds said changes to the amendments will take place at Second Reading.

Council Member Pierce asked, "At what point do we as a council either vote or not vote to pursue the due diligence items that have been vehemently declined to us?... Are we as a council going to be just determining that we are not going to fulfill basic light touch due diligence on the prospective client and not go through all of the amendments and get our comments in there that we would like to get in?"

Administrator Fragoso clarified, "Typically the process, we get direction from you all during Executive Session on the amendments. So that is what happened at that meeting in June. That is what generated the last version that you all received today. We can go through, certainly it is up to the Mayor or five members of Council to call a Special Meeting if there are additional changes to that document before they go back. That is certainly up to you all. We would facilitate that. If not, it could happen at Second Reading. It is really up to the Council. We can certainly go through them item by item during the Second Reading and you all can make motions, suggest amendments, and then they would be voted on by the full body at the same time. I don't think it would be appropriate for me to give direction to our legal counsel based on what one or two Council members would like to see in a document before it is fully vetted by the full body."

Council Member Pierce said he believes it is important to have "everything that has been said and promised articulated and documented, memorialized in these amendments so that we don't have to address this down the road."

Council Member Streetman believed Monday's meeting to be a good one in which Mr. Schuler provided a lot of feedback to the residents. He believes Mr. Schuler will work to improve the marina for the residents and that the City will have a better working relationship with this marina manager.

Council Member Bogosian asked that the language be tightened up to “reflect what Mr. Schuler says he wants to do with the lease. Council Member Anderson shared that following last night’s meeting, a resident said to her that the community was satisfied with what they heard at the meeting from Mr. Schuler, they are “trusting you to do the due diligence on him.”

Mayor Pounds later added, “The majority of this Council has voted on they are good with where the amendments are and okay with where we are from a due diligence standpoint. My comment last night was meant essentially what it boils down to is what is the risk level from the City, and the two basic pieces from a due diligence standpoint is can these guys run a marina and can they pay their rent. And they have offered to pay a year of it up front. We can keep crossing t’s and dotting i’s and making messes and making them ours, but at some point, we need to draw the line and vote on this, and either be okay with the due diligence information we have and the amendments that are written or not. But we will sit here and go through as much as you want to on the Second Reading of the amendments. That’s fine. And we can keep asking for suggested due diligence items from our counsel. But we’ve gotten the answer on it. We either have to get okay with it at some point or not and vote the way you want.”

**ii. Discussion about parking regulations for shared lot under City control**

Administrator Fragoso said that the current MOU between Marina Joint Ventures and Marker 116 would go away with the new lease assignment as the new operator would no longer have control of that shared parking lot. The City needs to determine the rules of use for the shared lot and how those rules are to be enforced.

Staff recommends that “the City maintains the unreserved self-park policy. We maintain the restriction on overnight parking. This ensures constant turnover. That we offer free parking anywhere on that shared lot for residents that are displaying a valid resident decal or Wilde Dunes resident sticker.” No Council member expressed a need to enforce a time limit on resident parking.

Discussion ensued about how to handle trailer parking. Administrator Fragoso said staff is still looking into having a third party handle parking for the City. Preference was expressed for an hourly rate for non-resident parking and free for residents with a valid decal.

**iii. Discussion of mid-year, half-day retreat for Council**

Mayor Pounds suggested that Council hold a half-day retreat for continued team building. He suggested September after the Council has had time to have another workshop or two.

**6. Financial Review**

Treasurer Suggs referred to the financial statements included in the meeting packet as the preliminary unaudited June results. The audit is scheduled for early October, and she anticipates having the final statements at the November meeting.

Revenues remain strong and expenditures are “a little under” mainly in Capital Projects as monies for Drainage Phase 3 have been shifted to FY23. She said, “The items that are generating

the increase in revenues are primarily licenses and fees, building licenses, rental licenses, building permits are all significantly over budget.” There are a few revenues still anticipated for FY22. With those anticipated revenues included, she anticipates a \$3M overage in General Fund revenues for FY22 and “then also another million seven over in Accommodations revenues, so that is how we’re getting to \$5M above the forecast above the budget on the revenue side.” Expenditures will be approximately \$261,000 under budget, mainly due to vacancies in the police department.

The City’s cash position remains about the same as last month.

She said a recently received email indicated that three condominium complexes would be closed from August 2022 through May 2023, which could have an impact on the budget. However, the budget was done conservatively, so the impact may be small.

All tourism revenues remain strong, with the Municipal Accommodations Tax funning about 47% above FY21 and 68% above FY19. They are still awaiting the 4<sup>th</sup> Quarter ATAX payment as well as the 4<sup>th</sup> Quarter County pass-through. Hospitality tax is 70% ahead of FY21 and 39% ahead of FY19.

There were some engineering payments and the third payout for the drainage project and no new activity on the marina rehabilitation project worksheet. Legal expenses for FY22 are “shaping up to be another big year.”

## 7. Procurement

### **Consideration of purchase of F-150 replacement for Public Works Department [FY23 Budget, State ATAX, Public Works - \$37,000 State Contract]**

**MOTION: Council Member Ward made a motion to recommend this purchase to City Council. Council Member Streetman seconded the motion. The motion passed unanimously.**

## 8. Capital Projects Update

### **A. Phase 3 Drainage – outfalls**

Administrator Fragoso said the drainage work at the golf course is complete. The installation of the pipes leading up to the road is expected in the next couple of weeks. A yard inlet will also be installed at a nearby house to help manage some of the stormwater from that property.

A new approval process from SCDOT requires approval of the box culvert that is to be installed under the road. To try to mitigate the delay being caused by this process, the City is working with the contractor to evaluate whether to begin work on 36<sup>th</sup> Avenue and then come back on 30<sup>th</sup> Avenue.

Additionally, Administrator Fragoso informed the Council that Quality Enterprises bid the project with a different brand of flapper valve than what was specified in the bid documents. The City’s engineer is evaluating the specifications of that flapper valve to determine if it meets or



exceeds the specifications in the bid document. The City will only approve an alternative materials if it meets or exceeds the original specifications. Council Member Hahn suggested charging the contractor the price difference if it is determined that the valves do not meet the City's standards.

There are no changes to report on the project at 41<sup>st</sup> Avenue.

**B. Comprehensive Drainage Masterplan**

Davis & Floyd are working with the manufacturer to complete the preliminary design of a dune infiltration system at Ocean & 7<sup>th</sup> and Ocean & 6<sup>th</sup>. Administrator Fragoso said, "We are looking at costs and the design as part of the work they are proposing that the City install a groundwater evaluation monitoring equipment in those locations." The anticipated cost is \$6500, which will be approved using contingency funds to "help them better design that potential solution for stormwater management in that location."

Davis & Floyd has identified two projects as being eligible for ARPA funding through the RIA. They will work with the grant writing on preparing those applications to be submitted in midSeptember.

**C. Overhead to Underground Conversion**

This project is still on track. The SCDOT permit is in hand, and construction is anticipated to start after Labor Day.

**D. Pickle Ball Court Construction and Basketball Court Rehab**

As reported by Director Page in her report earlier in the meeting.

**E. Public Dock Rehabilitation and "T" dock improvements**

Davis & Floyd have been hired to prepare design specifications for the greenspace. Administrator Fragoso said she is looking to Council for direction "if this plan and the assignment of the leases go forward with the concession of the City gaining control of the whole space, do we want to extend the greenspace all the way to the edge of the T-dock" or keep it as is to maximize parking availability. A few ideas were considered for parking and landscaping in this area.

Mayor Pounds suggested, "My suggestion would be to leave the greenspace, let it end where it ends. If we can fit in palm trees down there, let somebody figure out how to fit that in. But I think we continue to put more money into the dock that has much more usability and let this be our green space as opposed to extending it."

Staff is working on determining the ultimate cost and life expectancy of the suggested or needed repairs versus the cost of redoing the bulkhead.

Administrator Fragoso said the City is in receipt of some temporary ADA parking surface. They will be speaking with a contractor to have that installed soon.

**F. 34A Beach Access ADA-Compliant Boardwalk**

Proposals for this project are anticipated by mid-August. The City would like to issue a notice to proceed for the project as soon as possible to install the boardwalk and two additional handicap parking spaces on Palm Boulevard.

**9. Legislative Report**

Mayor Pounds reported, “We met with our lobbyists to outline some projects that may be eligible for some State funding. Good news is with the help of our Representative Bustos, we were able to obtain a commitment in the State budget for \$1.5 million for dredging the IOP Marina. So that money will be released from the State a little bit later this year. That is a longer-term project with permitting and everything else that has to happen and finding soil sites.”

The lobbyists are also helping the City with creating interest with other municipalities to join an effort to discuss reducing the 30% ATAX contribution to tourism promotion.

**10. Adjournment**

Council Member Ward made a motion to adjourn, and Council Member Anderson seconded the motion. The meeting was adjourned at 8:07pm.

Respectfully submitted,

Nicole DeNeane  
City Clerk