

**REAL PROPERTY COMMITTEE**  
5:30 p.m., Wednesday, March 6, 2013

The regular meeting of the Real Property Committee was held at 5:30 p.m. on Wednesday, March 6, 2013 in the City Hall Conference Room, 12307 Palm 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 February 7, 2013 as submitted; Councilmember Buckhannon seconded and the motion PASSED UNANIMOUSLY.**

3. **Citizen's Comments – None**

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

5. **Old Business**

**A. Discussion of Boating Infrastructure Grant Application and Budget**

Brian Berrigan, Marina Manager, and John Shaffer were present for this discussion, and Mr. Shaffer displayed a conceptual drawing of the improvements to be done with the Boating Infrastructure Grant. The drawing was different from the drawings of the Master Plan Mr. Berrigan had presented in the past; this drawing does not relocate the boat ramp. The floating dock has been moved as far into the creek as possible without interfering with traffic; this side-tie dock is straight and four hundred eighty feet (480 ft.) long. Mr. Shaffer presented a preliminary budget for the marina redevelopment that would be done in two (2) phases (a copy is attached to the historical record of the meeting); Phase I includes the soft costs of engineering and design, floating dock, several docks in the area of the restaurant and fuel system that totals just over two million dollars (\$2,000,000), of which just over eight hundred thousand dollars (\$800,000) would be paid from the grant. Phase II includes the dock behind the store, staging docks for the dry stack storage and floating restroom and office; this cost for this phase is over one million dollars (\$1,000,000) with less than two hundred thousand dollars (\$200,000) grant eligible. The City's expense for Phase I is approximately one million two hundred thousand dollars (\$1,200,000) and approximately nine hundred thousand dollars (\$900,000) for Phase II; the fuel tank replacement must be done before 2017 at a cost of one hundred fifty thousand dollars (\$150,000).

In an aside note, Administrator Tucker informed the Committee that, if the City were to receive and eight hundred thousand dollar (\$800,000) boating infrastructure grant, it would trigger the Single Audit Act, which is required when an entity receives more than six hundred thousand dollars (\$600,000) in federal funds. The audit would be more extensive and, therefore, more expensive than the audit the City now has annually, but the Administrator thought the added expense well worthwhile for the savings on the marina project.

The Administrator reminded the Committee that the DNR representative, who attended the February meeting, will be holding a workshop of March 20<sup>th</sup> at the DNR facility on Fort Johnson Road. Administrator Tucker stated that staff does not want to go forward with generating and submitting an application unless the Committee was certain that the City was ready to move forward with the actual work.

Councilmember Loftus asked where the money would come from for the one point two million dollar (\$1,200,000) needed from the City. The Administrator responded that some would come from the Marina Fund and some from tourism funds; it would be tight, but she believed it was doable. The City also has the option of bonding the money, but that goes against Council's desire to avoid debt whenever possible. Replacing the fuel system and reconfiguring the docks are expenditures that were on the horizon for the City, and the grant would eliminate eight hundred dollars (\$800,000) of the cost.

Councilmember Loftus commented that what is being proposed is much larger in scope than has been discussed in the past; Administrator Tucker stated that the City was looking at taking smaller steps. She pointed out that two million dollars (\$2,000,000) is in the long-range capital plan for the reconfiguration of the docks.

Chair Stone asked if the City's portion had to be in the bank if the grant is awarded. Administrator Tucker explained that the City would need to pay up front and be reimbursed from the grant. On the subject of timing, the Administrator noted that applications are due July 1, 2013 with the award coming in March of 2014; therefore, the City would not look to spend any money until the FY15 budget year. The Chair thought that it would be eighteen to twenty-four (18-24) months before breaking ground.

The Administrator voiced her understanding that any money spent on the project before the grant is awarded is not eligible for reimbursement; Mr. Shaffer said she was correct.

Mr. Shaffer suggested beginning the regulatory permitting after submitting the grant since it could take a year to receive the permit; once the grant is awarded, the City would begin the engineering and design work. The City can then extend the grant until it has gathered the necessary funding.

Chair Stone said he would like to have a tentative budget and timeline to present to City Council because he wanted to move forward.

Councilmember Loftus agreed and stated that he wanted to see various funding scenarios; he thought that it would take three (3) years to break ground.

Administrator Tucker remarked that the first decision was for the City to commit to the project and that funding scenarios were dependent on budget decisions City-wide. She voiced confidence that the funding could be pulled together by the time it was needed. In addition, informal dialogue has been initiated with bond attorneys regarding re-financing the City's bonds which may produce savings that would free up money to be used toward this endeavor. At this time, Administrator Tucker thought it was too preliminary to try to put together a budget.

The Administrator also noted that the asset base at the marina was going to increase based on the value of the docks.

**MOTION: Councilmember Buckhannon moved for staff to work with the marina staff and consultant to pursue a Boating Infrastructure Grant; Councilmember Loftus seconded.**

Councilmember Loftus express concern that the City could move forward with the project with multiple streams of money and without a tax increase for the citizens of the island.

**VOTE: The motion PASSED UNANIMOUSLY.**

**B. Review of FY14 Capital Budget and Long-range Capital Plan**

Capital Purchases

|  |        |
|--|--------|
| Replace ice machine in store                     | 6,000  |
| Replace non-functioning store walk-in freezer    | 10,000 |
| Replace HVAC in store                            | 25,000 |
| Replace store Point-of-Sale cash receipts system | 30,000 |
| Replace store coolers                            | 90,000 |
| Replace fuel dispensers – store                  | 30,000 |
| Replace fuel dispensers – docks                  | 35,000 |

Special Projects

|  |         |
|--|---------|
| Design/permitting of new watersports/waverunner dock | 50,000  |
| Construction of new watersports/waverunner dock      | 329,000 |
| Design/permit for new docks                          | 100,000 |

Administrator Tucker explained that the design and permitting of the watersports dock will begin very soon, but a portion of the project will bleed over into the FY14 budget; the budget will be adjusted down as actions occur. Assistant Dziuban added that the FY13 budget had included twenty-five thousand dollars (\$25,000) for this project, but the bids that came in were considerably higher. The Administrator reported that the construction of that dock has also been tweaked based on the design/build bids that were received.

The Administrator noted that the capital purchases listed were either in the store or the operations of the store; therefore, it needs to be reconciled to the lease to determine what elements might be covered in the lease and what are not. Most of them are listed as assets of the City, but the confusion arises as to who is responsible for the replacement; although, according to the Administrator, in a true triple net lease, the responsibility for replacement falls to the tenant. The Administrator interprets the listing of assets at the marina as an inventory that is in place with the change of tenants, not a statement of responsibility for replacement by the City.

Both the Administrator and Chair Stone recalled that the tenant came to the Committee in the fall of 2012 asking for assistance; he was told by the Committee to bring these items back

before the Committee during the budgeting process, which he has done. If the City is going to replace these items, the lease needs to be amended to reflect who is responsible for what. Administrator Tucker recalled that some work had been done on the coolers in the early 2000s; the Administrator agreed to research the details.

Since the plan is to replace the docks and fuel system in a couple of years, the decision was reached to remove the replacement cost from the FY14 budget. The canopy costs are dictated by the price of steel and the height that the canopy must be to accommodate the various types of boats at the marina. Other decisions reached were to change the language for the ice machine and HVAC to indicate they will be replaced if they fail; the walk-in freezer, point-of-sale system, canopy and store fuel dispensers will be replaced by the City after the lease is amended to reflect the anticipated action.

As for a funding source, Chair Stone suggested that an argument could be made to use one of the tourism funds to assist with the cost of the canopy.

Chair Stone summarized the discussion by stating that the tenant has requested an amendment to the lease to include the City's assuming replacement responsibility for the assets on the list.

Councilmember Buckhannon noted that these items will need to be added to the long-range capital plan for future replacement timing.

In addition, based on the discussion about the boating infrastructure grant, the amount being budgeted for design and permitting for new docks may be lowered to reflect only permitting since the design element is grant eligible.

**MOTION: Councilmember Buckhannon moved for the Administrator to work with legal counsel to amend the marina store lease to include the assets the City is willing to replace; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.**

#### Beach Restoration and Monitoring

|  |         |
|--|---------|
| Potential Focused Erosion Project in FY14                    | 600,000 |
| Money would be capitalized from fund balance on-hand         |         |
| Post-project surveys and monitoring, 2012 Shoal Mgmt Project | 23,261  |
| Ongoing monitoring of shoreline                              | 49,646  |
| FY14 is Yr2 of 3Yr contract                                  |         |

#### **C. Discussion of Estimated Reserve Requirements**

This large schedule has nothing to do with the Real Property Committee, but the Administrator noted that she has been anxious to make sure that Councilmembers know what staff has done to address the change in policy to save funds for the purchase of large capital assets, thereby avoiding future indebtedness. The schedule addresses large fire apparatus for the Fire Department and garbage packers in the Public Works Department and the savings needed to be budgeted each year to purchase these pieces of equipment when the time comes.

Administrator Tucker explained that Option 1, the lines highlighted in yellow, represents the pure method that is spreading the replacement cost of each vehicle equally over the year remaining until the scheduled purchase; this method results in huge peaks and valleys in cash on-hand. In Option 2, the lines highlighted in peach, the amount of annual savings is more level year-to-year, eliminating the extreme peaks and valleys. The numbers in blue represent the annual reserve to be budgeted each year for each department and combined; for FY14 for the Fire Department, the budgeted reserve needs to be three hundred fifty thousand dollars (\$350,000). The red numbers represent the years when money needs to be spent on those assets.

Factors not considered in the schedule are the interest earned on money held, the proceeds from the sale of assets as they are replaced and the savings in interest paid on equipment leases. The schedule does include a two percent (2%) annual inflation rate on replacement costs.

Councilmember Buckhannon asked how the replacement values had been calculated, and Administrator Tucker said that she would get that information from Treasurer Suggs.

Councilmember Loftus was interested in how the useful life had been determined; the Administrator said that the useful life was taken from the long-range capital plan. The Councilmember stated that he had read recently that the City of Charleston uses twenty years (20 yrs.) as the useful life of their fire equipment. Councilmember Buckhannon thought twenty years (20 yrs.) was high, but he did think that eighteen years (18 yrs.) was reasonable for equipment that is well maintained. The Administrator explained that, when a piece of equipment comes up for replacement, it is carefully evaluated, and, if it is still in good condition, the replacement is postponed for a year to be re-evaluated. The worst case scenario would be for a piece of equipment to fail in less time than anticipated, requiring a purchase when sufficient funds had not yet been set aside.

In terms of what other municipalities are doing, Administrator Tucker commented that the Isle of Palms is very fortunate to have the flexibility to try to avoid incurring debt when purchasing large pieces of equipment. The Administrator noted that many interior local governments in the state are struggling to provide basic needs for their constituents; many of the larger local governments are rolling the purchases into long-term financing or funding out of fund balance, if they have the fund balance to do so.

## **6. New Business**

### **A. Review of Operating Budgets for FY14**

Only line items with a change will be noted, and copies of all budget discussed are attached to the historical record of the meeting.

#### Front Beach Area

|   |       |
|---|-------|
| Printing and office supplies  | 3,200 |
| Increased by \$200; supplies for parking meter kiosks and ticketing devices |       |

|  |        |
|--|--------|
| Telephone and Cable  | 1,000  |
| Service to ER call boxes; reduced based on actual                    |        |
| Non-capital tools and equipment                                      | 11,100 |
| Replace 3 handheld ticket writers purchased in 2006                  |        |
| Maintenance and service contracts                                    | 31,450 |
| Reduced by \$700   |        |
| Machinery and equipment repair                                       | 7,500  |
| Increased based on actual; includes part for repairs on aging kiosks |        |
| BSO uniforms   | 2,000  |
| Outfitting 6 BSOs vs. 4 in FY13                                      |        |
| Insurance  | 1,171  |
| Property and liability on parking meters, lights, fixtures           |        |
| Professional services  | 11,300 |
| Reduced by \$200 based on actual                                     |        |

Responding to Councilmember Loftus' question about the large increase in "actual" for FY13, Administrator Tucker said that she thought this was the line item from which Stantec was being paid, but she would confirm with the Treasurer.

Councilmember Buckhannon questioned the increased number of BSOs; the Administrator explained that the City had gotten the grant from Charleston County last year for additional BSOs. The City hopes to keep six (6) because it worked well with increased presence and increased enforcement. Councilmember Loftus asked whether the City had an increase in revenue based on additional BSOs; Administrator Tucker responded that she would have to confirm that with Treasurer Suggs and have the information for Ways and Means. Chair Stone asked that the Administrator also ask Chief Buckhannon whether the added presence had reduced crimes on the beach.

Public Restrooms/Front Beach Area

|  |       |
|--|-------|
| Cleaning and sanitary supplies                                   | 5,800 |
| Increased \$300 based on actual                                  |       |
| Insurance  | 2,868 |
| Property, liability and flood with an estimated 5% rate increase |       |

On the subject of the contract to fill holes on the beach, Assistant Dziuban explained that the City is billed for work done, but the contract has a cap of six thousand dollars (\$6,000).

Beach Restoration Fund Revenue

|   |         |
|---|---------|
| Donations of Cash   | 630,000 |
| Expected residual from private contributions to 2008 project, includes accumulated interest |         |
| Interest income   | 642     |
| Annualized actual   |         |
| Transfer in from Municipal Accommodations Fee Fund  | 315,482 |

Beach Restoration Fund Expenditure

|  |         |
|--|---------|
| Debt service principal                                 | 305,818 |
| Final payment 6/10/14; 100% funded from Muni ATAX Fund |         |

|  |         |
|--|---------|
| Debt service interest                                      | 9,664   |
| Bank service charges                                       | 150     |
| Professional services                                      | 23,261  |
| Post-project requirements on FY12 shoal management project |         |
| Beach nourishment  | 600,000 |
| Potential focused erosion project FY14                     |         |

Beach Maintenance Fund Revenue (Island-wide)

|   |        |
|---|--------|
| Interest income                                     | 662    |
| Annualized actual                                   |        |
| Transfer in from State ATAX                         | 49,646 |
| Yr2 of 3Yr monitoring contract for entire coastline |        |

Beach Maintenance Fund Expenditures (Island-wide)

|   |        |
|---|--------|
| Professional services                               | 49,646 |
| Yr2 of 3Yr monitoring contract for entire coastline |        |

Marina Fund Revenue

|                                    |         |
|------------------------------------|---------|
| Interest income                    | 1,832   |
| Marina store lease income          | 71,280  |
| Current rent \$5,940/month         |         |
| Marina operations lease            | 160,500 |
| Current annual base rent           |         |
| Marina restaurant lease            | 81,710  |
| Current annual base rent           |         |
| Marina waverunner lease            | 20,496  |
| Current base rent is \$1,708/month |         |

Marina Fund Transfers

|                                  |         |
|----------------------------------|---------|
| Transfer in from State ATAX      | 178,157 |
| 1/3 of total marina debt service |         |

Administrator Tucker noted that staff is in preliminary dialogue about re-financing certain City debt, and the marina taxable bond is one (1) of these debts; as talks progress, the Committee will be kept informed.

Marina Fund Expenditures

|   |         |
|---|---------|
| Debt service – interest   | 109,471 |
| Total interest on Marina GO bond and Marina bulkhead GO bond                                |         |
| Insurance – marina store  | 2,088   |
| Property, liability and flood; City pays underground tank premium                           |         |
| Insurance – marina operations   | 81,639  |
| Includes a portion of dock coverage and property, liability and underground tanks for docks |         |
| Insurance – marina restaurant   | 20,556  |
| Includes a portion of dock coverage; property, liability and flood premiums                 |         |

Total marina expenses show a decrease of three percent (3%) from FY13.

**B. Update on Design/Engineering Bid for Watersports Dock**

Assistant Dziuban distributed the bid tabulation from the bid opening of February 20<sup>th</sup>, and a copy is attached to the historical record of this meeting.

Assistant Dziuban noted that the City had hoped to complete this project before the tourist season began, but, when the bids were opened, staff realized that this was not realistic; construction will take place in the fall.

The bids were fairly complicated – they were proposals, rather than bids, and some had different task elements; the proposals had to be reviewed in depth in order to make just comparisons between them. The geo-technical refers to kind of sediment that is under and around the dock to know how long the piles need to be and how hard they have to be driven down; some firms said the City may already have the data, some said it might be necessary and other said it was absolutely necessary. In reviewing the bid tabulation, if the company addressed geo-technical, the amount attributed to it is under the bid for design and engineering and would need to be added in for the bid total if deemed necessary.

Two (2) of the six (6) bids were for design/build, rather than a design/bid/build number, and those were the numbers that influenced changes in the capital budget.

The apparent low bidder, Ocean and Coastal Consultants, has an asterisk next to their bid; in the cover letter, they expressed concern with the contract language in that their insurance carrier has said to them that they would deny some of the coverage levels that are included in the contract. The City includes the contract with the bid package and indicates that one should not bid if unable to sign it upon award.

Ocean and Coastal Consultants sent to Assistant Dziuban the specific language they are objecting to in the contract, who then discussed their concerns with City Attorney Halversen. In the attorney's opinion, the City and the vendor could meet in the middle on some things, concede on some things, but not concede outright to items, such as indemnification. In terms of a motion, Assistant Dziuban suggested that, if the Committee were considering the lowest bidder, the award be contingent upon successful contract negotiations.

The Assistant stated that she had also contacted the second low bidder, who did not include geo-technical in their bid, but did acknowledge the need verbally and did not offer a cost for the work. Their bid would be impacted by the fact that the City does not a valid OCRM critical line permit, of which they were unaware. They stated that they have not issues with the contract.

Councilmember Loftus asked whether the City had history of working with any of the bidders; the City does have history with GEL Engineering, Coastal Science and Engineering and Jon, Guerry, Taylor and Associates. When asked about the City's satisfaction with each, Assistant Dziuban stated that there had been difficulties with Jon, Guerry, Taylor and Associates, but any of the others could do the work.



Chair Stone voiced the opinion that the Committee needs to make a decision; obtaining a permit may take six (6) months.

**MOTION:** Councilmember Loftus moved to award a contract to Ocean & Coastal Consultants Inc. contingent upon successful contract negotiations; Chair Stone seconded.

**Amendment:** Chair Stone amended the motion to award the contract to the second low bidder, Applied Technology and Management, if a contract cannot be negotiated with Ocean & Coastal Consultants; Councilmember Loftus seconded and the amendment **PASSED UNANIMOUSLY**.

**VOTE on Amended Motion:** The amended motion **PASSED UNANIMOUSLY**.

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

**7. Miscellaneous Business**

**Marina Rents Report**

All marina tenants are current, and Morgan Creek Grill has paid a month in advance.

**Next Meeting Date: 5:30 p.m., Tuesday, April 2, 2013 in the Conference Room.**

**8. Executive Session – not needed**

**9. Adjourn**

**MOTION:** Councilmember Buckhannon moved to adjourn the meeting at 7:48 p.m.; Councilmember Loftus seconded and the motion **PASSED UNANIMOUSLY**.

Respectfully submitted:

Marie Copeland  
City Clerk