

TOWN OF HILTON HEAD ISLAND

FINANCE AND ADMINISTRATIVE COMMITTEE MEETING

Date: October 16, 2018 **Time:** 2:00 p.m.

Members Present: John McCann, *Chairman*; Kim Likins and Tom Lennox, *Council Members*

Members Absent: None

Staff Present: Steve Riley, *Town Manager*; Josh Gruber, *Assistant Town Manager*; John Troyer, *Director of Finance* and Cindaia Ervin, *Finance Assistant*

Others Present: David Bennett, *Mayor*; David Ames and Bill Harkins, *Council Members*; Bill Miles, Ray Deal; *Hilton Head Island-Bluffton Chamber of Commerce*; Chris McCorkendale, *Hilton Head Island-Bluffton Chamber of Commerce- Board Member*; Carlton Dallas; David Fingerhut; Chester C. Williams, *Law office of Chester C. Williams LLC*; Eleanor Lightsey, *Lowcountry Inside Track* and other members of the community.

Media: Katherine Kokal, *Island Packet*

1. Call to Order:

The meeting was called to order at 2:00 p.m.

2. FOIA Compliance:

Public notification of this meeting has been published, posted and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Minutes:

- a. Mrs. Likins moved to approve the minutes from the Finance and Administrative Committee Meeting on June 27, 2018 at 2:00 p.m. Mr. Lennox seconded, and the motion passed unanimously.

4. Unfinished Business:

None

5. New Business

- a. **Discussion regarding supporting documentation and disclosure associated with expenditures by the DMO/VCB of the 30% promotional Accommodations Tax Funds.**

John McCann, Chairman, shared with the Committee and those present that the intent of this meeting is to better understand the current relationship between the Town of Hilton Head Island and the Hilton Head Island-Bluffton Chamber of Commerce (HHIBCC) and how the promotional funding disbursed is expended. He also stated that there would be no public comment and if any member of the public present would like to request additional information they can do so to through the Committee's Secretary, Cindaia Ervin. Mr. McCann informed the Committee that he asked the Mayor what the responsibility of the Finance & Administrative Committee is on this matter and the Mayor stated that the Committee has been tasked with developing a process that allows the Town to provide information on how the 30% promotional funds are expended in compliance with the Freedom of Information Act (FOIA) and that also meets the needs of the citizens. Tom Lennox, Committee Member, asked Josh Gruber, Assistant Town Manager what

his interpretation of that was and he replied that his interpretation of such task is for the Committee to look at the relationship between the Town and the HHIBCC as it applies to the reporting of how the money received for the designated marketing organization purposes are being expended. Mr. Gruber said there is an existing agreement in place and there are concerns of the members of the public that the current reporting the Town is receiving is not sufficient and if not then the Committee should decide what that level should be. He also stated that given the current agreement all decisions would need to be made within the confines of the current contract or if any changes do need to occur then it could be slated for any possible future agreements between the Town and the HHIBCC. Mr. McCann reminded the Committee that the current contract expires in December 2020, and it is the Town's intent to go out to bid one year prior (November 2019) to do its due diligence of possible renewal with the HHIBCC or another qualified Designated Marketing Organization.

Mr. McCann introduced Carlton Dallas, member of the public, who presented to the Finance & Administrative Committee and also the Hilton Head Island-Bluffton Chamber of Commerce his suggestions regarding the current findings and recommendations of the current Town and HHIBCC Designated Marketing Organization contract and how to alleviate the current concerns regarding how promotional funds are being expended (Document Attached). The findings presented to the Committee ranged from contract insight, transparency, inspection rights and the continued accountability of both parties. He made the following recommendations based on the current Town/HHIBCC Designated Marketing Organization contract; *Section 2.6*: The Town should immediately take advantage of the authorities granted to review the Town policies and procedures to solicit, select and add 1-2 citizens to represent the Town on the Designated Marketing Organization (DMO) Marketing Council; *Section 2.7*: The Town should immediately take advantage to expand the definition contained within this section to include Town of Hilton Head Island citizens who meet the requirement of "financial acumen" and who would become a non-voting member of the Finance & Administrative Committee, which grants the citizens chosen "inspection rights to review DMO documentation"; *Section 6*: The Town should plan to give notice in November 2019 to end the term of this contract, to create and distribute a Request For Proposal including metrics and audit mechanisms that satisfy the Town's strategic goals and plans. Mr. Dallas stated that his current findings and recommendations were suggested to nurture and grow the relationship between the Town and DMO, while providing for greater transparency to the voting public of Hilton Head Island.

John McCann, thanked David Bennett, Mayor, for suggesting the need of a contract which ultimately resulted in the current contract between the Town and the HHIBCC. Kim Likins, Committee Member, asked for clarification regarding adding non-voting members to the Finance & Administrative Committee. Mr. Gruber responded that non-voting members of the committee could possibly be added per section 2.3 of the contract. Steve Riley, Town Manager, pointed out that the current Town Code does not allow for citizen committees and that this matter would need to be reviewed further. Chris McCorkendale, Hilton Head Island-Bluffton Chamber of Commerce-Board Member, stated that he agrees that the current contract was executed in good faith and compliance of both parties does exist. He stated that there has been an increase for demand in transparency based partly on public input of which has less to do with transparency and more about compliance of the promotional funds. Mr. McCorkendale also stated that current legislation falls short of giving the necessary measure of accountability and transparency to supplement what the current legislation falls short of. Mr. McCorkendale commented that if there is an increase of need for dialog in transparency, accountability or compliance then the HHIBCC is open and willing to have said discussion to benefit the community. He also feels that the Town has to continue to do their part in participating in the annual audit process as they don't have any reason to withhold information or documentation from the Town. Lastly, Mr. McCorkendale

expressed his distress regarding providing the notice of termination to the HHIBCC given the long-term level of cooperation and relationship between both parties.

Mr. McCann asked if any members of council had any comments and Bill Harkins stated that there is a clear level of discomfort in the community and as council members they are elected to be good stewards of public funding. When the situation arises that one party has a perception that the other is not grounded in the facts the only thing to do is to change the approach. By adding 1-3 individuals to the committee that are a part of the review process is key and by so doing it is hopefully that their findings are valued enough to show that things are great or that there is room for improvement by both parties. Overall, he feels that this could help in alleviating the concerns of the public. Tom Lennox, Committee Member, had comments of it being difficult to argue against transparency, however, his concern has more so to do with compliance. He doesn't want compliance to be overlooked, however, he is confident that the Town's relationship with the current DMO is in compliance with State Accommodations Tax Regulations. David Bennett, Mayor, asked Mr. Dallas to send his recommendations to the committee secretary for Town Council distribution. He feels that the debate continues to come around and doing nothing is not the answer and Mr. Dallas's recommendations could help with the legitimacy in selecting a DMO and assist the public in knowing that the Town did its due diligence.

Mr. McCann made a motion that once the document is received by Town Staff from the proposal Mr. Dallas presented at this meeting it be distributed to Town Council for further review. Mr. Lennox seconded and the motion passed unanimously.

Mr. McCann thanked Mr. Dallas and those present from the Hilton Head Island-Bluffton Chamber of Commerce for their comments and discussion regarding the insight and findings of the current Town of Hilton Head Island/HHIBCC DMO relationship.

6. Adjournment:

Mrs. Likins made a motion to adjourn and Mr. Lennox seconded. The motion passed with a vote of 3-0 and the meeting was adjourned at 2:56 p.m.

Approved:

Respectfully submitted:

John McCann, Chairman

Cindaia Ervin, Secretary

A-TOHHI-DMO Document Review Recap

1-Reviewed: TOHHI-DMO Contract, DMO Legal Audit Engagement Letter and Accounting Audit Engagement Letter

2-Assumptions:

2a-Strategy>Structure and Metrics>Operating Plan/Negotiations>Execution of Operating Plan & Negotiations by business leaders/Legal Staff

2b-Those leaders ultimately accountable to the highest authority, i.e. Chair/Mayor, Board/Town Council, CEO/Town Mgr., Town Staff/Leadership carry out the delegated governance model identified in 2A above.

2c-Collaboration with partners is sought, clear guidance is given to suppliers and insights are sought from the electorate or members.

B-Findings/Insights:

1-The contract dated Dec1, 2015 covering a period of 5 years ending on Dec 1,2020 was negotiated in good faith, with collaboration between both parties.

2-There was no contract in force prior to the creation of this contract and the TOHHI TC sought more defined roles and responsibilities, to which the DMO agreed.

3-The Contract has oversight requirements as evidenced by several sections in the contract and prior to any recent court rulings, both parties appear to have been compliant with all aspects of the current contract.

4-The issues of transparency, recent court rulings and compliance with the contract have necessitated a need for the TOHHI to seek methods to increase transparency, inspired by voluminous citizen feedback and those same recent court rulings.

5-The current contract is solidly in effect, attributed to the DMO's continuing achievement of contract performance targets. More review, per contractual guidelines, is to be conducted to validate this performance level.

6-Members of the Town Council and Town Staff have exercised "Promotion Fund inspection rights and DMO Marketing participation rights" as currently allowed in the contract.

7-The recent SC Supreme Court ruling, in the minds of many, has pushed the accountability to the TOHHI for FOIA requests relative to the ATAX funds directed to the DMO.

8-The TOHHI has sought to gain access to receipts beyond “inspection rights” currently contained in the contract to comply with FOIA requirements, now placed on the TOHHI.

9-The DMO feels it has proprietary information that if made widely visible, could impede its ability to serve the TOHHI at the highest level in meeting the targets mandated under the contract.

10-Although this journey has complicated the relationship between the TOHHI and the DMO, both parties have a vested interest in moving towards a mutually accepted and collaborative solution that allows each entity to meet its fiduciary responsibilities to its electorate and to its stakeholders respectively.

C-Our recommendations are as follows:

1-Section 2.6 Budget and Marketing Plan Participation Rights

The TOHHI should immediately take advantage of authorities granted in Sections 2.6 to review TOHHI policies and procedures to solicit, select and add 1-2 citizens to represent the TOHHI on the DMO Marketing Council. If such a review of current TOHHI policies and procedures indicate this addition is not allowed, it is suggested that the TOHHI TC revisit and modify the governing sections of TOHHI policies and procedures to allow such an outcome.

This is an effort to build citizen confidence in the TOHHI-DMO Marketing Plan Development.

These citizens selected should have experience in the development and management of Marketing Plans but not be a member of TOHHI TC, TOHHI Staff, nor associated with the DMO or the Chamber.

These citizens would be guided by existing contractual disclosure agreements and would have no additional rights relative to storing, copying or removing DMO materials either physically or digitally.

2-Section 2.7 Inspection Rights

The TOHHI should immediately take advantage to expand the definition contained within Section 2.7 to include TOHHI citizens who meet the requirement of “financial acumen” and who would become a non-voting member of the TOHHI F&A Committee, which then grants these citizen experts “inspection rights” to review DMO documentation. Current verbiage allows the TOHHI to have designated representatives, i.e. specifically the Town Manager, or their designee, or a representative from the TOHHI’s F&A Committee, by expanding the F&A structure to include non-voting members the TOHHI should be able to comply with the existing contract and increase citizen transparency. As in recommendation C-1 above, if such a review of current TOHHI policies and procedures indicate this addition is not allowed, it is suggested that the TOHHI TC revisit and modify the governing sections of TOHHI policies and procedures to allow such an outcome.

As noted in recommendation C-1, these citizens would be guided by existing contractual disclosure agreements and would have no additional rights relative to storing, copying or removing DMO materials either physically or digitally.

3-Section 6 Term

To allow proper development of the strategy to execution process noted above in Section A2a of this report. The TOHHI should plan to give notice in Nov 2019 to end the term of this contract with the end date of Dec. 1, 2020, create and distribute an RFP including metrics and audit mechanisms that satisfy the TOHHI strategic goals and plans. The DMO should be encouraged to bid based on its stellar performance in achieving currently mandated targets.

These elements are suggested to nurture and grow the relationship between the TOHHI and DMO, while providing greater transparency to the voting public of Hilton Head Island, SC.

Sincerely,

Carlton B Dallas