

# Senate Fish Game & Forestry Oversight Subcommittee

## Report on the Patriots Point Development Authority

March 2018



Members of Subcommittee:

Senator Ronnie W. Cromer, Chair

Senator Mike Fanning

Senator Chauncey K. Gregory

Senator J. Thomas McElveen, III

Located on 450 acres in Mt. Pleasant, SC, Patriots Point Development Authority (PPDA) operates a Naval/Military Museum featuring decommissioned naval ships and various shore exhibits. It also leases land for commercial and other development to generate revenue to operate and maintain the museum and associated exhibits. The agency is governed by a nine member board of directors. The agency should ensure that board meetings are open to the public and minutes from the meetings are posted online. The agency should submit required accountability and financial reports or seek statutory relief from these requirements. PPDA should consider employing a legislative liaison rather than a contract lobbyist. PPDA should report the use of sole source and emergency procurements and utilize the procurement process rather than direct expense vouchers when appropriate. PPDA should promulgate and enforce policies regarding the appearance of staff and their interaction with the public.

## ***I. Agency at a Glance***

### *Mission*

The mission statement of Patriots Point Development Authority (PPDA) is to establish and develop a National Naval Museum of ships and to develop and improve the Patriots Point area to provide a place of education and recreation to foster among the people pride and patriotism in our nation and its heritage.

### *History*

Created by Act 116 of 1973, to establish a National Naval Museum and provide for land use and acquisitions, Patriots Point is one of several military museums operated by the state of South Carolina. Located in Mount Pleasant on the mouth of the Cooper River as it empties into Charleston Harbor, Patriots Point emphasizes naval history. The agency's enabling legislation also stated the jurisdiction of the Authority as Hog Island and the lands, shores, marshes and spoil areas immediately adjacent to said island and further stipulated the geographical boundaries of their jurisdiction.

The original legislation provided for a \$100,000 recurring appropriation from the General Fund in FY 73. This recurring General Fund appropriation was increased over time and continued for the first thirteen years of the agency's existence. In FY 83 it reached a high of \$454,461 but had declined to \$337,263 by FY 86, the final year of recurring General Fund support.

Although established as an independent state agency, the Authority's enabling legislation anticipated the possibility of transferring the operations to another state agency after five years of operation. This was considered again in 1978 when Act 472 specifically stated the authority of the General Assembly to transfer Patriots Point to the Department of Parks Recreation and Tourism on June 30, 1983. Consideration of transferring Patriots Point was renewed in 1989 by Governor Campbell over concerns about bonds issued for unfinished projects on the property going into default.

## *Governing Authority:*

Patriots Point Development Authority is governed by a nine member board of directors, eight of whom are appointed by the Governor for a term of four years and serve at large. The mayor of the Town of Mount Pleasant serves ex-officio as the ninth member. Five members of the board are appointed by the Governor upon the recommendations established in statute and three, including the Chairman, are appointed by the Governor without a required recommendation.

Statutes: [SC Code §51-13-720, -725](#)

<b>Current Members</b>	<b>Position Title</b>	<b>Recommendation</b>	<b>Appointed By</b>	<b>Appointed Date</b>	<b>Expiration Date</b>
King, Henry Spencer	Member	None	Governor Haley	10/14/2013	9/1/2017
Adams, Wayne	Vice Chairman	Speaker of the House & Chmn. Ways and Means	Governor McMaster	2/20/2017	12/31/2020
Wilkerson, Richard N.	Member	SC Adj. Gen.	Governor Haley	1/14/2016	9/1/2018
Williams, Zeb	Member	None	Governor McMaster	11/28/2017	12/11/2020
Marlowe, Susan C.	Member	Senate Pres. Pro Tem & Chmn. Sen. Fin.	Governor Haley	4/2/2015	12/11/2016
Waters, George Patton	Member	Speaker of the House	Governor McMaster	11/09/2017	12/31/2018
Chandler, Ray E.	Chairman	None	Governor Haley	8/30/2016	12/11/2020
Taylor, Edwin S.	Member	Senate Pres. Pro Tem	Governor Haley	8/30/2016	9/1/2018
Will Haynie	Member	Ex-Officio	Mayor of Mt. Pleasant, SC		

While there is no statutory requirement for the number of meetings, the board routinely meets on the third Thursday of each month. Meetings are conducted professionally and the use of executive session was not abused. The chairman and the board members displayed a knowledge of the agency and issues and the board focused on policy level discussions in managing the agency. Appropriate parliamentary procedure was used in the conduct of the meeting.

### *Compliance with Legislative Intent*

The enabling legislation for PPDA provides extensive discretion and authority to the agency in complying with legislative intent stating repeatedly that the agency may do any and all acts and all things necessary. In establishing the Authority, the General Assembly even provided for the Authority to exercise the right of eminent domain. The breadth of this authority makes it difficult to determine if any actions taken by the Authority comply with legislative intent since any actions would fall within the scope of the agency's mandate.

### **SECTION 51-13-760.** Purposes of Authority.

The Authority is created as an instrumentality of the State for the accomplishment of the following general purposes, all or any of them, which are intended to broaden and not to restrict

any other powers given to it in this article, namely:

**SECTION 51-13-770. Powers of Authority.**

In order to enable it to carry out the purposes of this article, the Authority:

(7) In general to do and perform any act or function which may tend to or be useful toward the development and improvement of Patriot's Point.

(9) May do any and all other acts and things authorized or required to be done by this article, whether or not included in the general powers mentioned in this section;

(10) May do any and all things necessary to accomplish the purposes of this article;

*Current Exhibits*

There are currently three ships present at the piers available for tours by the public.

The Essex class Aircraft Carrier USS Yorktown (CV-10) was the first ship acquired by PPDA. The Yorktown was transferred to Patriots Point in 1975, having served in World War II, the Vietnam Conflict and later as a recovery vessel for Apollo-8. Numerous historically significant aircraft are also displayed aboard the Yorktown. This capital ship is the flagship of the Patriots Point fleet and is home to numerous additional attractions.



The USS Laffey, (DD-724) is a Sumner class destroyer that became a museum ship at Patriots Point in 1981. The Laffey served in both Atlantic and Pacific operations during World War II and survived a kamikaze attack. This ship is perhaps in the best physical condition of the three ships having benefitted from undergoing significant repairs financed through a loan from the state.



The last of the three vessels still present at Patriots Point is the USS Clamagore (SS-343) which became part of the Patriots Point fleet in 1981. The Clamagore is a Balao class submarine later upgraded with the Guppy III conversion. Entering service immediately following World War II, she served primarily as a coastal patrol vessel. Touring this vessel gives visitors a sense of the close quarters experienced by crewmembers of a submarine of this era.



On shore, the Vietnam Experience Exhibit was added in 2014. This exhibit replicates a “brown water Navy” support base and a U.S. Marine Corps artillery fire base.

The agency is continually upgrading features of the exhibits to provide a new experience for returning guests and improve the experience for first time visitors. A few of the featured exhibits designed to enhance the experience include the engine room and combat information center of the Laffey as well as the recovered Apollo 8 mission capsule exhibit aboard the Yorktown.

Guests visiting the facility can also elect to take advantage of other vendors operating at the Patriots Point site. These include helicopter tours, the flight simulator and boat tours to Fort Sumter. While not directly related to the naval history experience, these generate revenue for the agency and may increase ticket sales.

### *Previous Exhibits*

Since it was established, Patriots Point has also been home to three other ships which are no longer present. These include:

NS Savannah, the first nuclear powered merchant ship currently located in Baltimore

Comanche (WPG-76) a Coast Guard Cutter, which was eventually sunk as an artificial reef.

USCGC Ingham (WHEC-35) is another Coast Guard Cutter. After serving in World War II and Vietnam, Ingham was part of the Patriots Point fleet from 1989 until 2009 when she was moved to the Key West Maritime Memorial Museum where she is currently on display.

### *Operations/Programs*

The Patriots Point Development Authority has an essentially bifurcated mission. It acts as maritime/military museum showcasing three ships, an assortment of military aircraft the Vietnam shore base and is home to the Medal of Honor display. The second major activity of the PPDA is leasing land for private development thereby generating revenue to support the operations of the museum. This structure is unique among state agencies in South Carolina and other maritime museums throughout the country.

### *Museum Services*

This primarily involves maintaining the exhibits (ships, aircraft and shore installation) which are available to guests for viewing. Staff of the PPDA are continuously engaged in maintenance and repair to protect the exhibits from the encroachment of seawater and deteriorating effects of the marine environment as well as maintaining the grounds around the exhibits and providing facilities and services for the patrons. This includes such ancillary services such as a gift shop and concessions.

## Education

In addition to promoting military pride, the staff at Patriots Point also provide educational programs to school groups in subjects such as military history and marine science. These are provided to groups of students at the facility and to fifth grade students via a distance learning program. The agency reports that over 20,000 students participate in the on-site program annually.

## Camping

Overnight camping is available to organized youth groups of ten or more children between the ages of 6-17. Groups participating in overnight camping must provide adult supervision for the campers at a ratio of one adult for each child aged 6-11 and one for ten children between the ages of 11-17. Prices for camping are:

One night aboard w/breakfast & lunch	\$45 per person
---	-----------------

One night aboard w/breakfast, lunch, dinner & 1 educational program	\$76 per person
---	-----------------

Two nights aboard w/ (2)breakfasts, lunch, dinner & 1 educational program	\$96 per person
---	-----------------

## Events

PPDA currently has a variety of available leasing options for private events. These include the 3.5 acre park area known as the Grove and various settings onboard the Yorktown itself. Event rental is another form of revenue for the agency.

The agency also sponsors events on site. These include free symposiums, military memorial celebrations and paid events with live entertainment.

## *Admissions*

As the largest source of operating revenue, admissions are important to Patriots Point. The agency tracks admissions using the Gateway system which is employed by many museums to track admissions, concessions and retail sales. From FY 08 to FY 17, admissions grew by thirty percent with an average growth rate of 2.98 percent annually. The highest annual growth of 8.68 percent occurred in FY 13. Patriots Point has publicly indicated to the Senate Finance subcommittee that they anticipate achieving admissions of 330,000 paying guest in FY18. This would be an increase of 11 percent in a single year. The ten year average increase in admissions is 3 percent with FY 13 being an outlier with an increase of 8.7 percent. When questioned about the activities generating an 11 percent increase in a single year, the agency responded that part of this increase

was due to a change in the manner that admissions are calculated. Although listed as a separate revenue source with a different fee structure and discussed as a separate program, overnight campers are now being included in the admissions count. As of the end of the calendar year, admissions, calculated in the traditional manner, were up by 13,300 over the previous year which should place the agency on track to meet the 300,000 FY 19 goal in the agency’s three year business plan a year early.

Currently, the admissions fees for entry into Patriots Point while at the high point of the range are similar to those for other naval ship museums featuring a capital ship. Some of the other sites listed below have only one ship while others have additional ships as well as shore features. The number of exhibits may partially explain the variation in admission fees. However, the ship museums located in the south tend to have lower rates and the two museums with similar fees are both located in California. The director of Patriots Point has indicated that the agency is considering increasing the admission fees. Admissions fees have consistently been the largest revenue source for the park. While an increase would certainly mean that Patriots Point would be more expensive for visitors than other parks surveyed, it is unclear what impact this might have on future visitation.

	<u>Adult</u>	<u>Senior</u>	<u>Children (6-12)</u>
USS North Carolina BB-55	\$14	\$10	\$ 6
USS Alabama BB-60	\$15	\$13	\$ 6
USS Texas BB-35	\$12	\$ 6	\$ 3
USS Hornet CV-12	\$20	\$15	\$10
USS Midway CV-41	\$21	\$18	\$ 8
<b>Patriots Point</b>	<b>\$22</b>	<b>\$17</b>	<b>\$14</b>

In a 2012 report, the Legislative Audit Council expressed concerns that the planned Medal of Honor Museum might cause visitors to choose between these two exhibits if tickets are sold independently. The staff at Patriots Point has indicated that there are currently no plans regarding joint ticket sales. It is possible that the opening of the Medal of Honor Museum might negatively impact ticket sales to Patriots Point. This impact could significantly reduce the number of return visitors if they are faced with a choice of purchasing tickets to view a new exhibit or revisit Patriots Point.

### *Other State Owned Maritime Museums*

#### Structure

A survey of three other state owned and operated maritime museums hosting capital ships indicates a variety of structures. In one instance, the facility operates as a separate agency (USS Alabama) while the other two were part of a larger state agency (USS North Carolina & USS Texas) deriving some administrative services from the larger agency to reduce costs. Based upon Act 472 of 1988, it appears that the SC General Assembly had considered restructuring Patriots Point and making it part of the Department of Parks Recreation and Tourism (PRT). This Act included the following language:

*On June 30, 1983, the General Assembly may transfer the powers, responsibilities, liabilities and assets of the Authority to the Department of Parks, Recreation and Tourism; but no obligation or*

*contract of the Authority shall be impaired by such transfer, and the full faith and credit of the State shall be given to assure the performance of obligations so transferred.*

However, the General Assembly did not subsequently take the step of transferring the authority to PRT. It is unclear what circumstances precipitated this legislation or the reason that the transfer was never acted upon.

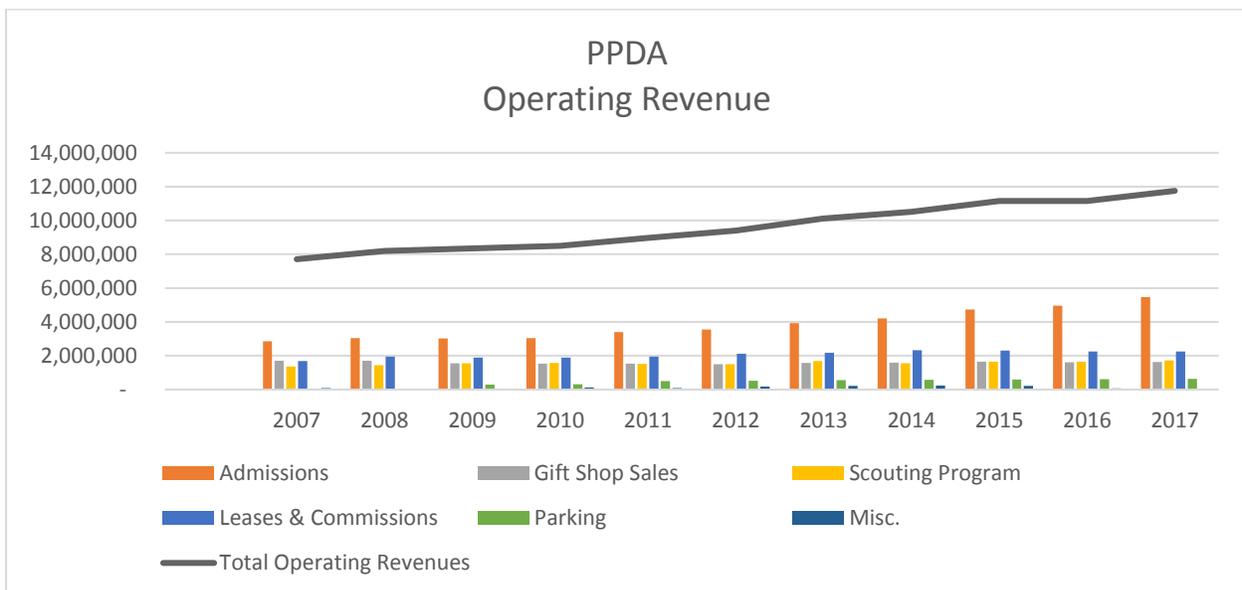
#### Revenue sources at other state maritime museums

Two of the three ships operate as enterprise agencies deriving operating revenue from typical museum related activities such as ticket sales, concessions, gift shop, facility rentals and overnight camping. The exception was the USS Texas which also generated revenue but remitted these funds to the state General Fund and received General Fund appropriations for the operation of the agency. This process clearly provides greater continuous oversight by elected officials since the agency must request funding through the state's appropriation process. While some of the entities contacted did indicate that they received funding from the state for costs associated with maintenance of the ships, none of the other museums engaged in leasing land for private development as a revenue stream.

### ***Finance:***

#### *Revenues*

As shown in the chart below, revenues have grown steadily at an average rate of 4.3 percent over the past ten years to \$12.3 million in FY 17. Admissions is the largest revenue generator accounting for approximately forty percent of the total revenue (\$5.5 million in 2017). In FY 17, revenue from leases was the second largest revenue source generating \$2.3 million or nineteen percent of the total revenues. Patriots Point anticipates receiving approximately \$3.5 million annually from the new lease with Bennet Hospitality once the development is completed. This will be a 150% increase over current leasing revenue.



## Appropriations

### Recurring:

The agency director has stated that Patriots Point “has received no allocation of financial resources from the General Assembly since 1986” and the agency’s media Fact Sheet states: Patriots Point Development Authority is a state agency but receives no state or federal financial assistance for its operations. All operational and capital expenditures are derived from revenue-producing programs and property assets. We earn what we spend.”

In Part 1.A of the State Appropriations Act, Patriots Point receives a recurring allocation of \$415,000 in Education Improvement Act funding for Literacy and Distance Learning. Although the agency has characterized these funds as a grant, the Education Oversight Committee (EOC) staff were very clear in describing this allocation in the following terms:

“The General Assembly appropriates \$415,000 in EIA funds to Patriots Point for a literacy and distance learning program. The program includes the: (1) provision of books and curriculum support for 5<sup>th</sup> grade students and their teachers in social studies and science; (2) provision of direct professional development training for teachers; and (3) provision of education labs onboard the Yorktown that students access.”

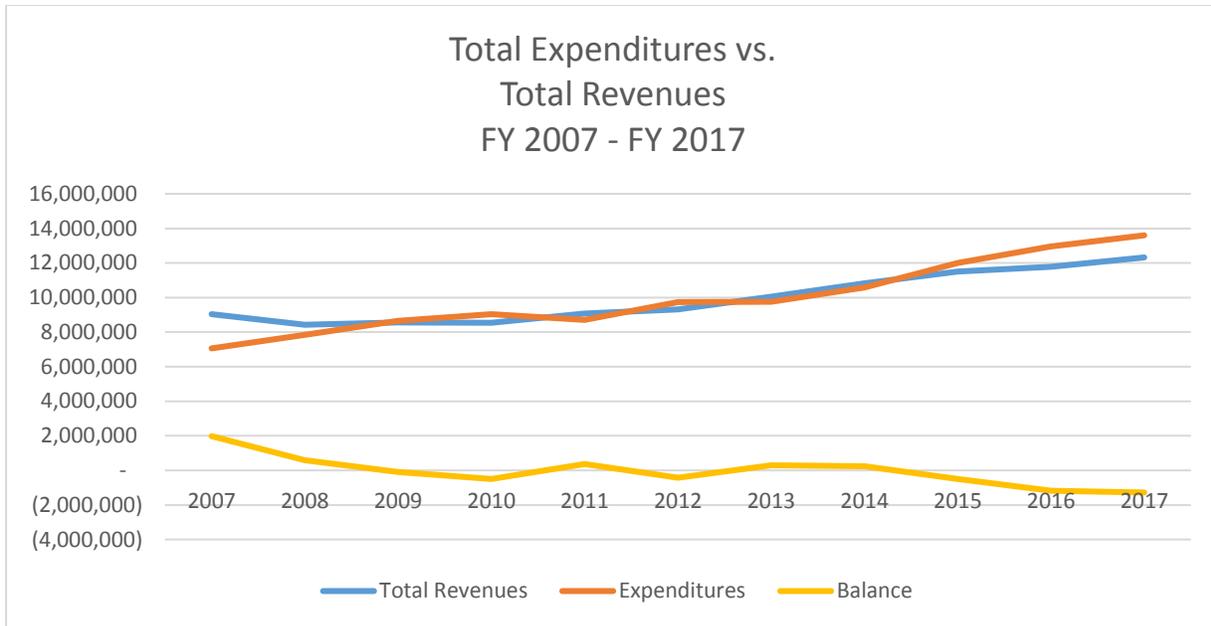
Patriots Point has sought to expand this program to include 8<sup>th</sup> grade as well. However, the EOC has not recommended this expansion and it is not included in the current budget request by the agency.

### Nonrecurring:

Patriots Point received a non-recurring appropriation from the Capital Reserve Fund (CRF) in FY 16 of \$50,000 for the USS Laffey. The agency was also provided \$400,000 in non-recurring funds for a National Flight Academy in FY 14 and \$250,000 for a cold war submarine memorial in FY 99.

## *Expenditures*

Over the past ten years, expenditures have tracked revenues with only slight variations. For the past three fiscal years, expenditures have exceeded total revenues reducing available fund balances. Approximately forty-five percent of the agency’s expenditures are for personal services and employee benefits with another twenty-five percent expended on contractual services. The current rate of expenditures consumes all of the agency’s revenues allowing for very little opportunity to develop a surplus fund for capital expenditures or other needs such as deferred maintenance on the ships.



### *Budget Request*

Patriots Point did not initially request any funding or proviso changes in the FY 19 budget plan submitted via the Executive Budget Office. However, the agency submitted a revised budget plan on January 22<sup>nd</sup> 2018 requesting \$800,000 in non-recurring funding to paint the superstructure of the Yorktown. This would seem to demonstrate that current revenues are insufficient to fully meet the funding requirements of maintaining the ships on display at Patriots Point.

Although both the original and revised budget plan noted that the agency was not requesting any proviso changes, in the presentation to the legislative subcommittees the Director requested that Patriots Point be excluded from the requirements of proviso 118.2.

**118.2.** (SR: Titling of Real Property) *It is the intent of the General Assembly to establish a comprehensive central property and office facility management process to plan for the needs of state government agencies and to achieve maximum efficiency and economy in the use of state owned or state leased real properties. The Department of Administration is directed to identify all state owned properties whether titled in the name of the state or an agency or department, and all agencies and departments of state government are upon request to provide the department all documents related to the title and acquisition of the real properties that are occupied or used by the agency or titled in the name of the agency. Except for any properties where the department determines title should not be in the name of the State because the properties are subject to reverter clauses or other restraints on the property, or where the department determines the state would be best served by not receiving title, and with the exception of properties, highways and roadways owned by the Department of Transportation, title of any property held by or acquired by a state agency or department shall be titled in the name of the state under the control of the Department of Administration. Titling in the name of the state shall not affect the operation or use of real property by an agency.*

*This provision applies to all state agencies and departments except: institutions of higher learning; the Public Service Authority; the Ports Authority; the South Carolina Division of Public Railways; the MUSC*

*Hospital Authority; the Myrtle Beach Air Force Redevelopment Authority; the Department of Transportation; the Midlands Technical College Enterprise Campus Authority, the Trident Technical College Enterprise Campus Authority; the Area Commission of Tri-County Technical College; and the Charleston Naval Complex Redevelopment Authority.*

*This provision is comprehensive and supersedes any conflicting provisions concerning title and acquisition and disposition of state owned real property whether in permanent law, temporary law or by provision elsewhere in this act.*

*The Department of Administration is directed to provide to the Department of Education, funds equal to the amount realized from the sale of the Greenville Halton Road Bus Shop property for school bus maintenance shop relocations, construction, and shop equipment.*

The Director stated that this proviso had been adopted the prior year and the agency had overlooked this new requirement. However, the proviso has been in the Appropriations Act since FY 06 under a different number. The rationale for this exemption is that having the property titled to PPDA provides a legal layer of protection to the state from lawsuits and that changing the title would necessitate revising the current leases. The staff at the Department of Administration report having no opposition to the requested proviso change. While this exemption may be advisable, it is unclear why the agency has not previously conformed to the requirement or sought an exemption to the requirements in the proviso.

### *Procurement/Purchasing*

The Legislative Audit Council (LAC) cited the overuse of sole source and emergency purchases by PPDA in a 2012 LAC report. Based upon information from the State Fiscal Accountability Authority (SFAA) - Procurement Services, it appears that the agency has made twenty-eight sole source and emergency purchases since 2013 which were not properly reported to SFAA per SECTION 11-35-2440. The total cost of these purchases is approximately \$300,000. Additionally, the agency has utilized Direct Expense Vouchers to procure the services of a lobbying firm for \$60,000 annually in lieu of the standard procurement process.

### *Business Plan*

The agency has a “three year business plan” spanning the timeframe of “FY 2016 through FY 2019” which is a period of four years. The plan is a bullet point list of goal statements with proposed completion dates for seven categories of activities. These are:

- 1) Revenue Production,
- 2) Property Lease/Property Management,
- 3) Product Improvement
- 4) Promotion of Patriots Point Brand and Image
- 5) Maintenance/Improvements of Ships/Facilities,
- 6) Improvements and Maintenance of Exhibits and Tour Routes and the Preservation and Expansion of Artifacts
- 7) Education Expansion and Improvements

Completion dates in the plan range from December of 2015 to the end of FY 2019. While the plan lists numerous goals, it does not describe any strategy for realizing the stated objectives. Also, the agency’s fidelity to the plan is unclear. A goal under the category heading of

Maintenance/Improvement of Ships/Facilities states that, “By the end of FY 2017, produce preliminary design of a new Patriots Point landside entrance facility”. However, when asked about plans to improve the entrance area, the Director stated that there are no immediate plans to improve the entrance other than the already completed gates and fencing. In addition, the agency’s capital expenditure plan indicates expenditures of \$5.5 million over a period of three years from 2019-2021 for a new landside facility.

### *Staffing*

Patriots Point has 85 FTEs and a negligible vacancy rate of approximately one percent. The agency also employs approximately 65 temporary employees. The agency explained that utilizing temporary positions allows the agency to adjust changing needs based upon the seasonal nature of a tourism site.

### *Land Use/Leases*

Patriots Point Controls approximately 450 acres of land. The majority of the land is under lease to generate revenue in support of the museum operations of the agency.

### **Leased Properties**

Including the recently executed lease to Bennett Hospitalities, approximately 365 acres of land are currently under lease.

#### **Golf Course - 197 acres**

PPDA is in negotiations with the current tenants of this lease over repairs required due to weather related damages. Although a stipulation in the lease seems to indicate that the landlord is required to pay for corrective actions, PPDA takes the position that these repairs are the responsibility of the tenant. PPDA is working through their attorney to resolve this issue.

#### **Hotel, Resort, Marina, etc. - 35.6 acres**

This is an amalgam of several separate parcels of land referred to as the ABC or alphabet properties for their individual designations.

#### **College of Charleston Sports Complex - 34 acres**

The College of Charleston leases this land at favorable rates below fair market value to host many of the college’s outdoor sports facilities including baseball, soccer and tennis.

#### **Medal of Honor Museum - 7.77 with an option for an additional 6.78 acres**

The current lease to the Medal of Honor Museum of one dollar annually will provide no revenue to PPDA. However, if the Medal of Honor Museum exercises the option for the additional parcel it is anticipated that it will be at fair market value. However, as reported in the media, the proposed Medal of Honor Museum has been beset with a variety of setbacks. These include the resignation of the Chairman and several other board members in early 2017, the resignation of the Director in December after serving less than one year and the rejection of the proposed museum design by the Mt. Pleasant Planning Commission due to height restrictions. Delays in progress of the Medal of

Honor Museum could potentially tie up the use of valuable land that could be leased to support the operations of the Patriots Point Development Authority. The PPDA Director stated that they are not yet at a point to consider joint ticket sales between PPDA and the Medal of Honor Museum.

### **Bennet Hospitality - 61 acres**

Entered into in 2017 with the developer Bennett Hospitalities, this ninety-nine year lease would provide for a mixed use development including apartments, hotels, office buildings and other uses. After extensive examination, this lease was approved in 2017 by the Joint Bond Review Committee and the State Fiscal Affairs Authority. Rent on the leased land is the greater of either fair market value or based upon a percentage of revenue generated by the tenant. The percentage varies depending upon the specific use of the land. Additionally, PPDA anticipates that the development associated with this lease will draw tourists thereby increasing admissions to Patriots Point and generating further operating revenues. Should the development proceed according to projections, PPDA anticipates having adequate revenues for operations and capital expenditures related to maintaining and repairing the USS Laffey, the USS Yorktown and the associated shore facilities.

### **PPDA Property**

Patriots Point currently utilizes approximately sixteen acres for agency operations. This includes visitor and staff parking, shore side facilities such as administration buildings, gift shop and ticket sales as well as displays and memorials.

### **Other**

Approximately 64 acres of land are vacant and/or encumbered by conservation easements.

### *Property Management*

Property management has always been a significant aspect of PPDA's activities. However, with the execution of the most recent lease and the increasing dependence of PPDA on revenues from property leases, property management has taken on greater urgency. In recognition of this, a full time staff person has been assigned to the role of Property Manager.

### *Relationship with US Navy Department*

The Navy Department conducts inspections of the three decommissioned ships located at Patriots Point and has noted concerns about the condition of both the Clamagore and Yorktown. Any plan to revise the use of these ships would require approval of the Navy Department.

### *USS Laffey Loan Status*

In 2009, PPDA received \$9.2 million from the state in the form of a loan for repairs to the hull of the USS Laffey. A balance of \$8.2 million is currently still owed on this loan. In the summer of 2017, the Joint Bond Review Committee and State Fiscal Accountability Authority voted on a

repayment plan that would require PPDA to make payments of interest only for three years, then payments of \$700,000 plus interest per year for an additional two years. After this, the agency is to pay six equal payments of principal plus interest per year with the final payment due by August 31, 2028. Although PPDA stated, in response to questioning from members of the Joint Bond Review Committee, that the repayment of this loan is not predicated upon the projected increased funding from the lease of property to Bennet Hospitalities, it is difficult to see what other revenues could be devoted to these payments at this time.

### *Status of Ships*

#### USS Laffey

As a result of repairs funded via the loan from the state, the most recent inspection by the Department of the Navy indicated no material weaknesses or concerns regarding the physical condition of the Laffey.

#### USS Clamagore

While Patriots Point staff report that the interior hull of the Clamagore is sound and there is no danger of the vessel sinking, the Department of the Navy inspection noted that the exterior hull is suffering from severe corrosion and pitting resulting in holes and that paint flaking could potentially fall into the surrounding waterway in violation of the Clean Waters Act. The projected cost to repair the Clamagore is \$6 million. PPDA has determined that divestiture of the Clamagore is in the best financial interest of the Authority. A private entity, Reef Makers International has presented a plan to move the submarine to Florida and sink it off the coast north of Palm Beach as an artificial reef where it could function as a host for marine life and an attraction for sport divers. However, this entity has yet to raise the funding required to proceed with this project. It is unclear what option PPDA will select if this relocation project does not come to fruition. Other options under consideration would entail significant costs.

#### USS Yorktown

The Yorktown suffers from substantial corrosion both above and below the waterline. The stated capital costs of repairing the ship is anticipated to be approximately \$58 million over a period of years from 2020 through 2043. As the flagship attraction at Patriots Point, restoration of the ship would seem to be an imperative. The inability to move the ship into drydock complicates the process of making needed repairs. Instead, the construction of a cofferdam will be required to deal with hull repairs below the ship's waterline.

## ***II. Issues***

### ***A. Open Board Meetings***

Although the Patriots Point Development Authority normally meets on the third Thursday of each month, the agency has been inconsistent in posting meeting notices on the website. Upon arrival, gaining access to the board meeting proved to be very difficult with staff uncertain of the location of the meeting and no signage indicating that a meeting was taking place or the location. The actual meeting location proved to be an obscure site on board the Yorktown away from the areas normally accessed by the public. The minutes of the meetings are not accessible on the agency's website after they have been approved.

- **Agency Recommendation**

Combine the information about the Board Membership and the meeting notices under a single tab on the agency's website and include the approved meeting minutes for public review.

At the entrance to the parking lot, post a sign indicating the date, time, and location of the board meeting and stating the meeting is open to the public without charge for parking or admission.

Post additional signage directing the public to the location of the meeting.

### ***B. Accountability Report***

The Patriots Point Development Authority has not submitted an Accountability report since 2009. At that time, PPDA indicated in the body of the report that, *“Unfortunately, management has found the Accountability Report as currently constituted has added little to the process of improving organizational performance. Most of the financial and attendance metrics were being collected and used by staff for long-term and short-term planning and operational control long before the Malcolm Baldrige National Quality Award criteria became a part of the Accountability Report. Management has found many of the additional criteria and metrics to be either counterintuitive or irrelevant to the day-to-day management of a non-industrial non-profit operation.”*

This statement seems to ignore the potential value of the accountability report to the General Assembly and the public by disseminating the information captured in the reports. While the agency has pointed out that the Executive Budget Office (EBO) has provided emails indicating that they are not required to submit a report, the statute requiring submission of accountability reports clearly indicates that unless statutorily exempted the reports must be submitted.

**SECTION 1-1-810.** Annual accountability reports by agencies and departments of state government.

Each agency and department of state government shall submit an annual accountability report to the Governor and the General Assembly covering a period from July first to June thirtieth, unless otherwise directed by the specific statute governing the department or institution.

Neither the agency nor EBO were able to reference any statutory exemption for PPDA from this requirement.

- **Legislative Recommendation**

The General Assembly may wish to either require PPDA to submit an annual Accountability Report or specifically exempt them from this requirement in statute.

- **Agency Recommendation**

In the absence of a specific exemption in statute, the agency should prepare and submit an accountability report in compliance with the applicable statute.

### *C. Financial Report*

Included in Patriot Point's enabling legislation is the following section.

*SECTION 51-13-830. Financial report.*

*At least once in each year the Authority shall report to the Governor and the General Assembly a complete detailed statement of all moneys received and disbursed by the Authority during the preceding year. Such statement shall also show the several sources from which such funds were received and the balance on hand at the time of publishing the statement and shall show the complete financial condition of the Authority.*

The agency has not been preparing and submitting a separate financial report to the Governor and General Assembly. When queried, the agency responded that they deemed the outside annual audits on file with the State Auditor to be adequate to satisfy this requirement. However, the requirement for an annual audit is contained in the following statute which is applicable to all state agencies.

*SECTION 11-7-20. Annual audits of state agencies.*

*(A) All state agencies and entities supported partially or entirely by public funds are subject to audit by or under the oversight of the State Auditor, except as otherwise specifically provided by law. The State Auditor, to the extent practicable and consistent with his overall responsibility, shall audit or cause to be audited each State agency and entity annually.*

- **Legislative Recommendation**

The General Assembly may wish to require that Patriots Point Development Authority submit the financial report/audits cited in statute to the appropriate recipients or delete this requirement from the agency's enabling legislation.

- **Agency Recommendation**

The agency should submit financial reports/audits to the appropriate recipients in compliance with the statute and/or seek to have this provision of the law deleted via the legislative process.

#### *D. Three Year Business Plan*

The current three year business plan does not include strategies for attaining the list of goals. Also the plan spans more than three years. Some of the goals mentioned had completion dates that are over two years old.

- **Agency Recommendation**

The agency should update the three year business plan annually to ensure that it continues to be a planning document for the future and is adapted to changing conditions. Also, the plan should include strategies for achieving the stated goals and indicate completion of past goals to measure success.

#### *E. Contract Lobbyist v. Legislative Liaison*

Patriots Point employs a lobbying firm at a cost of \$60,000 annually. This firm has many varied clients rather than expertise in the subject matter of a maritime museum. Despite employing a lobbying firm, the Director of the agency elected to be the point of contact for the oversight process and at no time did the lobbyist act as a conduit for information. The agency indicated (and SCEIS reporting confirms) that the contract had been renewed for multiple years without a competitive bidding process.

- **Agency Recommendation**

If it is determined that Patriots Point requires representation before the General Assembly, the agency should consider employing an individual full time as a legislative liaison to manage the agency's relationship with the SC Legislature. This staff person could also handle public relations, constituent issues and interact with the media.

Should PPDA continue to employ the services of a contract lobbyist, the contract should be awarded via the state procurement process.

#### *F. Procurement*

PPDA has failed to report multiple instances in which they employed sole source and emergency procurements to the State Fiscal Accountability Authority. Also, the agency has employed Direct Expenditure Vouchers (DEVs) to purchase the services of a lobbying firm rather than using the normal procurement process.

- **Agency Recommendation**

PPDA should report all instances of sole source and emergency procurements to the State Fiscal Accountability Authority and attempt to limit the use of these procurements. Also, the agency should refrain from purchasing services from a private contractor via direct payment and instead use the appropriate procurement process.

## *G. Revenue Shortfall*

Although operating revenue for the agency has continued to increase, it has not kept pace with expenditures. As noted in the agency's audit, this unsustainable trend began in 2015 and has continued to grow for the past three years. The audit also noted declining cash and cash equivalents for the agency

- **Legislative Recommendation**

The appropriate legislative Committees of the General Assembly may wish to have the agency report on the ratio of expenditures to revenues and changes in fund balances during the agency's annual presentation of the budget plan for the coming year in order to monitor this situation.

- **Agency Recommendation**

PPDA will ultimately need to increase operating revenues or reduce expenditures to avoid a future operating deficit. Should the projected revenues from the new lease be delayed or fail to materialize this will be more urgent.