

StopChamberAbuse.com

An Open Letter to Hilton Head Island Mayor Drew Laughlin & Hilton Head Island Town Council Members

Dear Mayor Drew Laughlin
& Hilton Head Town Council Members,

Let me begin with a point where we have agreement, specifically, the need for Hilton Head Island to have more funds for marketing our beautiful home to potential visitors.

Mr. Mayor, you recently stated that Myrtle Beach outspends Hilton Head 12 to 1. I find this very troubling, and I totally agree that we need to spend more dollars marketing Hilton Head Island as a destination.

There are at least two solutions to this problem.

1. We could better utilize the funds we currently receive and ensure that those to whom we entrust these funds are not misusing them.
2. We could, as you suggested, attempt to increase the tax on lodging above the current rate of 3% which also happens to be the maximum rate presently allowed by the State of South Carolina.

Who benefits from these accommodation tax dollars?

While there are a few other incidental beneficiaries of Hilton Head Island lodging tax dollars, in reality the lion's share of the collected lodging tax dollars are given to the Hilton Head Island and Bluffton Chamber of Commerce (the "Chamber"). Additionally the Chamber receives various other grants from nearby towns, counties and the State of South Carolina.

2007 - \$3.0 million
2008 - \$4.9 million
2009 - \$4.3 million
2010 - \$3.7 million
2011 - \$2.7 million

From financial reports I have reviewed, the Chamber has received the adjacent grants and subsidies from the towns of Hilton Head, Bluffton, Hardeeville, Beaufort County, the State of South Carolina and other sources from 2007- 2011.

Where is the money hiding?

It appears as though these amounts of funding from grants and lodging taxes should yield a marketing budget of much greater than \$1.5 million per year, which is allegedly spent. The question that begs to be asked is what overhead expenses are associated with these funds? It would be common for a non-profit organization to have operating expenses of up to 15% of its receipts. If in 2011 the budget for marketing Hilton Head Island was only \$1.5 million then one would deduce that operating costs are forty four percent (44%) of the grants and lodging tax dollars. That seems quite excessive, wouldn't you think?

Let's Peek Inside.

As one peels back more layers of the onion one would discover the following about the Hilton Head/ Bluffton Chamber:

- It has over 25 employees (excluding the CEO) at an average annual compensation of \$71,110.
- Annual compensation per employee (excluding the CEO) has increased 38% from 2007.
- Total annual compensation for the CEO is approximately \$400,000. We will only know exactly how much with full transparency. To date, I as a Chamber member, have been refused such transparency by two lawyers in Charleston hired by our Chamber. You have to ask WHY?
- It appears Mr. Miles' compensation equates to about 27% of what is spent marketing our area.
- Total administrative Chamber expenses are running at about \$2.5 million per year.

Can we compare?

Since you are using Myrtle Beach as a comparable, how do these metrics compare to those of the Myrtle Beach Area Convention and Visitors Bureau (adjusted of course for relative size variances of total rooms/room nights or other normalizing factors.). How many employees? Average annual compensation per employee? Level of pay to executive officer? Annual increases in compensation to employees? Total annual administrative expenses?

First, it appears as though Myrtle Beach operates singularly as a convention and visitors bureau rather than both a chamber of commerce plus a convention and visitors bureau as our Chamber operates. My first thought is that it would certainly provide much greater transparency if our Chamber were to separate its convention and visitor bureau functions from its chamber of commerce functions. In this way you and the public at large could more clearly see what costs are directly associated with marketing Hilton Head Island for tourism rather than having this obfuscated through the various operations of the Chamber and the co-mingling of revenues and expenses thereof.

StopChamberAbuse.com strongly opposes any future lodging tax funds being provided to the Chamber until it becomes fully transparent by separating its functions and creating a stand-alone single purpose convention and visitors bureau that presents a responsible operating plan which can then be scrutinized and approved by our elected mayor and town council.

Such approval should also be dependent upon evidence that the Chamber has consistently abided by its own by-laws, and especially that the by-laws currently in effect for the Chamber must require regular elections by Chamber members to elect its board members (not appointments by the board as is currently done) and such board positions must carry reasonable term limits. It appears as though board positions are currently only appointed positions—thus usurping power from its many members and vesting too much authority solely in the hand-selected board.

First Steps Must Be Taken

I call on your wisdom to have our Chamber's Designated Marketing Organization (DMO) status suspended until such time as the aforementioned requirements have been completed. Quite frankly, I join with many others in agreement that it would be inappropriate for the Town of Hilton Head to request our state lawmakers to increase the rate of the lodging tax until such time as the town has thoroughly reviewed the efficiency of how the current lodging taxes are being used. And then only after the Chamber completes its separation of convention and visitors bureau functions in a manner acceptable to the town.

Additionally, even once these changes are made, there should be no long-term commitment made by the Town of Hilton Head to any DMO. Instead, other entities should be permitted to compete for the DMO role and the town should actively pursue and interview competing DMO candidates.

Ladies and gentlemen, thank you for your continued efforts to ensure a bright future for Hilton Head Island residents, visitors and businesses. Please let me know if there is anything I can do to assist in this objective. I believe it would serve the community best for you to respond to this letter in a similar open letter format so that community stakeholders will have the opportunity to see your response and further understand your position on this matter.

Yours Sincerely,

Skip Hoagland

Skip Hoagland, Director
StopChamberAbuse.com