

WAYS AND MEANS COMMITTEE

5:45 p.m., Tuesday, July 21, 2009

The regular meeting of the Ways and Means Committee was held at 5:45 p.m., Tuesday, July 21, 2009 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Council members Bergwerf, Bettelli, Duffy, Loftus, Piening, and Rice, Chairman Taylor, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland. The absence of Councilman Buckhannon was excused; Chairman Taylor had called to say that he was running late. There was a quorum present to conduct business.

1. Mayor Cronin called the meeting to order and acknowledged that the press and the public had been duly notified of the meeting in accordance with the Freedom of Information Act.

2. Approval of Previous Meeting's Minutes

MOTION: Councilman Bettelli moved to approve the minutes of the regular meeting of June 19, 2009 as submitted; Councilwoman Bergwerf seconded and the motion PASSED UNANIMOUSLY.

3. Citizens' Comments - None

4. Financial Statement – Treasurer Suggs Review of Year-end Fund Balances

Treasurer Suggs reviewed the preliminary FY 09 year-end financial statement; she explained that there are revenues yet to be received, that invoices may come in reflective of June transactions and there are always audit adjustments. She stated that she would be going over all of the City's funds in her presentation.

The Treasurer re-stated that the City should end FY 09 with a surplus of two to three hundred thousand dollars (\$200,000 - \$300,000) in the General Fund. She then went through the following calculation to arrive at the surplus figures:

General Fund Revenue – actual	\$7,250,641
Transfer of debt service millage to Cap Projects to offset amount borrowed for Public Safety Bldg	589,549
General Fund Expenditures – actual	<u>- 7,367,403</u>
	472,787
Debt service millage set aside and made payments from	<u>- 150,000</u>
Preliminary Gain FY 09	<u>\$ 322,787</u>

Treasurer Suggs then itemized the revenues yet to be collected as the following:

Local Option Sales Taxes	two (2) months (May & June), anticipate \$75,000 to \$100,000
Public Utilities	Comcast franchise tax, approximately \$30,000
State Shared Funds	4 th quarter, approximately \$32,000 (forecasted cuts implemented FY 10)
State Shared Funds – alcohol	payment to come, no amount quoted
State ATAX	4 th quarter, approximately \$20,000

The Treasurer stated that are additional expenditures anticipated, but those expenditures would not equal or exceed the uncollected revenues noted above.

Included in the meeting packet was a suggested list of potential uses for the FY 09 surplus; they were as follows:

- Increase the General Fund Balance towards a goal of 30% of annual General Fund Expenditures;
- Increase the Disaster Recovery Reserve;
- Increase the Capital Projects Fund (it has no source of revenue);
- Increase the reserve for Recreation Center ball field reconfiguration and lighting project;
- Increase the reserves for future beach restoration and maintenance issues;
- Eliminate the FY 2010 CPI millage increase (0.8 mill, or \$155,000 increase included in the budget).

Treasurer Suggs noted that the millage is typically set in September after the County's property assessment figures have been received. She did express her concerns over making that decision before the assessment figures have been received because there is not a way to anticipate how the economic downturn has affected property values on the island.

Councilman Loftus suggested using a portion of the surplus to establish a reserve for the marina dredging that is an expenditure of unknown cost at this time.

Mayor Cronin stated that there were adequate funds from FY 2009 results to establish some priority decisions from this list or additions to this list, but no decision has to be made until the millage decision is made in September. He stated his desire to increase the Disaster Recovery Fund, and the fact that Council had to also decide how the contingency balance for the Public Safety Building was to be used.

Councilman Loftus expressed his opinion that eliminating the millage should be the Number 1 priority. Councilman Bettelli agreed and said he expected there to be an increase in millage from Charleston County.

Councilman Duffy also agreed with the priorities, but expressed his concern that, when revenues are viewed with the removal of the Public Safety Building and the Beach Restoration project, the City received eighty-eight percent (88%) of budgeted revenues. Mayor Cronin stated that he had calculated a decline in revenues in excess of one million dollars (\$1,000,000) over the past two (2) years.

Administrator Tucker clarified that the millage to be considered for elimination was only the CPI millage increase and that the debt service millage would remain in place. In response to Councilman Loftus' question, the Administrator stated that the debt service is 2.9 mills or approximately five hundred eighty-nine thousand dollars (\$589,000); these funds are debt service for the Public Safety Building and the Recreation Center expansion.

Municipal Accommodations Taxes is another fund where an accounting transaction was recorded differently from anticipated in the budget. Treasurer Suggs explained that the budget anticipated that the debt service on the Beach Restoration loan would be paid through Municipal Accommodations Taxes, but it was actually a "transfer out" from Municipal Accommodations Taxes to the Beach Restoration Fund, from which the debt service was paid. This occurred as the result of a legal requirement in the bond document that insisted on a separate debt service fund. She noted that, by adding the debt service payment of three hundred fifteen thousand dollars (\$315,000) to revenues, the fund has collected sixty-six percent (66%) of budget with collections for May and June, plus the bi-annual payment from Charleston County is still to come. The Treasurer reported that she had contacted Charleston County about this payment and was told that collections to-date are ninety-one thousand dollars (\$91,000). Considering the items detailed above, Municipal Accommodations Taxes should end the year at ninety-eight percent (98%) of budgeted revenue and, factoring in expenditures, is expected to end the year with a gain of approximately one hundred thousand dollars (\$100,000).

Hospitality Taxes are shown at seventy-eight percent (78%) of budgeted revenues, but there is one (1) month to collect with collections to-date of sixty-one thousand dollars (\$61,000). Adding in the amount collected will put the fund at one hundred percent (100%) of budget.

Councilwoman Rice asked what percent of Hospitality Taxes went toward the Public Safety Building; Treasurer Suggs answered that sixty percent (60%) of debt service is paid from this fund.

The expenditures from the Hospitality Taxes are under budget because some items that were budgeted did not happen, for instance, two (2) repeaters were budgeted for a total of forty-four thousand dollars (\$44,000), but one (1) was purchased for eleven thousand dollars (\$11,000).

The State Accommodations Tax Fund has yet to receive the fourth (4th) quarter's payment, which Treasurer Suggs estimates will be three hundred seventy-five thousand dollars (\$375,000). The fund will end the year at approximately ninety-one percent (91%) of budgeted revenues. Adding in the portion of this tax that goes to the Charleston Visitors Bureau, expenditures should end the year at approximately eighty-eight percent (88%) of budget; leaving a gain of some fifty thousand dollars (\$50,000).

Treasurer Suggs explained that the balance of \$2,017,863 in the Beach Restoration Fund is made up of nine hundred thousand dollars (\$900,000) from Charleston County, six hundred plus thousand dollars (\$600,000+) from the state and accumulated interest, as well as some "transfers in" to establish the on-going beach restoration and monitoring outside the project area.

The only revenue for the Disaster Recovery Fund was interest of twenty-four thousand six hundred sixty dollars (\$24,660), that was far short of the seventy thousand dollars (\$70,000) budgeted, and Treasurer Suggs said she was happy to report that there had been no expenditures.

The Treasurer continued with the Marina Fund that has actual revenues that are ninety-four percent (94%) of budget; there are accruals to make that will add approximately seventy-five thousand dollars (\$75,000) to revenues so that the year will end with one hundred five percent (105%) or budgeted revenues. For expenditures, the Marina Fund is under budget; part of the reason is the timing of interest payments on the new bulkhead debt as well as some contingency money in the budget that was not spent. Treasurer Suggs anticipates a one hundred thousand dollar (\$100,000) surplus.

The General Fund ended the year at ninety-two percent (92%) of budgeted expenditures. The only department over budget was the Fire Department, which is directly related to problems with the way salaries were budgeted and unanticipated vehicle maintenance expenditures.

Interest rates on the City's cash in the bank remained the same at 0.4% for BB&T and increased somewhat to 0.6923% for the Local Government Investment Pool.

Project Worksheets

The primary expense for the Beach Restoration Project was to Dirt Cheap for the sand fencing and planting of vegetation in the amount of thirty-one thousand eight hundred sixty-five dollars (\$31,865). There is approximately six hundred sixty-seven thousand seven hundred (\$667,700) remaining for this project.

Councilman Loftus asked what the results had been from the investigation into the health of the plantings in the restoration area. Administrator Tucker stated that Coastal Science and Engineering (CSE), who went to the beach to see the plants, reported that the root system appeared to be healthy of the plants that appear brown on top, and Dirt Cheap was to begin planting sea oats.

The Administrator also reported on the inquiry about sand fencing in the area of Grand Pavilion; there have been conversations with Coastal Science and Engineering on that topic, and the Real Property Committee will be informed of the results. She noted that she had spoken with Mr. Harvey, who made the request, to provide him with the status; according to CSE, there is no necessity for sand fencing and vegetation in that area because it is the healthiest reach in the project area.

For the Bulkhead Replacement Project, the June expenditures were for a plat on the Dewees easement and expenses for Marina Joint Ventures to complete the work they agreed to do. Marina Joint Ventures was given a budget of sixty thousand dollars (\$60,000), but they spent only forty-two thousand one hundred dollars (\$42,000) for a savings of nearly seventeen thousand nine hundred (\$17,900). There are one hundred seventeen thousand dollars (\$117,000) remaining in the project that can be put aside for dredging.

Administrator Tucker informed the Committee that there were two (2) issues at the marina that Misener has been called to look at for possible correction; there are sink holes in the restaurant area, and the dock closest to the restaurant is twisting as a result of its being pulled away from the old bulkhead and repositioned.

For the Public Safety Building, the largest June expense was the twelfth (12th) application for payment from Mashburn in the amount of \$439,424; the balance due on the construction contract is \$389,547. Other expenses were to equip the building, testing and project management. The contingency balance is presently five hundred ninety-two thousand dollars (\$592,000). Final payment will not be made until the architect signs off on the completion of the punch-list.

The Administrator directed attention to the column for the City Hall Reconfiguration because the consideration for the architecture/engineering for the project is on tonight's agenda; the budget for the project is two hundred fifty-four thousand dollars (\$254,000).

5. Old Business

Confirmation of Approval of Change Order #12 to Mashburn Construction in the Amount of \$10,000 for Change Directive #5 (approved June 16, 2009) for the Implementation of the 911 system.

Administrator Tucker reminded the Committee that this had been addressed as a Change Directive in the June meeting; this action changes the Change Directive to the official Change Order.

MOTION: Councilman Bettelli moved to approve Change Order #12 for \$10,000; Councilman Loftus seconded and the motion PASSED UNANIMOUSLY.

6. New Business

A. Consideration of Architectural/Engineering Proposals for City Hall Renovation

Administrator Tucker stated that she had charged Director Kerr with obtaining proposals for this project because many of the modifications will be associated with his department; therefore, he presented this item.

Director Kerr stated that there were two (2) proposals for architectural/engineering for reconfiguring City Hall – one from Ron Denton for nine thousand five hundred dollars (\$9,500) and a second from Cole+Russell for a range between thirty-two thousand dollars and thirty-eight thousand dollars (\$32,000 - \$38,000). Director Kerr explained that he thought both architects had an understanding of the Building Department and its operations making them both well qualified; based on pricing, he recommended contracting for the services of Mr. Denton.

Mayor Cronin questioned that the two (2) firms were given the same scope since there was such a wide difference in the costs; the Director assured the Mayor that the two firms were given the same criteria. He stated that there was more in the Cole+Russell proposal about preparation of the bid packet, which he thought he could have amended, but Director Kerr did not think that change would generate a decrease in the price to make the bid comparable to Mr. Denton's.

In reading the proposals, Councilwoman Rice had noticed that Cole+Russell had their subcontractors lined up, and Mr. Denton did not; she asked Director Kerr to clarify the process. The Director explained that Cole+Russell tends to outsource a good deal of its design work, while Mr. Denton does his own structural, as well as the majority of the electrical and the mechanical designs. Director Kerr commented that Mr. Denton was not contemplating major changes in the electrical or mechanical distribution systems; therefore, he was comfortable that the level of renovation was such that he could handle the design. In the Cole+Russell proposal, there were hourly rates for several layers of personnel who would be working on the design, whereas Mr. Denton was only himself.

Councilwoman Rice pointed out that Cole+Russell had a project timeline, but she had not seen any indication of time from Mr. Denton. Director Kerr referred to Mr. Denton's proposal where there was a timeline for his design services, but he did not address the actual work on the building.

Included in the Cole+Russell bid was the additional cost for them to manage the project; Councilwoman Rice asked if Mr. Denton was going to provide that service to the City as well. The Director stated that he thought the scope of this project was such that there would not be a need for project oversight like there was for the Public Safety Building; therefore, he thought his department would oversee and manage the renovations.

Councilman Loftus asked Director Kerr to explain the bid process on this project; he stated that, with the present economy, he had expected to see more than two (2) proposals. The Director indicated that these were the only two (2) architects that he had approached to submit a proposal; based on the anticipated cost, the City's procurement code did not require him to go through the sealed bid process. Director Kerr explained that he had selected these two (2) companies for their knowledge of the City, for their knowledge of the workings of the Building Department and their knowledge of the structure to be renovated. He also agreed that there would likely be a good response from local architects.

Councilman Loftus expressed his opinion that firsthand knowledge of the operations of the Building Department or City Hall would be less relevant criteria to select an architect; he thought an architect who was experienced and skilled could provide the same level of product as one (1) who was familiar with the structure. Director Kerr agreed.

When asked by Chairman Taylor the time involved in getting additional proposals, Director Kerr stated that he could probably get several more in a months' time, for the August Ways and Means meeting.

Chairman Taylor expressed his understanding that there were two (2) issues at hand; they are

- 1) Is Mr. Denton too inexpensive based of the large difference in the two (2) proposals?
and
- 2) Is Mr. Denton too expensive if his competitors were other local architects?

Councilman Duffy stated that there was also the question of whether or not the firms were addressing the same project; he added that, when one (1) proposal is three (3) times the other, red flags go off for him. He also questioned that the City would get the same quality in the end product.

Director Kerr commented that there were no specifications for this project, but that he had the same conversation with both groups where he explained the scenario of the Building Department's moving into the Police side of City Hall and the City needed plans. He noted that he had not asked for construction oversight to be included, because he thought the magnitude of the project was something that his department could oversee. With the familiarity these two (2) firms possessed and what was necessary to go to the bidding process with contractors, Director Kerr believes that the companies came to their own conclusions about the level of plan details and what would be required to do this project. The Director added that the City is in the conceptual stage where no one is certain about what the plans should include.

Director Kerr assured Chairman Taylor that the firms were told the budget for the renovations.

Director Kerr explained that, once the design has been completed, the City would go through the bid process to engage a qualified general contractor. It will be his responsibility to hire the necessary sub-contractors, and the Director contemplates he and his department would oversee the project.

Councilman Bettelli recognized the fact that by using Mr. Denton, there would be a minimum of twenty-two thousand five hundred dollars (\$22,500) more for the actual renovation.

MOTION: Councilman Loftus moved to seek additional proposals and table action until the August Ways and Means Committee; Councilman Duffy seconded.

Mayor Cronin was concerned that, by requesting additional proposals, the project was being delayed; Chairman Taylor remarked that the City will also have the additional costs associated with maintaining the Building Department another month.

Call for the Question: The motion PASSED on a vote of 6 to 2; Councilman Bettelli and Chairman Taylor cast the nay votes.

B. Consideration of Bids for Financing Pumper Fire Truck

Administrator Tucker reported that there were seven (7) financial institutions on the bid list; four (4) of them responded with one (1) of them being a “no bid.” Of the remaining three (3), the most favorable was BB&T Governmental Finance with a rate of 3.89%, an annual payment of \$40,383.06 and total interest of \$61,675.35.

MOTION: Councilwoman Rice moved to award the financing of the pumper fire truck to BB&T Governmental Finance; Mayor Cronin seconded.

Mayor Cronin informed the Committee that fifty-one thousand four hundred dollars (\$51,400) was budgeted on a four percent (4%) eight (8) year term; BB&T’s rate will provide the City with savings of eleven thousand dollars (\$11,000) per year.

Call for the Question: The motion PASSED UNANIMOUSLY.

C. Discussion of Newspaper Advertising

Administrator Tucker stated that this discussion may carryover to the August meeting; the topic was raised by Councilman Loftus as he wanted to ensure that the City was getting the best deal in newspaper advertising and to determine if there were opportunities to use the less expensive *Moultrie News* and *Island Eye*.

The Administrator noted that the City has certain legal requirements associated with some advertising, such as the budget, public hearings, Board of Zoning Appeals and the Planning Commission. For these ads, there is a requirement of a fifteen (15) days notice and the receipt of affidavits of publication. For these instances, the *Post and Courier* meets the requirement of a major newspaper of general circulation; it is also the most reliable and helps us to meet the legal requirements. In addition, Administrator Tucker explained that the City has an agreement with the *Post and Courier* that gives the City a more competitive advertising rate than someone who only advertises with them occasionally. When there are no legal requirements, efforts are made to advertise in the *Moultrie News* and *Island Eye*.

Administrator Tucker stated that there are circulation issues related to *Moultrie News* and *Island Eye* and their deadlines may not be consistent with the timing of a City event or performance.

At this meeting, the Administrator wanted to inform the Committee that the staff is looking into advertising costs to make sure that the City is “getting the most bang for its buck.”

Councilman Loftus expressed his opinion that the two (2) smaller newspapers could meet the fifteen (15) days requirement. Other members of the Committee noted that there could be issues with these newspapers due to their cutoff date.

When asked about the cost of the City's advertising in the *Post and Courier*, Administrator Tucker responded that it was dependent upon the size and the column inches the ad would require. For an employment classified ad, the City pays \$40.32 per column inch. The *Island Eye* sells half-page, quarter-page, etc. advertising; therefore it is difficult to convert for comparison.

Another issue is the circulation difference; she stated that, for instance, the *Island Eye* does not have one hundred percent (100%) saturation on the islands. The Administrator explained that "a newspaper of general circulation" usually refers to a daily newspaper. Councilwoman Rice commented that to get information to the largest audience would demand using the local, daily paper; two (2) smaller newspapers should be used to supplement the daily paper.

Chairman Taylor asked if there was a reason to advertise other than to meet legal requirements; he expressed his opinion that any other advertising should simply be to send people to the City's website.

7. Miscellaneous Business

Mayor Cronin read an email he received announcing the inauguration of a new radio station – WIOP at 95.9 FM.

8. Adjourn

MOTION: Councilman Bettelli moved to adjourn at 7:18 p.m.; Councilman Loftus seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:

Marie Copeland
City Clerk