

## **Ways and Means Committee Special Meeting**

5:00 p.m., Tuesday, February 21, 2017

A Special Meeting of the Ways and Means Committee was held at 5:00 p.m., Tuesday, February 21, 2017 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelli, Carroll, Ferencz, Harrington, Kinghorn, Rice and Ward, Mayor Cronin, Administrator Tucker, Assistant Administrator Fragoso and City Clerk Copeland; a quorum was present to conduct business.

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

### **2. Update on Changes to the Business License Law**

Mayor Cronin stated that currently two (2) bills are before the South Carolina legislature related to business licenses, Bill #3650 and #3651. He explained that the intent, which started several years ago, was to standardize the application process to make it easier for businesses and to pull municipalities together to use the same class schedule, but, not necessarily the same rate schedule. Bill #3650, as proposed, “portends to simplify the application process,” but will have an impact all local governments both financially and logistically. One (1) of the provisions states that a municipality cannot charge an off-island business to do business on the island at a different rate from on-island businesses – the rate must be the same; presently the Isle of Palms charges off-island businesses about twice the rate it charges on-island based businesses. Since the provision is to be revenue neutral, the only way to do so would be to increase the rates for on-island businesses, which is not something the Council would want to do, or give up the revenue. The City derives approximately twelve percent (12%), or one million six hundred thousand dollars (\$1,600,000), of the total annual revenue from business licenses, including rental licenses. Another point in the bill is that a business must pay only a one-time filing fee of one hundred dollars (\$100) for its initial license with the income being reported based on the prior year’s business on the island; the business license fee at the Isle of Palms is based on future business, i.e. how much income to be generated for the business on the island for the coming year.

One (1) thing the Municipal Association offered to do was to create a portal where businesses could renew their licenses on-line with the fees collected via [SC.gov](http://SC.gov) going directly into the individual municipalities’ accounts. The legislation states that the money cannot be funneled through the Municipal Association but must go to the Secretary of State; that office will also create and manage a portal and distribute the funds it collects. (The Secretary of State’s office has one [1] IT person on its staff.) Another condition of the bill states that “any special ordinance or formal or informal agreement between a municipality and a business entered into before January 1, 2019 regarding rate classes or classification of the municipal business license act are deemed to be valid with the approval of the business. “Circumstantial evidence may be used by the business to prove the existence of an agreement.” Based on the Mayor’s understanding, a lot of the big industry that has moved into the state has struck deals, some formal and some informal, and they do not want to neuter those agreements which may or may not be written.

Bill #3650 has passed through the sub-committee and the full committee of Labor, Commerce and Industry and is on the calendar for the full House of Representatives to take up.

Administrator Tucker added that, if this bill goes through, one (1) of the primary concerns is that they would not share data with the local governments for them to know if they were getting the correct amount of money; with no data, the municipality would have no evidence to present to the Secretary of State's office to challenge that it was getting what was due, or that money was being sent to the wrong municipality, etc. Since the bill has gotten so far through the process, she encouraged Councilmembers to contact local business owners, asking that they communicate to the local representatives that this bill should not pass the legislature.

The Mayor indicated that he would talk with the property management companies about the Bill's impact to their property owners and urge them to actively oppose this bill.

The other Bill #3651 prohibits the Municipal Association or other third party from collecting telecom and insurance brokers' fees for the municipalities in the state in the future; if passed, these entities would be required to pay the individual municipalities. The Municipal Association provides this service for approximately fifteen thousand dollars (\$15,000) per year for participating local governments, which is far less than it would cost to add an employee to do the same job.

The Mayor opined that, however the business license issue is resolved, changes would not go into effect this fiscal year or FY18.

### **3. Discussion of FY18 Budget**

Before the discussion began, Councilmember Ferencz thanked staff for their patience in figuring out how to open and use the text boxes on the iPad; she recalled that Councilmember Kinghorn has tried to reduce the number and length of meetings and stated that, if at the end of hours of discussions tonight, the budget remained intact as presented or with only very minor changes, the meeting would be a waste of time for the Councilmembers.

Both the Mayor and Councilmember Bergwerf countered that this was the first time everyone has seen the FY18 budget, and they both anticipated a lot of discussion. The Mayor said he would be surprised if everyone did not have questions.

Councilmember Ward said that, this time last year, there were many things in the budget as presented that he did not like, and there are many things in this budget he does not like, but, by the time everything was reviewed, expenditures had increased approximately one hundred thousand dollars (\$100,000) from the original budget presented. He stated that, in the six (6) years he has been on Council, no change that he has put forth has been incorporated in the budget.

Mayor Cronin reminded the Committee that the information before them was a worksheet, a starting point for studying the substantive matters.

Councilmember Kinghorn reminded the Committee that staff had the benefit of Council's input on the FY18 budget from the visioning meeting of November 16<sup>th</sup>.

On the Preliminary Budget Worksheet, the Mayor directed attention to revenues and noted that Treasurer Suggs has estimated them to be relatively consistent with what the City has recognized

over the past twelve (12) months. The numbers will be refined as the process progresses, but they provide a starting point to compare expenses, both operating and capital, to determine what the City can afford. From her review, Councilmember Ferencz asked why Parking Revenue was not showing a greater increase from FY16 since the kiosks were not installed in the parking lots until April of last year.

Treasurer Suggs stated that, with the late installation of the kiosks, the City lost revenue for March and April of last year which it should capture in FY17; she, therefore, thought the estimate could be increased by forty or fifty thousand dollars (\$40,000-50,000).

The Treasurer drew attention to the line for Court revenues that includes parking fines and stated that the FY18 budget was fifty thousand dollars (\$50,000) less than the last twelve (12) months actual because staff believes that the City will get better educated users based on their experiences last summer and fewer tickets might be written.

Since the Property Tax year will continue for a couple of months, staff will not know definitely whether the budget has been met or exceeded for this fiscal year. The Mayor voiced hesitancy in tweaking that number although the island has seen much construction in the course of the year.

The Transfers are for the same purposes as in prior years, but the personnel covered are being paid more money, resulting in increased dollars for the transfers.

As the discussion moved to expenditures, the Mayor deferred to the Administrator to initiate the discussion with wages for FY18. As presented in this version of the budget, the recommendation is for a two percent (2%) cost of living increase and a two percent (2%) merit pool. She noted that employees will be subject to a mandated half of one percent (0.05%) increase in their contribution for the State Retirement Systems; at the same time the City will have its contribution increased by fourteen percent (14%) for regular employees and seventeen percent (17%) for public safety employees. Also included in that figure is an increase of five percent (5%) in health insurance premiums; the exact amount of that increase will be defined later in the budget process.

Also impacting expenditures is eighty thousand dollars (\$80,000) to contract for IT services in keeping with previous discussions about the need to hire an IT person or to outsource the job; also included is an increase in the grounds maintenance contract to have all public areas of the island look as great as the Recreation Center grounds.

The new revenue sources discussed at the Visioning Meeting have not been included in the FY18 projections; those initiatives were boat storage or camp facilities in the municipal lots in the off-season, new franchise fees and expanded paid parking. The only vendor that is not charged the maximum franchise fee is Comcast; they are currently at three percent (3%) and could be increased to five percent (5%).

Councilmember Ward remarked that such an increase would fall to the residents of the island to pay.

Councilmember Rice expressed the opinion that the irrigation at Front Beach and the expanded scope of the grounds maintenance contract should be considered together and that the grounds maintenance contract should include maintenance of the irrigation system.

Administrator Tucker indicated that she did not see a problem with the vendor maintaining the irrigation, but currently sections of it have degraded to the point that they do not function. In order to determine what the problems might be would require busting up concrete and road because the system is under that infrastructure.

According to Director Pitts, over time multiple problems have been found with the irrigation at Front Beach; some of which goes back to the installation. Originally low pressure existed, and the contractor tapped into the County Park without informing the City; several years later it had to be corrected. Those zones are on individual battery-operated systems and not a timer. The irrigation meter is on the ocean side at the public restrooms having been run under the street down the center and across the street. When there was a breach, the irrigation repair person capped off that section; therefore, there is no irrigation at Ben and Jerry's down to My Favorite Things, as well as the section between the intersection at Pavilion Drive and the Sea Cabins. Until corrective measures are taken, he has not allowed flowers to be planted in those areas.

Administrator Tucker summarized that, when one focuses on the columns for FY18, it is readily apparent that there is not enough revenue or money in fund balances to do all of the initiatives Council has indicated it would like to tackle or items that have been identified as coming forward in FY18. The goal of the sheet presented, therefore, is as a global overview for Council to see that, in FY18, these are the priority things the City can possibly afford to accomplish and the other items need to be moved to an out-year. From her viewpoint, the City needs to address the problem with the bulkhead and replace the underground storage tanks, if affordable, but any movement on the redevelopment plan should be moved to another year unless the City receives a significant infusion of cash, either from a sizable grant or borrowing. The City has a grant of half a million dollars (\$500,000) to complete Phase II Drainage that has a timeline attached; if the project does not move forward, the City runs the risk of losing the grant. Although no decisions have to be made at this meeting, Councilmembers should consider what they believe can be moved to a future year.

Mayor Cronin reported that he and members of staff had met with the Chair of County Council and the County Administrator last week again appealing for the County to participate with approximately two-thirds ( $\frac{2}{3}$ ) of the cost for the work that needs to be done to the public restrooms. The Chair presented a unique idea, when he indicated that the County has staffed-up their Public Works Department and has a new team of people, for the County to do some of the work using their personnel, eliminating the problem of coming up with some type of funding mechanism. Of the estimated five hundred sixty-five thousand dollars (\$565,000), because of the fifty percent (50%) rule, only one hundred sixty thousand dollars (\$160,000) can be spent on upgrading the actual facilities. The remainder of the money is for the beach walkover that has now been permitted to be eleven feet (11 ft.) wide to accommodate emergency vehicles, principally ATVs. The County Council Chair offered to build the walkover to permit specifications with the City paying for materials with the work to be done after August. The Mayor was confident that reducing the five hundred sixty-five thousand dollars (\$565,000) to two hundred thousand dollars (\$200,000) would be sufficient to pay the City's share.

The large vehicles for the Public Works and Fire Departments are funded vehicles, i.e. the City has been setting back money each budget year to purchase these vehicles with cash; therefore, the Mayor concluded that nothing is to be gained by delaying them a year.

Regarding concerns about replacing the seventy-five foot (75 ft.) ladder truck, Administrator Tucker explained that the problem with delaying is the offset expense of ongoing maintenance costs; the vehicles that endured the elements under tents have begun to cost the City significant amounts of money in maintenance. In addition to the costs, when the equipment requires maintenance, it is out of service to the City until repaired. The person who was doing an excellent job at maintaining the fleet has moved away, and service is now being provided by Fire Line who adds travel time to every invoice. On Saturday, the Administrator reported getting a call from Chief Graham that two (2) pieces of fire apparatus were out of service, making the City reliant upon neighboring communities to respond, assuming they are not busy. She noted that the City would make the down payment on the ladder truck in FY17 and pay the balance in FY18.

Like the vehicles, the City has saved for several years to pay cash for new radios.

The next item on the list major expenses was the rehabilitation of the cardio room at the Rec Center; the Mayor noted that, in the detail, two (2) options were identified, but the lower priced option is shown on this worksheet. The questions were could the City afford this in FY18 and could a plan be executed in the time frame under consideration.

Councilmember Rice thought that the two hundred forty thousand dollars (\$240,000) shown was enough to build a room across from the High Tide/Low Tide Room to use as a fitness center. Director Page has a quote to raise the ceiling in the existing cardio room and add appropriate ventilation for about eight thousand dollars (\$8,000), but to do this does not accomplish the goal of providing a fitness room for the residents. She suggested thinking of this as a long-term project to be executed in the next fifteen to eighteen months (15-18 mos.). She was confident that a fitness room was wanted and would be used by residents who are now going into Mount Pleasant.

Councilmember Bergwerf stated that she thought it could be a money maker for the City because many residents have joined the Mount Pleasant Senior Center and those same people would be happy to pay for the availability of a fitness facility on the island; she also thought it would draw visitors to the Rec Center. She reported that she had approached Dave Minton in Wild Duens about buying a membership in Wild Dunes and was told "no."

Director Page reviewed the options she has pursued. The first was to raise the ceiling in the existing room some six to ten inches (6-10 in.) for approximately six thousand dollars (\$6,000). To renovate the present storage area on the opposite side of the gym would add about eighty-two square feet (82 sq. ft.), enough space to add one (1) additional piece of equipment, for forty thousand dollars (\$40,000), quoted by a contractor, to one hundred eighty-three thousand (\$183,000), from an architect. Based on her prior calls, she thought that, by eliminating the architect, the cost could be dramatically reduced from the architect's quote in excess of five hundred thousand dollars (\$500,000). Since an RFP has not been put out, the Director agreed that the possibility exists that the two (2) vendors were not quoting the same end product.

Administrator Tucker asked if the plan now was to plan for construction in FY19, to do more research in the interim and to budget for design and engineering in FY18 at fifty thousand dollars (\$50,000).

The next item of significance expense in FY18 is the replacement of the underground storage tanks, and the Mayor was clear that he did not want to push the deadline.

Noting that the City has been unable to get anything in writing, Administrator Tucker reported that the most recent dialogue has been that the City would not be held to the replacement deadline, but, if the City went beyond that date and something happened, the City would have to be re-permitted, which is a bigger problem than changing the tanks out. One (1) sensitive issue about the tanks at the marina is that they are very close to a body of water; therefore, the Administrator opined that it would be prudent for the City to move forward with the replacements. She added that she believes the City will need expertise it does not already have in writing the RFP to make sure that the bids received are “apples to apples;” she stated that she had contacted other municipalities in the hope of locating a RFP to use as a guideline with no success.

Councilmember Kinghorn suggested that the City ask the Municipal Association to draft a model RFP that all local governments could use; he stated that they have the resources and the means.

On the subject of replacing the irrigation system at Front Beach, the Mayor said he needed more information before making a decision on the estimated one hundred fifty thousand dollar (\$150,000) expense; he, therefore, suggested that it remain in the budget at this time.

The Committee moved from the Preliminary Budget worksheet to the departmental schedules “Spread by Funding Source.”

On the General Government schedule was the replacement of the waving Santa that has greeted residents and visitors to the island in the holiday season for many years, the replacement of some of the palm tree lights along with the possible addition of another holiday light display. If the decision is not to replace the Santa, the Administrator noted that it is beyond repair and will no longer be displayed.

Responding to the Mayor’s question, Director Page said that most of the displays were sponsored in 2016, but, according to the Administrator, the sponsorships do not offset the cost. The Mayor opined that the sponsorships over the life of a display should more than cover the cost. Treasurer Suggs added that light displays were very labor intensive.

Mayor Cronin suggested that the proposed budget be cut in half to seventy-five hundred dollars (\$7,500) and used to replace the waving Santa.

On the audio/visual system for Council Chambers, Administrator Tucker recalled that the purpose of this system was to allow audience members to see what Council was seeing on their iPads; since Council is still in learning mode, she thought the audio/visual system could be moved to an out year. Council agreed.

The financial software is a re-budget from FY17; the provision to furnish and equip an office for the newly hired Human Resources person is also a re-budget and has been reduced by half to ten thousand dollars (\$10,000). In the FY17 budget, the provision was originally to renovate, but an architect said there was no way to renovate the existing arrangement to accommodate the new person. As a result, offices are being moved around, but it will need to be properly equipped with a desk, computer, printer, etc.

Mayor Cronin indicated that he expected the office to be equipped in FY17, but agreed to leave it in the FY18 budget for now.

On the subject of the financial software, Treasurer Suggs said that she has received two (2) "good" quotes, and the amount cited in the budget is the higher of the two (2). She has not yet made a decision because there is a third system that she wants to see before doing since whichever one (1) she chooses will be used for fifteen to twenty (15-20) years. After considerable discussion, Council indicated that they wanted the City to purchase the software and to implement it by January 1, 2018.

For the Police Department, the Mayor thought the items listed were self-explanatory.

Councilmember Carroll questioned the need to replace the locks at the Public Safety Building since the building is staffed around the clock.

Administrator Tucker commented that the security locks have to be on all the doors because there is data that must be protected along with controls in place. She explained that the system that was put in when the building was constructed has now become very labor intensive to maintain; in addition, much better systems are available today.

Chief Buckhannon told Council that the problem with the system is its age; one (1) of the cost saving factors when the system was originally purchased was that it is operated by a Palm Pilot, equipment that fell out of favor in 2008 or 2009. The Chief must go to each individual door to program it; it cannot be done remotely. He said that he has gotten a backup Palm Pilot to use when the primary one is not functioning. The time has come when he cannot properly maintain the locks because the Palm Pilot is constantly breaking down; the exterior doors are beginning to corrode and parts for them are no longer available. Chief Buckhannon reported that to replace one (1) lock costs between eight hundred and one thousand dollars (\$800-1,000), and the building has sixty (60) doors at a minimum in the facility.

While the Chief was at the podium, Councilmember Bergwerf asked if the replacement of the four-wheel drive truck purchased in 2012 was truly necessary.

Council was reminded that the City's policy is to replace vehicles in the sixth year, and this truck is coming up on its sixth year. According to the Chief, this vehicle is used on the beach every day.

As the discussion moved on to the Fire Department, the Mayor noted that the ladder truck was discussed earlier, and, per the schedule, the cost would be split between the Capital Projects Fund and Municipal ATAX and State ATAX funds.

Although the City does not have an estimated value on the ladder truck, it will be sold for the maximum the City can get to put toward the cost of the new truck; Chief Graham stated that she hopes to have a reasonable resale estimate for the March meeting. She also explained that this truck has experienced the most abuse when the trucks were kept under the tents until the Public Safety Building was completed and, subsequently, has experienced a lot of electrical issues.

When Councilmember Carroll inquired about the age of the jet skis, the Chief replied that they were purchased in 2012; although they still operate, the Department personnel need to know that they can depend on the equipment to work all of the time and whenever needed.

Chief Graham stated that the all-terrain vehicles have been on a four (4) year replacement cycle, and one (1) came up on the schedule to be replaced in FY18, but one (1) of the John Deere vehicles is experiencing repeated breakdowns, resulting in the request to replace two (2). In addition, she has asked that the all-terrain vehicles be put back on a three (3) year replacement cycle.

Councilmember Bergwerf asked for more information on the replacement of the aluminum boat and motor; Chief Graham that they were purchased in 1995, and the motor has been replaced once. Staff is planning to replace it with a similar boat and the vendor has said that he would take the existing as a trade-in.

In the Public Works Department, Councilmember Bergwerf asked whether the 2015 Ford truck could be used for another year, and Director Pitts thought that the wrong truck was identified on the schedule. The truck to be replaced in FY18 is the truck he drives; it is a 2012 model that has one hundred two thousand (102,000) miles on it and with electrical and anti-freeze issues.

The Mayor stated that he thought that the City's drainage contract "has proven to be very valuable;" he added that he thought the annual maintenance program has helped the City's drainage issues, especially remembering the serious flooding events of the past two (2) years.

A reserve for the undergrounding of power lines is being established in this budget with an initial set aside of seventy-five thousand dollars (\$75,000).

The truck to be replaced in the Building Department is a 2009 model that has been deferred multiple times.

Councilmember Carroll asked whether the replacement of the basketball goals and the gym floor were "must-haves" for FY18.

By way of explanation, Councilmember Rice said that staff wants to replace the existing goals with retractable goals to eliminate the poles which are making the floor buckle; the floor replacement can, therefore, be deferred to FY19 because the floor cannot be replaced until the goals are replaced.



Mayor Cronin noted that Director Page has just received a ten thousand dollar (\$10,000) grant to replace the floors, and she informed Council that the grant will be good until May 2019.

The first entry under the Front Beach Area, et al., is the replacement/repair/addition of a non-specific dune walkover.

Administrator Tucker recalled that, several years back, Council decided to have a placeholder in the budget every year to replace or rehabilitate a walkover.

When questions were asked about the replacement of the kiosks purchased used from Mount Pleasant, the Administrator explained that they have become more and more labor intensive and, when they are covered waiting repair, the City is losing revenue and, often, visitors/residents get tickets.

The fencing to be replaced would be the rusted areas around the municipal parking lots, and the Administrator indicated it could be pushed out a year, but cautioned that it would continue to deteriorate and eventually have to be replaced.

Reducing the money proposed for the public restrooms was discussed earlier in the meeting as was the irrigation at Front Beach.

Another reserve established in the FY18 budget is for the replacement of the underground infrastructure in the City-owned portion of Ocean Boulevard; this fund is also being established with a set aside of seventy-five thousand dollars (\$75,000).

The next beach restoration project appears on the schedule for Beach Restoration and Monitoring at fifteen million four thousand dollars (\$15,004,000). Mayor Cronin stated that the beach appears to have stabilized on the western side of the island, but the area around Breach Inlet was disturbing until he viewed an old photograph showing that this situation has occurred before.

Administrator Tucker pointed to line 169 that references the replacement of the walk-in freezer at the in the restaurant; at the Visioning Meeting, staff was instructed to remove it from the FY18 budget.

The Administrator expressed the opinion that the work behind the bulkhead should proceed in FY17.

Based on a recommendation from Councilmember Ward, a reserve fund for marina maintenance and improvements has been established in the FY18 budget with a set aside of seventy-five thousand dollars (\$75,000).

Councilmember Rice reminded Council that, to keep business disruption to a minimum at the marina, the work on the bulkhead and the replacement of the underground storage tanks should occur simultaneously.

On the subject of the Marina Redevelopment Plan, the Administrator thought it would be best not to address it at this budget meeting although her instincts were that the City was going to be

unable to take any steps forward in FY18. She reported that, at the March Real Property Committee meeting, ATM was expected to present information that might influence any decision Council might make at this meeting. She also reminded Council that the Boating Infrastructure Grant (BIG) would be for water-side improvements and that ATM is now leaning toward starting the project with the land-side improvements. The City's BIG application was for four hundred forty-five thousand dollars (\$445,000); if the City is awarded the grant, the announcement will be made in March.

The final page represented the City's debt service for FY18, and the Mayor stated that the City would not be borrowing for the marina redevelopment in this year, eliminating three hundred seventy-two thousand dollars (\$372,000) from the schedule as presented.

As the discussion concluded, Treasurer Suggs recapped the changes made at the meeting as follows:

Public Restrooms	<365,000>
Cardio Room	<190,000>
Holiday Light Displays	< 7,500>
Audio/Visual System	< 25,000>
Gym Floor	< 50,000>
Front Beach Fencing	< 40,000>
Front Beach Irrigation	<150,000>
TOTAL REDUCTION	<827,500>

The Mayor commended Council for making "a good first step." When they meet again on the budget in March, the numbers will be more refined.

Administrator Tucker wanted Council to know that Hill Construction has completed their examination of City buildings and made its report on maintenance that might need immediate attention now and what could be done later, but she has not yet had the time to read it; therefore, none of those expenses are included in the information provided at this meeting.

Councilmember Kinghorn commented that everyone should be working toward a balanced budget with some creative cost reductions, ending FY17 with a positive net gain, increasing revenues, and keeping healthy fund balances.

#### 4. Conclusion/Adjournment

**MOTION: Councilmember Ward moved to adjourn the meeting at 7:20 p.m.; Councilmember Carroll seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk