

**WAYS and MEANS COMMITTEE**  
5:45 p.m., Tuesday, January 17, 2012

The regular meeting of the Ways and Means Committee was held at 5:45 p.m., Tuesday, January 15, 2012 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelli, Buckhannon, Carroll, Loftus, Stone, Thomas and Ward, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban 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 had been duly notified of the meeting in accordance with the Freedom of Information Act.

**2. Election of Chair and Vice Chair**

Mayor Cronin opened the floor for the election of Committee Chair; Councilmember Bergwerf nominated Mayor Cronin as Chair for 2012; Councilmember Bettelli seconded and the vote was unanimous for the Mayor.

Councilmember Carroll nominated Councilmember Ward as Vice Chair; Councilmember Buckhannon seconded and the vote was unanimous for Councilmember Ward.

**3. Approval of Previous Meeting's Minutes**

**MOTION: Councilmember Loftus moved to approve the minutes of the regular meeting of November 15, 2011 as submitted; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.**

**4. Citizens' Comments – None**

Mayor Cronin recognized Sandy Ferencz as the newly elected Chair of the Accommodations Tax Advisory Committee, who was in the audience for the meeting.

**5. Review of Proposed Forest Trail Wastewater Treatment Plant Replacement by George Gross, General Manager, Isle of Palms Water and Sewer Commission, and Mark Yodice, Thomas and Hutton**

Mayor Cronin introduced Mr. Gross, Mr. Yodice and Lindy Cummins, Environmental Department Manager with Thomas and Hutton. Mr. Gross stated that he and the consultants were present to inform the City of future plans for the IOP Water and Sewer Commission. Mr. Yodice proceeded to explain that the treatment plant currently in place had been purchased used and been in operation for more than thirty (30) years, and maintenance costs have continued to escalate. The replacement will be the latest technology; the modular design will allow for future increased capacity, should the need arise, and the exceptional treatment capability will allow the plant to more easily meet future permit limits.

The next move is for the IOP Water and Sewer Commission to take the plan before the Board of Zoning Appeals for a Special Exception for height. Director Kerr explained that new zoning criteria were established for this type of facility seven to eight (7-8) years ago, and a Special Exception had to be granted to exceed a height of thirty (30) feet.

In addition, permits must be obtained from DHEC and OCRM before construction can begin.

When asked what other municipalities in the area used the new technology, Mr. Yodice stated that the same type of plant planned for Isle of Palms is in Fripp Island and Savannah, as well as several in Atlanta.

Mr. Cummins distributed conceptual drawings of the facility for the Committee to review. Councilmember Carroll questioned that the structure was not designed to be elevated; Mr. Yodice explained that elevation was not required because the electrical equipment was located above the second level.

The construction cost is estimated to be six million one hundred thousand dollars (\$6,100,000), and an eighteen (18) month construction period is expected to begin in 2013. Ten percent (10%) of the construction costs will come from the Water and Sewer Commission and the balance from revenue bonds.

Mayor Cronin reminded the Committee that the City would be required to sign off on the revenue bonds.

Mr. Yodice referred to the water treatment plant in Wild Dunes as being similar to the existing plant on 41<sup>st</sup> Avenue. Councilmember Loftus asked what the life expectancy of the Wild Dunes plant was, and Mr. Yodice responded that it should last another twelve to fifteen (12-15) years because it was newer and had received better routine maintenance than the plant on 41<sup>st</sup> Avenue. On the same topic, Councilmember Buckhannon asked if the Commission could abandon the Wild Dunes plant and add capacity to 41<sup>st</sup> Avenue in the future; Mr. Yodice said it could be done with the addition of modular sections.

Councilmember Stone asked if the new construction would require a rate increase; Mr. Gross stated that the most recent rate increase had been to accumulate the ten percent (10%) needed for this project. Another rate increase of five percent (5%) for sewer customers is predicted to follow in 2014; based on average residential usage of four thousand (4,000) gallons monthly, the increased expense to individual residences will be twenty-two dollars (\$22) per month.

When the Mayor asked about the permitting cycle, Mr. Yodice said he expected permitting to take eight to ten (8-10) months. Mr. Gross stated that he anticipated coming back before the Committee about mid-year with the financing package details.

## **6. Financial Statement – Treasurer Suggs**

### **A. December Financial Statement**

Treasurer Suggs reported that the financial statement before the Committee at this meeting is reflective of activity for one-half (½) of the fiscal year. General Fund revenue is at twenty-three (23%) of budget, and the revenue stream with the most impact is Property Taxes which are down from the same period in FY11. The reason for the reduction is assumed to be attributable to the fact that Charleston County had problems with its new computer program that delayed the distribution of tax bills which would delay payments.

Councilmember Buckhannon asked if staff knew how many challenges or appeals were filed with the County from the City. The Mayor responded that the number was unknown, and Councilmember Stone added that tax payments were due and payable despite the existence of a challenge or appeal.

Revenues from business licenses, rental licenses and building permits are all running ahead of FY11; these revenue streams are typically indicative of the general economic activity on the island from the Treasurer's viewpoint.

Treasurer Suggs drew attention to the asterisk at the bottom left of the page and stated that the City had received unbudgeted revenue in the form of a premium refund from the previous health insurance provider in the amount of one hundred thirty-nine thousand dollars (\$139,000). She deferred to Administrator Tucker, who has served on the board, for further explanation.

Administrator Tucker repeated for the benefit of new members of the Committee that, until July, the City was part of a health insurance pool known as the South Carolina Local Government Assurance Group (SCLGAG). As health care costs continued to rise, SCLGAG knew that they needed to dissolve before becoming insolvent, and the participants in the pool voted to approve the action. Since July 1, 2011, SCLGAG has been paying the run-out of claims liabilities; in this initial distribution a total of five million dollars (\$5,000,000) went back to participants in the pool. The next board meeting is in April and details on the final payout should be available.

All departments are below the fifty percent (50%) target for General Fund expenditures; in total, the City is at forty-three percent (43%) of annual budgeted expenditures.

Through the end of December, the City had a combined total of one million two hundred sixty-nine thousand dollars (\$1,269,000) deposited in BB&T and the South Carolina Local Government Investment Pool (LGIP). The cash on hand represents fifteen percent (15%) of General Fund annual expenditures.

Responding to Councilmember Ward's questions on debt service, Mayor Cronin reminded him that the City's annual debt service by fund can be located on one (1) of the last schedules in the annual budget.

## **B. Tourism**

State ATAX – No change since the last meeting; the second quarterly payment should be received any day.

Municipal Accommodation Fee – Receipts in January for December were thirty-one thousand dollars (\$31,000); revenues year-to-date are nine percent (9%) greater than FY11.

Charleston County Pass-through – The City has not received a payment in FY12.

Hospitality Tax – Receipts were down in December compared to FY11; two (2) taxpayers are delinquent, and efforts are being made to collect. Year-to-date the City is down eight percent (8%) from FY11.

Administrator Tucker commented that one (1) particular taxpayer prefers to pay the late fees to paying his hospitality taxes timely.

### **C. Projects Status**

1. Beach Restoration – Payments since the last meeting were to Coastal Science and Engineering (CSE) for post-project monitoring and permitting for the remedial restoration project.

Mayor Cronin reported that the bid package for the remedial project is being readied, and he hopes to award a contract at the February Council meeting, which will mean that the work will be done before the season. The Mayor remarked that the City has not received the permit from the Corps of Engineers.

Councilmember Carroll asked if there was a “drop-dead” date that would force the work to be delayed a year. Administrator Tucker answered that such a date was more driven by environmental aspects of the permit than tourism; she recounted that the 2008 project had been done in June, but the City had to employ round-the-clock turtle monitoring. To perform the work in March would avoid the peak turtle-nesting season.

Treasurer Suggs pointed out that she had added the cost of the shoal management project to the top of the schedule.

2. 53<sup>rd</sup> to 57<sup>th</sup> Avenue Drainage Project – No expenses have been attributed to this project since the last meeting. Administrator Tucker noted that the Public Works Committee had directed her to have Civil Site Environmental develop a proposal for the engineering design of the next phase of the drainage from 46<sup>th</sup> to 52<sup>nd</sup> Avenues.
3. Marina Dredging – Since the last meeting, General Engineering has been paid for preparation of the contract documents.

Mayor Cronin announced that the City was in receipt of the Corps of Engineers’ permit for dredging, and work may begin by the end of the month.

### **7. Old Business**

#### **Consideration of Extension of Audit Engagement with Greene, Finney, Horton, LLP through 2011**

The Mayor stated that the City had engaged this firm for the past seven (7) years, and they have given a proposal for one (1) year, three (3) year and five (5) year engagements. The City is not allowed to enter into a five (5) year agreement by state law; the Committee will decide on one (1), three (3) or four (4) term extensions. Mayor Cronin pointed out that Greene, Finney, Horton “have worked extremely well with us the last few years, they know our system, they know our people and are not as burdensome on the staff.”

Administrator Tucker indicated that, for the four (4) year term, the Committee can simply eliminate Year Five (5) in that proposal.

The Administrator explained that, in 2004, the City had entered into a competitive bid process, and City Council had made its determination based primarily on other municipal auditing experience in the state of South Carolina, which means that they already know all of the regulations and they have experience in governmental accounting and experience in municipal accounting. At that time, the City received pricing from six (6) firms, and Greene, Finney, Horton was in the middle of the pack; bid prices ranged from sixty-four thousand dollars (\$64,000) to ninety-seven thousand dollars (\$97,000) for four (4) years. This firm was selected by Council based on the fact that they had more municipal accounting experience than any of the other firms that submitted bids. Administrator Tucker noted that neither the City's code nor state law requires the competitive bidding process for accounting services; the City can extend an existing engagement or select a new firm. Greene, Finney, Horton now has an office in the area and has more municipal contracts than when they entered into the original engagement with the City. The Administrator added that the City has been very happy with their services and that they are extremely responsive to the needs of the staff – over and above the annual audit. Based on this information, staff recommends moving forward with a four (4) year extension.

**MOTION: Councilmember Stone moved to extend the audit engagement for a period of four (4) years; Councilmember Bergwerf seconded.**

Councilmember Ward asked whether Greene, Finney, Horton submitted their peer review to the City, and Treasurer Suggs responded that they do. He asked whether they received an unqualified opinion every year; again the Treasurer responded that they do. He added that few firms in the state do this type of auditing and that it is very specialized and very technical.

The Committee was informed that this firm now performs the audit for Mount Pleasant and for CARTA.

Councilmember Stone asked if this proposal was in-line with previous ones and he was assured that it is.

Councilmember Loftus sought confirmation that the four (4) year stipulation had been discussed with the accounting firm; Administrator Tucker replied that she had spoken with them by phone earlier in the day.

**VOTE: The motion PASSED UNANIMOUSLY.**

## **8. New Business**

### **A. Recommendations from the Real Property Committee**

#### **1. Approval of \$5,500 from the Tree Fund for landscaping trees for 1301 Palm**

Administrator Tucker referred the Committee to the revised estimate on this effort that she had sent electronically earlier in the day.

A basic drawing of the property at 1301 Palm Boulevard was displayed as a visual aid for the discussion. The Administrator reported that the RPB for demolition has been advertised and the bid opening is set for 10 a.m. on Friday, January 27<sup>th</sup>.

As the building demolition has drawn near, staff has become concerned that, once the building comes down, there will be no buffer for the Public Works Department and its apparatus. Staff knew that they would need to mobilize immediately not only to secure Public Works, but also to eliminate an eyesore in the middle of town.

The staff also considered that the entrance to Public Works from Palm Boulevard is not well-placed and that this might be a good time to study the site and better plan for ingress/egress and parking. A landscape architect has been hired to look at both 1301 and 1207 Palm to develop a plan for making the properties more attractive and more usable.

As the thought processes developed, staff realized that there may not be sufficient budgets to accomplish the goals that they were seeking, and work began on more realistic cost estimates. When presented to Real Property, they took the two actions that are detailed on the agenda, i.e. (1) to use fifty-five hundred dollars (\$5,500) budgeted from the Tree Fund for beautification in the form of a vegetative buffer along the fence and (2) the approval of thirty-four thousand one hundred seventy dollars (\$34,170) from the Capital Projects fund to the budget for 1301 Palm Boulevard. These two (2) actions are reflective of the first column on the estimates, which represents a very rough estimate of the cost to transform 1301 Palm Boulevard into a surface for parking that is similar to overflow parking at the County Park.

Councilmember Stone justified the use of Tree Fund money as a valid use because the purpose for which those funds are to be used is beautification, and this certainly will be a beautification project, and the balance in the Tree Fund is approximately forty-six thousand dollars (\$46,000).

The five thousand dollars (\$5,000) for paving is for the ingress from 13<sup>th</sup> Avenue and an overlay from the ingress to the remaining parking spaces on either side.

Gravel was inadvertently omitted from the original estimates and has been added here in Options 1 for a new total of thirty-five thousand seven hundred thirty-three dollars (\$35,733).

The Real Property Committee also asked staff to look at the overflow parking surface at the First United Methodist Church and to include costs estimates reflecting that change. Option 2 contains the rough estimates for using that type of surface and totals thirty-two thousand seven hundred fifteen dollars (\$32,715).

In telephone calls to vendors to compile these revised numbers, staff remains concerned that the estimates are too low and have concluded that an actual plan is needed before getting an approval for funding from the Committee. Some activities must move forward however, i.e. the demolition and the temporary fencing to secure the Public Works' area.

**MOTION: Councilmember Bergwerf moved to approve \$5,500 from the Tree Fund for beautification; Councilmember Buckhannon seconded and the motion PASSED UNANIMOUSLY.**

Councilmember Buckhannon repeated comments from the Real Property Committee supporting the graveled surface similar to Methodist Church parking in that the City would not have to deal with an irrigation system with broken sprinkler heads and a well pump. He reported that the Methodist Church had spent a total of seventeen thousand dollars (\$17,000) for the gravel, the trees and the fencing.

Councilmember Carroll asked whether staff had spoken with the property owners behind the Public Works' property about the change in ingress/egress; the Administrator replied that any reconfiguration did not include moving further down 13<sup>th</sup> Avenue.

Responding to Councilmember Stone's query, the Administrator stated that the fifty-five hundred dollars (\$5,500) was intended entirely for 1301 Palm Boulevard.

#### **B. FY13 Budget Calendar**

Mayor Cronin announced that the annual budgeting process will begin next month with a goal of approval in April; he noted that the annual budget must be approved by July 1, 2012 by state law.

**MOTION: Councilmember Stone moved to adopt the FY13 Budget Calendar as submitted; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.**

#### **9. Miscellaneous Budget**

**Next Meeting Date: 5:45 p.m., Tuesday, February 21, 2012**

#### **10. Executive Session – not needed**

#### **11. Adjourn**

**MOTION: Councilmember Bettelli moved to adjourn the meeting at 7:15 p.m.; Councilmember Stone seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk