

Special Ways and Means Committee Meeting
FY20 Budget Workshop #4
4:00 p.m., Tuesday, May 21, 2019
Council Chambers
1207 Palm Boulevard, Isle of Palms, South Carolina

AGENDA

1. Call to order and acknowledgment that the press and public were duly notified of the meeting in accordance with the Freedom of Information Act.
2. Purpose
Discussion of the FY20 Budget
3. Adjournment

City of Isle of Palms
Summary of FY20-FY24 Budget Draft #3 and Options for Draft #4

Issue #1

Budget Draft #3 includes \$4 million for repairs of the Public Safety Building, but the recent Trident report recommends work totalling approximately \$6.7 million. In order to be in a position to do all this work at once, the City would need to issue approximately \$2.7 million in debt. Assuming a 4% interest rate and a 15 year term, the annual debt service payments would be approximately \$242,000 per year. Two options for servicing the debt include 1) a millage increase of approx 1.2 mills (5%) or 2) use tourism funds to service the debt. Regardless of the funding mechanism, City staff will carefully evaluate the Trident recommendations for opportunities to reduce costs where feasible.

CALCULATE AMOUNT TO BORROW:

Trident recommendation	
Essential	4,615,936
High	640,843
	5,256,779
Add 15% Contingency	788,517
Add 9% Design-Build fee	544,077
Relocation of staff (estimate)	100,000
	6,689,372
Less \$4M already budgeted	(4,000,000)
	2,689,372
rounded	2,700,000

OPTION A - SERVICE THE DEBT WITH AN INCREASE IN DEBT SERVICE MILLAGE

Capital Projects Fund Revenue from Bond Issue and Capital Outlay Expense increase by approximately \$2,700,000 and offset. No change in ending Capital Projects Fund Balance.

General Fund Property Tax revenue and Interest expense both increase by approx \$242,000 per year and offset, no impact on Net Income, Transfers or Ending Fund Balance.

Property taxes for a \$1 million owner occupied residence would increase by \$48/yr. Secondary residences would increase by \$72/yr.

OPTION B - SERVICE THE DEBT WITH HOSPITALITY TAX FUNDS

No changes to the General Fund

Capital Projects Fund Revenue from Bond Issue and Capital Outlay Expense increase by approximately \$2,700,000 and offset. No change in ending Fund Balance.

Hospitality Tax Fund Interest expense would increase by \$242,000 per year with no revenue offset. Tourism Fund Balances would decrease by \$242,000 each year.

Issue #2

Budget Draft #3 includes a phased approach to replacing the Marina docks, but ATM advises the current condition of the docks require earlier replacement. Also, dredging at a cost of approx \$750,000 needs to occur in connection with the dock replacement. Dredging costs were not included in Draft #3, but ATM recommends dredging after demo of the docks and before reconstruction. Based on the permitting timeline, the earliest possible construction period is fall & winter of 2020 (FY21). If Council decides to move forward with full construction, financing could be achieved via a Revenue Bond secured with Tourism revenues and serviced with a combination of tourism revenues and Marina rents. Revenue Bonds are not subject to the statutory GO Bond Debt Limit. Option B below assumes a rate of 4% and a term of 20 years.

CALCULATE AMOUNT TO BORROW:

ATM recommendation	2,793,000
Add 15% Contingency	418,950
Add Dredging estimate	750,000
	3,961,950
rounded	4,000,000

OPTION A - CONTINUE WITH PHASED PLAN INCLUDED IN DRAFT #3

ATM advises against this approach given the current condition of the docks.

Mobilization and demobilization over several years would likely increase overall project cost.

Dredging was not included in Draft #3 and therefore needs to be added in FY21 or FY22 even with this option. Dredging cost is estimated at \$750,000. Note that the dredging operation will likely be less efficient with the phased approach.

OPTION B - DO ENTIRE MORGAN CREEK SIDE DOCK REPLACEMENT IN FY21 AND FUND WITH REVENUE BOND

Marina Fund interest expense would increase by approximately \$150,000 per year, Marina unrestricted net position (aka Fund Balance) would decrease.

Transfers into the Marina fund from the Tourism Funds would increase by approximately \$147,000 per year, in order to cover 50% of total annual principal & interest payment.

Tourism Fund Transfers Out would increase, reducing ending Tourism Fund Balances.

City of Isle of Palms
Estimated Annual Debt Service - Public Safety Building Repairs

Principal 2,700,000
Annual Interest % 4.00%
Number of Years 15
****FOR DISCUSSION ONLY****

Pmt #	Pmt Year	Amount	Principal	Interest	Balance
					2,700,000
1	FY20	242,850	134,850	108,000	2,565,150
2	FY21	242,850	140,244	102,606	2,424,906
3	FY22	242,850	145,854	96,996	2,279,052
4	FY23	242,850	151,688	91,162	2,127,364
5	FY24	242,850	157,755	85,095	1,969,609
6	FY25	242,850	164,066	78,784	1,805,543
7	FY26	242,850	170,628	72,222	1,634,915
8	FY27	242,850	177,453	65,397	1,457,462
9	FY28	242,850	184,552	58,298	1,272,910
10	FY29	242,850	191,934	50,916	1,080,976
11	FY30	242,850	199,611	43,239	881,366
12	FY31	242,850	207,595	35,255	673,770
13	FY32	242,850	215,899	26,951	457,871
14	FY33	242,850	224,535	18,315	233,336
15	FY34	242,669	233,336	9,333	0
		3,642,569	2,700,000	942,569	

Estimated Annual Debt Service - Full Marina Dock Replacement

Principal 4,000,000
Annual Interest % 4.00%
Number of Years 20
****FOR DISCUSSION ONLY****

Pmt #	Pmt Year	Amount	Principal	Interest	Balance
					4,000,000
1	FY21	294,350	134,350	160,000	3,865,650
2	FY22	294,350	139,724	154,626	3,725,926
3	FY23	294,350	145,313	149,037	3,580,613
4	FY24	294,350	151,125	143,225	3,429,488
5	FY25	294,350	157,170	137,180	3,272,317
6	FY26	294,350	163,457	130,893	3,108,860
7	FY27	294,350	169,996	124,354	2,938,864
8	FY28	294,350	176,795	117,555	2,762,069
9	FY29	294,350	183,867	110,483	2,578,201
10	FY30	294,350	191,222	103,128	2,386,980
11	FY31	294,350	198,871	95,479	2,188,109
12	FY32	294,350	206,826	87,524	1,981,283
13	FY33	294,350	215,099	79,251	1,766,184
14	FY34	294,350	223,703	70,647	1,542,482
15	FY35	294,350	232,651	61,699	1,309,831
16	FY36	294,350	241,957	52,393	1,067,874
17	FY37	294,350	251,635	42,715	816,239
18	FY38	294,350	261,700	32,650	554,539
19	FY39	294,350	272,168	22,182	282,370
20	FY40	293,665	282,370	11,295	0
		5,886,315	4,000,000	1,886,315	

City of Isle of Palms

INCREASE DEBT SERVICE MILLAGE TO COVER ESTIMATED DEBT SERVICE ON \$2.7 MILLION GO BOND TO COMPLETE PSB REPAIRS

Millage Rate Table

CURRENT ISLE OF PALMS MILLAGE					INCREASE IOP DEBT SVC MILLAGE BY 1.2 MILLS TO FUND \$2.7 MILLION OF ADDITIONAL PSB REPAIR COSTS				TAXPAYER'S INCREASE	
Operating Millage Rate =					Operating Millage Rate =					
Debt Service Millage Rate					Debt Service Millage Rate					
Total IOP Millage Rate					Total IOP Millage Rate					
Local Option Sales Tax Credit Factor					Local Option Sales Tax Credit Factor					
Appraised Value	Primary Residences Assessed at 4%	Less Local Option Sales Tax Credit	Net IOP Property Tax for a primary resident	2nd Homes & Commercial Assessed at 6%	Primary Residences Assessed at 4%	Less Local Option Sales Tax Credit	Net IOP Property Tax for a primary resident	2nd Homes & Commercial Assessed at 6%	Primary Residents	2nd Homes/Commercial
250,000	247.00	(50.00)	197.00	370.50	259.00	(50.00)	209.00	388.50	12.00	18.00
300,000	296.40	(60.00)	236.40	444.60	310.80	(60.00)	250.80	466.20	14.40	21.60
350,000	345.80	(70.00)	275.80	518.70	362.60	(70.00)	292.60	543.90	16.80	25.20
400,000	395.20	(80.00)	315.20	592.80	414.40	(80.00)	334.40	621.60	19.20	28.80
500,000	494.00	(100.00)	394.00	741.00	518.00	(100.00)	418.00	777.00	24.00	36.00
600,000	592.80	(120.00)	472.80	889.20	621.60	(120.00)	501.60	932.40	28.80	43.20
700,000	691.60	(140.00)	551.60	1,037.40	725.20	(140.00)	585.20	1,087.80	33.60	50.40
900,000	889.20	(180.00)	709.20	1,333.80	932.40	(180.00)	752.40	1,398.60	43.20	64.80
1,000,000	988.00	(200.00)	788.00	1,482.00	1,036.00	(200.00)	836.00	1,554.00	48.00	72.00
1,250,000	1,235.00	(250.00)	985.00	1,852.50	1,295.00	(250.00)	1,045.00	1,942.50	60.00	90.00
1,500,000	1,482.00	(300.00)	1,182.00	2,223.00	1,554.00	(300.00)	1,254.00	2,331.00	72.00	108.00
1,750,000	1,729.00	(350.00)	1,379.00	2,593.50	1,813.00	(350.00)	1,463.00	2,719.50	84.00	126.00
2,000,000	1,976.00	(400.00)	1,576.00	2,964.00	2,072.00	(400.00)	1,672.00	3,108.00	96.00	144.00
2,500,000	2,470.00	(500.00)	1,970.00	3,705.00	2,590.00	(500.00)	2,090.00	3,885.00	120.00	180.00
3,000,000	2,964.00	(600.00)	2,364.00	4,446.00	3,108.00	(600.00)	2,508.00	4,662.00	144.00	216.00
3,500,000	3,458.00	(700.00)	2,758.00	5,187.00	3,626.00	(700.00)	2,926.00	5,439.00	168.00	252.00
4,000,000	3,952.00	(800.00)	3,152.00	5,928.00	4,144.00	(800.00)	3,344.00	6,216.00	192.00	288.00
4,500,000	4,446.00	(900.00)	3,546.00	6,669.00	4,662.00	(900.00)	3,762.00	6,993.00	216.00	324.00
5,000,000	4,940.00	(1,000.00)	3,940.00	7,410.00	5,180.00	(1,000.00)	4,180.00	7,770.00	240.00	360.00

ANNUAL PROJECTED ADDITIONAL REVENUE TO THE CITY FROM A 1.2 MILL TAX INCREASE = \$242,850

FY19 Millage Rates of Neighboring Communities:

Sullivan's Island = 0.0509

Mt Pleasant = 0.04100

Folly Beach = 0.0369

City of Isle of Palms Marina
Dock Renovation Scenarios
Both Scenarios are based on ATM Concept 2

POTENTIAL IMPACTS							
Capital Spending	Debt Proceeds	Debt Service Principal	Debt Service Interest	Depreciation on New Docks	Rent Abatement Damaged Docks (Note 1)	Transfer In from State Atax	Net Annual Cash Outlay (Note 3)

- # 1 - Complete renovation in phases. This is the plan included in Draft #3 of the Budget.
- No Debt Issued
- 50% of Capital spending covered with State Accommodations Tax funds
- Damaged sections of current dock not replaced until FY23
- Does not include a contingency or dredging

FY20	147,000				13,500	73,500	160,500
FY21	588,000			29,400	13,500	294,000	601,500
FY22	530,000			50,600	13,500	265,000	543,500
FY23	1,200,000			98,600	13,500	600,000	1,213,500
FY24	275,000			109,600		137,500	275,000
FY25	200,000			117,600		100,000	200,000
FY26				117,600			-
FY27				117,600			-
FY28				117,600			-
FY29				117,600			-
FY30				117,600			-
FY31				117,600			-
FY32				117,600			-
FY33-FY40				940,800			
Total	2,940,000	-	-	2,169,800	54,000	1,470,000	2,994,000

- # 2 - Complete entire renovation construction in winter of 2020/2021
- Issue \$4 million revenue bond (20 year term @ 4%) pledging State Atax for repayment.
- Cost estimate includes \$2.8 million ATM estimate + 15% Contingency + \$750,000 Dredging
- Annual debt service covered 50% with Marina rents and 50% with State Atax funds.

FY20	147,000				13,500	73,500	160,500
FY21	4,000,000	4,000,000	134,350	160,000	165,880	13,500	307,850
FY22			139,724	154,626	165,880	147,175	294,350
FY23			145,313	149,037	165,880	147,175	294,350
FY24			151,125	143,225	165,880	147,175	294,350
FY25			157,170	137,180	165,880	147,175	294,350
FY26			163,457	130,893	165,880	147,175	294,350
FY27			169,996	124,354	165,880	147,175	294,350
FY28			176,795	117,555	165,880	147,175	294,350
FY29			183,867	110,483	165,880	147,175	294,350
FY30			191,222	103,128	165,880	147,175	294,350
FY31			198,871	95,479	165,880	147,175	294,350
FY32			206,826	87,524	165,880	147,175	294,350
FY33			215,099	79,251	165,880	147,175	294,350
FY34			223,703	70,647	165,880	147,175	294,350
FY35			232,651	61,699	165,880	147,175	294,350
FY36			241,957	52,393	165,880	147,175	294,350
FY37			251,635	42,715	165,880	147,175	294,350
FY38			261,700	32,650	165,880	147,175	294,350
FY39			272,168	22,182	165,880	147,175	294,350
FY40			282,370	11,295	165,880	146,833	293,665
	4,147,000	4,000,000	4,000,000	1,886,315	3,317,600	27,000	2,869,483
Total							6,060,315

ADDITIONAL EXPENSE AND CASH OUTLAY RELATED TO OPTION #2:

1,207,000	4,000,000	4,000,000	1,886,315	1,147,800	(27,000)	1,399,483	3,066,315
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TOTAL

Note 1 Calculate Potential Rent Abatement to MJV:

	Rate/Linear Ft	Unusable Linear Ft	Months/Yr	Annual Total	50% of Annual Total
Oct-Mar	\$ 20.00	100	6	12,000	6,000
Apr-Sept	\$ 25.00	100	6	15,000	7,500
				27,000	13,500

Note 2 Annual Cash Outlay includes capital spending, debt proceeds, debt service payments and rent abatements, but does not include depreciation expense.

City of Isle of Palms
Summary of Capital/Major Maintenance/Special Project Proposed Budget & Forecast

#	Dept	Description	FY20				FY21				FY22			
			UNRESTRCTD	TOURISM	DEBT	TOTAL	UNRESTRCTD	TOURISM	DEBT	TOTAL	UNRESTRCTD	TOURISM	DEBT	TOTAL
1	Debt Svc	Debt Service P&I - for discussion, this incl new expense for PSB & Marina Docks	1,252,833	334,241		1,587,074	1,413,910	559,577		1,973,487	1,398,651	561,740		1,960,391
2	Drainage	Construction of the Drainage Phase 3 (outfalls)	200,000		1,500,000	1,700,000			2,400,000	2,400,000				-
3	PD & Fire	Public Safety Build (PSB) Rehab	2,000,000	2,000,000	2,700,000	6,700,000				-				-
4	Marina	Marina dock replacement & dredging	147,000			147,000			4,000,000	4,000,000				-
5	All	Remainder of 10-Year Capital Plan (multiple small purchases)	96,000	321,600	-	417,600	275,950	391,950		667,900	215,000	292,000		507,000
6	Beach	Provision for Sand Scraping if necessary after a storm		250,000		250,000		250,000		250,000		250,000		250,000
7	All	Annual Maintenance Contgency (1% of insured val)	221,482	20,000		241,482	221,482	20,000		241,482	221,482	20,000		241,482
8	Drainage	Eadies Ditch Maintenance		184,538		184,538		198,288		198,288		187,038		187,038
9	Fire	75' Ladder Truck replacement			849,500	849,500				-				-
10	Police	Patrol Vehicles on 7 yr rotation	44,000	176,000		220,000	38,000	70,000		108,000	38,000	105,000		143,000
11	Beach	Future offshore renourishment				-				-				-
12	Beach	Repl/Repair/Add Dune Walkovers		115,000		115,000		130,000		130,000		130,000		130,000
13	Fire	95' Ladder Truck Refurb	300,000	300,000	-	600,000				-				-
14	Fire	Replaces current pumper truck purchased in 2003. May be able to refurbish at a lesser cost.				-			599,000	599,000				-
15	Drainage	Complete several high-impact but smaller drainage projects as directed by Thomas & Hutton		500,000		500,000				-				-
16	Drainage	Annual Drainage Contingency	70,000			70,000	70,000			70,000	70,000			70,000
17	Pub Wks	Provision to rehab the Waterway Blvd path. Will first seek Charleston County CTC Funds		275,000		275,000				-				-
18	Fire	City has been setting aside \$ for several years to replace all Self Contained Breathing Apparatus (SCBA). Important to have like equipment for employees at both stations				-	100,000	100,000		200,000				-
19	Pub Wks	Replaces current 20yd packer purchased in 2006				-				-				-
20	Pub Wks	Replaces current caterpillar purchased in 2006				-				-				-
21	Pub Wks	Replace PW21 purchased in 2003				-	36,667	73,333		110,000				-
22	Beach	Required by permit for 2018 offshore renourishment proj		24,142		24,142		39,394		39,394		-		-
		TOTAL	4,331,315	4,500,521	5,049,500	13,881,336	2,156,009	1,832,542	6,999,000	10,987,551	1,943,133	1,545,778	-	3,488,911

City of Isle of Palms
Summary of Capital/Major Maintenance/Special Project Proposed Budget & Forecast

#	Dept	Description	FY23				FY24				5 YEAR TOTAL			
			UNRESTRCTD	TOURISM	DEBT	TOTAL	UNRESTRCTD	TOURISM	DEBT	TOTAL	UNRESTRCTD	TOURISM	DEBT	TOTAL
1	Debt Svc	Debt Service P&I - for discussion, this incl new expense for PSB & Marina Docks	1,385,317	566,791		1,952,108	1,243,871	484,673		1,728,544	6,694,582	2,507,022	-	9,201,604
2	Drainage	Construction of the Drainage Phase 3 (outfalls)				-				-	200,000	-	3,900,000	4,100,000
3	PD & Fire	Public Safety Build (PSB) Rehab				-				-	2,000,000	2,000,000	2,700,000	6,700,000
4	Marina	Marina dock replacement & dredging				-				-	147,000	-	4,000,000	4,147,000
5	All	Remainder of 10-Year Capital Plan (multiple small purchases)	212,500	362,500		575,000	238,700	258,700		497,400	1,038,150	1,626,750	-	2,664,900
6	Beach	Provision for Sand Scraping if necessary after a storm		250,000		250,000		250,000		250,000	-	1,250,000	-	1,250,000
7	All	Annual Maintenance Contgency (1% of insured val)	221,482	20,000		241,482	221,482	20,000		241,482	1,107,410	100,000	-	1,207,410
8	Drainage	Eadies Ditch Maintenance		184,538		184,538		198,288		198,288	-	952,690	-	952,690
9	Fire	75' Ladder Truck replacement				-				-	-	-	849,500	849,500
10	Police	Patrol Vehicles on 7 yr rotation	38,000	115,000		153,000	75,000	75,000		150,000	233,000	541,000	-	774,000
11	Beach	Future offshore renourishment				-		700,000		700,000	-	700,000	-	700,000
12	Beach	Repl/Repair/Add Dune Walkovers		130,000		130,000		130,000		130,000	-	635,000	-	635,000
13	Fire	95' Ladder Truck Refurb				-				-	300,000	300,000	-	600,000
14	Fire	Replaces current pumper truck purchased in 2003. May be able to refurbish at a lesser cost.				-				-	-	-	599,000	599,000
15	Drainage	Complete several high-impact but smaller drainage projects as directed by Thomas & Hutton				-				-	-	500,000	-	500,000
16	Drainage	Annual Drainage Contingency	70,000			70,000	70,000			70,000	350,000	-	-	350,000
17	Pub Wks	Provision to rehab the Waterway Blvd path. Will first seek Charleston County CTC Funds				-				-	-	275,000	-	275,000
18	Fire	City has been setting aside \$ for several years to replace all Self Contained Breathing Apparatus (SCBA). Important to have like equipment for employees at both stations				-				-	100,000	100,000	-	200,000
19	Pub Wks	Replaces current 20yd packer purchased in 2006	56,667	113,333		170,000				-	56,667	113,333	-	170,000
20	Pub Wks	Replaces current caterpillar purchased in 2006				-	52,667	105,333		158,000	52,667	105,333	-	158,000
21	Pub Wks	Replace PW21 purchased in 2003				-				-	36,667	73,333	-	110,000
22	Beach	Required by permit for 2018 offshore renourishment proj		15,252		15,252				-	-	78,788	-	78,788
		TOTAL	1,983,966	1,757,414	-	3,741,380	1,901,720	2,221,994	-	4,123,714	12,316,142	11,858,250	12,048,500	36,222,892