

**WAYS and MEANS COMMITTEE
SPECIAL MEETING**

3:00 p.m., Tuesday, March 21, 2017

A Special Meeting of the Ways and Means Committee was held at 3:00 p.m. on Tuesday, March 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.

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. Consideration of FY18 Budget

Mayor Cronin stated that staff had provided Councilmembers with a draft worksheet and detailed FY18 budget; he asked that Administrator Tucker review the changes that have been made since initial discussions of the budget in February.

Administrator Tucker stated that one (1) of the most significant differences was the treatment of the marina project; originally the budget assumed that a referendum passed and the City was going forward with a bond issue for the project; therefore, debt service on the bond was included. Since the first budget discussion, ATM has decided that the project should begin with the land-side of the project, not the water-side as originally proposed. The current version of the budget reflects only the architectural/engineering and permitting phases of the land-side improvements at two hundred thirty-three thousand dollars (\$233,000) based on ATM's estimates. If Council desires to go forward with the referendum in November of this year, the language must go to the Election Commission before August 15th to be included on the ballots.

Councilmember Kinghorn noted that beginning with the land-side was ATM's recommendation; he asked whether the City had reasons to change from the water-side to the land-side.

The Administrator replied that the thing staff found surprising was the fact that the docks are in such poor condition; but that does not address the problem that led to the redevelopment plan and was identified several years ago, i.e. the lack of organization on the land-side that does not represent the standards of a destination that the City wants to portray. At the same time, the older docks have not had any significant work done to them and have continued to deteriorate.

Saying that he was not sold on the idea, the Mayor indicated that he wanted to hear the reasoning behind starting the project on the land-side.

Speaking as the Chair of the Real Property Committee, Councilmember Bergwerf stated that one (1) of the discussion points was that the permitting process for the water-side could take as long as a year or more and that the time could be spent making the land-side improvements.

Councilmember Ferencz pointed out that grant funds the City has applied for are not for the land-side improvements.

Mayor Cronin reiterated that the budget now includes the limited architectural/engineering and permitting, but, if Council decided in the coming months through grants and other action, to move quicker on the marina project, it could be discussed at that time but before August to get the wording correct for a referendum and for whatever financing might be required.

Since he did not know the components, the Mayor said that he was not comfortable with the six million four hundred thousand dollars (\$6,400,000) price tag; he added that his “dream state” would be that the tenants’ leases supported the future development of the marina.

Councilmember Bergwerf, who was also shocked with the cost, said that some of the items added to the original estimate included dredging while the docks were pulled away, restrooms, etc.; she thought the City could phase the project and have referendums as needed along the way.

As Councilmember Ward recommended, funds need be set aside in each budget cycle for ongoing maintenance at the marina, and, for the Mayor, one (1) of those maintenance items would be dredging.

Councilmember Rice remarked that Councilmembers should be aware that the City will not hear the results of the Boating Infrastructure Grant (BIG) until May, not March as originally told, and that the amount requested in the grant is substantially less than anticipated, i.e. four hundred fifty thousand dollars (\$450,000).

The Administrator noted that the City might also apply for a grant to fund the replacement pump-out station in the amount of forty thousand dollars (\$40,000).

During the budget process last year, staff brought to Council’s attention, that the City does not employ anyone whose responsibility is to maintain its facilities and buildings unlike the Recreation Department that has both facilities and grounds supervision. The City has continued to be reactive, not proactive; a situation which prompted Council to authorize an assessment of all City buildings to determine their deficiencies and the urgency with which they should be addressed. From responses to the RFP, Hill Construction Company was selected, and the City is now in receipt of their work product. Staff has taken the work product and reduced it to a one (1) page schedule for quick reference. From its initial review, staff looked for items in the report that could be resolved in the current fiscal year, and then at the things that should be incorporated into the FY18 budget which total three hundred twenty-two thousand five hundred dollars (\$322,500). For the remaining items in the report, they have been added to the appropriate year in the ten-year Capital Plan.

Having looked at the tasks to be done in FY18, Councilmember Carroll asked how the replacement of the roof of the Public Safety Building, which opened in 2009, would affect the City’s lawsuit against the building contractor.

Administrator Tucker responded that she has spoken with the attorney of record about the Hill report and the issues with the leaking roof. She added that the building had significant leaks from Joaquin that were exacerbated by Hurricane Matthew; the Hill Construction recommendation is for the rehabilitation of the roof at two hundred fifty thousand dollars (\$250,000) or a total replacement of approximately four hundred thousand dollars (\$400,000). Both FEMA and an insurance

adjuster have looked at the roof and their conclusions were that the leaking problems stem from construction defects.

In order to prevent more leaking in the future, staff concluded that the roof must be addressed in FY18 with or without a resolution to the lawsuit.

The Mayor commented that he does not like the idea of spending a quarter of a million dollars (\$250,000) for a repair; he said he would prefer to spend the required amount of money to do the job right and replace the roof. He also commented that the roof does have some type of warranty, but it is also tied up in the lawsuit.

The Administrator noted that, whenever anything comes up about the Public Safety Building, legal counsel is included in the discussions, from the notification of a problem, the decision to wait or repair to the invoice for a repair.

Councilmember Kinghorn asked the Administrator to voice her opinion on future maintenance and upkeep of the City's buildings and to whom the responsibility should go.

Administrator Tucker stated that she has long advocated that the City needs an employee whose primary responsibility would be the maintenance and upkeep of these properties, and, when items come forward on the schedule, he would be responsible to see they were done.

Councilmember Kinghorn opined that Council agreed that City properties should get regular and preventative maintenance and upkeep; he, therefore, asked that, at the appropriate time, the Administrator present them with a plan.

Councilmember Harrington commented that the Administrator proposed hiring someone for this purpose a couple of years ago, and it did not survive the budget process.

Referring to the thirty thousand dollars (\$30,000) for the public restrooms included in the Hill report, the Administrator stated that the expense was for guttering but staff was relatively confident that guttering was included in the Liollo proposal, allowing it to be removed from the FY18 budget.

Directing attention to the General Government page of the full budget document, the Administrator referred to line 54 Employee Training that is dramatically higher than FY17, totaling approximately eighty-four thousand dollars (\$84,000). She explained that the City fully supports its employees becoming more knowledgeable in their field that should lead to their being better at their jobs for the City; in addition, some ranks in both the Fire and Police Departments require degrees from a four-year college or university to qualify for the position, i.e. Detective Sergeant, Captain and Police Chief and Fire Chief. According to Administrator Tucker, employees seeking tuition assistance must pay for the courses upfront to be reimbursed at the end based on the grade achieved, and the number has been increasing since the upturn in the economy – six (6) more employees are participating in FY18 than in FY17.

Further possible changes to the budget include re-budgeting the vehicle wash in the NPDES improvements that will likely be competed in FY18.

Councilmember Ward asked whether the four percent (4%) employee wage increase had been vetted through the Personnel Committee, and he was told that it had not.

Administrator Tucker explained that staff is recommending a two percent (2%) merit pool and a two percent (2%) cost of living adjustment (COLA). Treasurer Suggs noted that the same percentages were reflected in the version of the budget seen in February. The Administrator stated that the City has been forewarned that the retirement rates will increase for both employers and employees effective July 1, 2017; the specific amount has not yet been announced. Depending on the percentage increase, some employees' take-home pay could be reduced.

Councilmember Ferencz recalled that, when Michael Loftus was on Council, the merit pool was capped at three percent (3%), and she reported that the CPI is currently at two point seven percent (2.7%).

For FY17, the Treasurer stated that the COLA was one percent (1%) and the merit pool was two percent (2%), but, considering the increase to retirement contributions of between one third and one half percent (0.33% and 0.5%), the two percent (2%) COLA appeared to be more acceptable.

Councilmember Ferencz stated that, in a year when the City has many high-ticket expenditures, Council must carefully consider wage increases; she commented that Council could not always do what it wanted to do but must settle for what it could afford to do.

Mayor Cronin asked that the Personnel Committee study the issue at its next meeting.

Turning to the Fund Balance schedules, Administrator Tucker directed attention to the Capital Projects Fund that shows an overall decrease in fund balance of one million nine hundred thousand seven hundred dollars (\$1,970,000). This reduction reflects that this is the year when many of the projects for which Council has been setting money aside in recent years are coming to fruition, causing fund balances to go down by significant amounts.

On the next page, nearly all of the tourism fund balances are decreasing by half; again the City has been saving money for radios, garbage trucks, fire trucks, etc., for several years, so that the money would be available now that the purchases are at-hand.

Of the two million two hundred twenty-three thousand dollars (\$2,223,000) cumulative reduction to tourism fund balances, eight hundred three thousand dollars (\$803,000) is a Transfer-in to the Marina Fund. Other components of the reductions are as follows:

MUNI ATAX

Transfers-in for personnel	\$630,000
Drainage Phase II	552,000
Parking management and Front Beach	176,197
Ladder fire truck	103,750
Radio replacements	83,750
Garbage truck	75,000
Public Works underground tanks	61,669

Hospitality Tax

Transfer-in for personnel	\$260,000
Enhanced City-wide landscaping	193,800
Underground tank – marina	178,250
PSB roof rehab – portion	125,000

State ATAX

Tourism promotion – CVB	\$522,000
Transfer-in for personnel	336,000
Front Beach/public restrooms	578,691
Marina bulkhead rehab	237,000
Restroom rehab	230,000
Events	167,000
Marina up-land redesign	155,143
Ladder fire truck	103,750
Radio replacements	83,750
Garbage truck	75,000

Councilmember Kinghorn asked if any of the state-legislated money was “sunset,” meaning that the legislation that created them was only for a specific period of time; if the funding was to be continued beyond that period, new legislation was required.

Mayor Cronin responded that a local government can only roll forward two years (2 yrs.) of State ATAX; he added that, to his knowledge, no one has been challenged because most municipalities spend all of the funds they receive. The Mayor and Administrator said that none of these funds carry that kind of stipulation.

Referring to the list of projects that will use tourism funds, Councilmember Ferencz asked if any of them could be delayed or only partially done in FY18.

Mayor Cronin commented that the garbage truck and the ladder truck have been funded with savings accumulated over several years; if the purchases were not made, the City would simply have more reserved funds in the bank.

Indicating that she was not concerned about the projects using reserved funds, but was interested in items like special events or items where the City could buy fewer than planned.

The Administrator stated that events represent a small piece of the City’s overall budget; the additional funding for a more comprehensive landscaping contract is included in the budget based on discussions at the Visioning Meeting.

Treasurer Suggs agreed with the Administrator and stated that the “lion’s share” the FY18 budget the major expenditures for the replacement of the underground storage tanks, Phase II drainage, the replacement of the vehicles and the radios, the restroom rehab, and the bulkhead repairs. If Council agrees that these things must happen, the City has the money.

Councilmember Ward reported having spoken with Treasurer Suggs earlier in the day and noted that the net change between and three percent and four percent (3%-4%) in payroll and payroll-associated expenses result in only a thirty-five thousand dollar (\$35,000) increase to the overall budget. He stated that "in the scheme of things that is not a very big number."

On the fund balance schedules for the beach restoration, preservation, maintenance and the Marina, the Administrator drew attention to the column headed "Assigned for Marina Enhancement" and stated that, at Councilmember Ward's suggestion, a savings for future maintenance has been established with a seventy-five thousand dollar (\$75,000) set-aside in FY18.

The Marina Fund's ending balance is projected to be nine hundred thirty-three thousand dollars (\$933,000); the Administrator reminded Council that included in that number was the Transfer-in of approximately eight hundred four thousand dollars (\$804,000).

The Treasurer commented that the Transfers-in to the marina were for specific purposes, i.e. one-third ($\frac{1}{3}$) of the cost of underground storage tank replacements, two-thirds ($\frac{2}{3}$) of the cost for the bulkhead rehabilitation, two-thirds ($\frac{2}{3}$) of the cost for the up-land A&E, and two-thirds ($\frac{2}{3}$) of the debt service, a routine Transfer-in.

An item of interest that could change in the General Fund FY18 budget was group health insurance for Mayor and Council; although the number of participants may increase or decrease based on the results of the November election, the number has been left the same as FY17 for budgeting purposes.

Recommendation from the Real Property Committee to reinstate the budget for the public restrooms to the original budgeted amount of \$565,000

When the Mayor and Administrator met with County Council Chair Vic Rawls recently about the public restrooms, he offered for Charleston County Public Works employees to construct the shower platform and beach walkover at Front Beach in lieu of funding. Based on that discussion, Council reduced the budget for the project to two hundred thousand dollars (\$200,000) at the February budget meeting. Director Kerr reported conversations he had with the Facilities Maintenance Director and the Public Works Construction Supervisor at Charleston County about the project; he was told that they have a small team of skilled workers for building and as many as one hundred (100) projects ahead of IOP's boardwalk. On the other hand, they were happy to help with the project administration, for example, inspections and the selection of a contractor. From the Public Works Supervisor, the Director learned that they could move earth to gain access to a space, but they do not build bridges or boardwalks. As a result of these discussions, the Director does not think the County could assist the City and effect any reduction to the cost of the project.

Councilmember Bergwerf pointed out that the Front Beach walkover does not meet the needs of the City any longer; in her opinion, the existing boardwalk is no longer viable and is not wide enough to accommodate people coming and going. She urged the Mayor and staff to find the money in the budget to ensure that the project was completed in FY18, noting that the budget has a line of one hundred thousand dollars for the addition or replacement of a dune walkover.

Treasurer Suggs noted that the project could be funded by the Beach Preservation Fee Fund.

Mayor Cronin agreed that the boardwalk needed to be replaced, but he commented that he would prefer for Charleston County to pay for it.

Responding to Councilmember Rice's question, Director Kerr said that the permit would be good for five (5) years and that the City has had it for three (3) years.

The Treasurer reminded Council that the City receives four to five hundred thousand dollars (\$400,000 - \$500,000) a year from Charleston County that represents a piece of their accommodations tax which they are not obligated to do; she added that originally the City received twenty percent (20%) of the taxes collected from the Isle of Palms and now it is twenty-five percent (25%). She expressed the opinion that County Council would consider the extra five percent (5%) as their contribution to the public restrooms.

The Mayor recommended using funds from the Beach Preservation Fee Fund and ATAX funds for the boardwalk and that the City continues to pursue additional funds from Charleston County.

Since the Beach Preservation Fee Funds cannot be used toward the public restrooms, Councilmember Ferencz suggested that the restrooms and the boardwalk and shower platform be two (2) separate projects. Administrator Tucker stated that the City intends to bid the two (2) as one (1) project.

To answer Councilmember Ferencz, Treasurer Suggs stated that the cost for the boardwalk is estimated to be one hundred seventy-five thousand dollars (\$175,000), rehabilitation of the restrooms at one hundred eighty-five thousand dollars (\$185,000), the shower platform at one hundred thirty thousand dollars (\$130,000), design and construction oversight at twenty-five thousand dollars (\$25,000) and a contingency of fifty thousand dollars (\$50,000) for a total project cost of five hundred sixty-five thousand dollars (\$565,000).

Administrator Tucker remarked that her advocacy for reinstating the entire project cost into the FY18 budget was a failsafe for the project to be completed if Charleston County cannot deliver on Chair Rawls' offer.

According to the Treasurer, in this version of the budget is two hundred thirty thousand dollars (\$230,000) for the restrooms comprised of the two hundred thousand dollar (\$200,000) figure from the February meeting and thirty thousand dollars (\$30,000) for the gutters. The cost of the boardwalk could be covered by the Beach Preservation Fee Fund, leaving one hundred sixty thousand dollars (\$160,000) yet to be funded.

Mayor Cronin thought that the remainder could come from the Beach Preservation Fee Fund or one (1) of the tourism funds. He then commented that, at times, OCRM issues Requests for Proposals (RFP) to help fund accesses to the beach; he asked that Assistant Fragoso look into the availability of said funds.

Treasurer Suggs stated that some money was in the Aisle of Palms Fund which is reserved for beautification of the Front Beach area; the money is generated through the sale of commemorative bricks, benches and palm trees; after looking at the General Ledger, the Treasurer stated that this fund has eighteen thousand dollars (\$18,000) to contribute.

Staff was asked to find one hundred sixty thousand dollars (\$160,000) for the next version of the budget to be used toward the public restrooms and boardwalk.

Councilmember Kinghorn reiterated his opinion that this was the wrong approach, noting that he has offered options, that he felt had not been vetted, to make the public restroom structure a revenue source; he indicated that the maintenance costs should be reduced for the restrooms through bidding a new maintenance contract.

In the Marina Fund, the Administrator said that staff needed to review the revenue generated from the marina leases to ensure that they had been adjusted by the CPI; additionally, the Administrator noted that this budget does not contemplate any changes to the marina leases and one (1) tenant is making overtures to the City regarding changes to a lease at this time.

Councilmember Ferencz commented that, after the February meeting, the news of an eight hundred thousand dollar (\$800,000) reduction in the FY18 budget had been publicized, and tonight the decision has been made to reinstate three hundred sixty-five thousand dollars (\$365,000) of that reduction. She indicated that she was exasperated that, in two (2) hours of talking, no new budget was produced. She asked Council if they needed to reduce the budget.

Councilmember Kinghorn opined that the "budget was on the mark," and, if anything, he thought the amount budgeted for City-wide landscaping was too low to achieve the intended goal.

Councilmember Ferencz stated that the immediate maintenance needs identified in the Hill Construction report have added another three hundred twenty-two thousand dollars (\$322,000) to the original budget. She indicated that she was not against spending money where it was needed, but the City could not continue to spend more and more every year.

Councilmember Kinghorn contended that Council had not spent the time needed to define new revenue sources, such as extending the parking season, placing kiosks in additional parking areas of the island, etc.

Councilmember Bergwerf agreed that the City was facing some extraordinary expenses in the FY18 budget which, to her thinking, distort the fund balances; the fact also is that some of these expenses will not be repeated in FY19, such as the drainage project, the fuel tank replacements, the public restrooms, the radio replacements and the financial software purchase.

The Mayor pointed out that for nine (9) years Council has balanced and managed a budget and done all of the things it should do to improve the City without asking the residents for additional tax dollars; he added that the City did not derive any additional revenue when property taxes were adjusted based on the reassessment a couple of years ago. The citizens have received services and improvements because the City has used other sources of funds; he stated that the amount of property taxes collected will not pay for the Police Department for a year.

Administrator Tucker stated that the reason the CPI increase is included in the law is that expenses are continually increasing, and, when a local government does not take the CPI on the millage each year, the result is the need to make a big jump in property taxes to balance the budget. City Council of the City of Isle of Palms has made a conscious decision every year not to increase the millage unless absolutely necessary, and the reason the City has been able to operate in this manner is that tourism funds are available to offset certain City expenses. In some respects, the Administrator feels that Council is delaying the pain in the future when a tax increase becomes the only route to balance the City's budget.

The Mayor informed Council that the business license issue is still in the legislature; at the moment, it has been kicked back to Committee, but it has not gone away. The City would experience a major loss if the version before legislators is passed; the City would not only lose the business license revenue but also the rental license revenue.

3. Adjournment

Mayor Cronin adjourned the Special Meeting at 4:47 p.m.

Respectfully submitted:

Marie Copeland
City Clerk