

WAYS and MEANS COMMITTEE

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

The regular meeting of the Ways and Means Committee was called to order at 5:00 p.m., Tuesday, March 21, 2017 in the City Hall Conference Room, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmember Bergwerf, Bettelli, Carroll, Ferencz, Harrington, Kinghorn, Rice and Ward, Mayor Cronin, Administrator Tucker, Attorney Halversen, 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 had been duly notified of the meeting in accordance with the Freedom of Information Act.

2. Approval of Minutes of Previous Meetings

MOTION: Councilmember Harrington moved to approve the minutes of the Special Meeting of February 21, 2017 and the regular meeting of February 28, 2017 as submitted; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.

3. Citizens' Comments

Non-residential stormwater Fees – Frank Pandullo, Deputy County Administrator and Stormwater Utility Manager, Chris Wannamaker, Stormwater Program Manager, and Stewart Ruelle, Stormwater Coordinator

Mr. Pandullo stated that he and his companions were attending the meeting to answer a question related to the calculation of the stormwater utility fee to non-residential customers. He stated that there were three (3) parameters needed to understand the constitution and basis of the billing, and they are as follows:

- The base rate – IOP has adopted a fee of \$48 per equivalent residential unit (ERU);
- Statistic imputed for a residential properties based on a statistical analysis that was equated to 3,000 square feet of impervious surface;
- Impervious surface that pertains to each non-residential user.

Mr. Pandullo stated that the County has done an investigation into each non-residential location to verify the area of impervious surface. He proposed a situation where a non-residential property has thirty thousand square feet (30,000 sq. ft.) of impervious surface; using the residential standard of three thousand square feet (3,000 sq. ft.) of impervious surface, the result is that the non-residential property would have ten (10) times the impervious surface of a home, or the equivalent of ten (10) ERUs. The calculation is completed when multiplying ten (10) times the rate per ERU of forty-eight dollars (\$48) producing a stormwater utility fee for the non-residential property of four hundred eighty dollars (\$480).

Responding to the Mayor's question, Mr. Ruelle stated that a condominium was treated as a single family residence; if that property has a commercial footprint, it would then be treated as a non-residential property. For example, the Sea Cabins are single-family units that have individual tax map numbers; each would be treated as a single family residence with three thousand square

feet (3,000 sq. ft.) of impervious surface in computing the stormwater utility fee of forty-eight dollars (\$48) per unit.

The Stormwater Department of Charleston County understands that the City is considering a cap of thirty-three percent (33%) on non-residential properties; that would mean using last year's billings and multiplying them by one point three three percent (1.33%) to compute the billings for this year. According to Mr. Pandullo, that equates to the City offering non-residential properties a discount, which he described as "a noble ambition that has consequences." He said that the City was planning to participate in accordance with the County's ordinance to the full extent of the revenues that would be projected for the full exercise of the billings of its non-residential properties; therefore, any reduction or discount would need to be made up from the City's fund balance. The fund balance is money used by the City for stormwater related projects, like the truck wash included in the project at the Public Works site. The consequence would be that any deficiency or discount would have to be made up from reserve funds.

Attempting to explain his use of the term "discount," Mr. Pandullo proposed a situation where the 2015 billing for a non-residential property was one hundred dollars (\$100, and, by the calculations the County is now employing, the new billing would be four hundred dollars (\$400). In exercising the City's cap, the property owner would pay only one hundred thirty-three dollars (\$133), giving the non-residential property a discount of two hundred sixty-seven dollars (\$267).

He acknowledged that, using the new calculation, some properties were billed dramatic increases over 2015's fees. In cases where this occurred, the County sent out field teams to verify the amount of impervious area attributed to a property; in some instances, they found the impervious space identified was actually a gravel surface and the ERUs were reduced for the property.

Mr. Pandullo stated that the discount given based on the thirty-three percent (33%) cap must be made up, and Charleston County is suggesting that the difference be paid by the City from its stormwater reserves.

Councilmember Carroll inquired if the County had an appeals process for property owners who believed that their fees might have been miscalculated.

Mr. Pandullo explained that, when an owner chooses to appeal the billing, Charleston County personnel initially meet with him to explain the billing process; if the owner want to appeal after that, he must file a Written Notice of Objection.

On the handout headed "Distribution of 2016 Uncapped Bills," one hundred twenty-nine (29) non-residential properties are shown by the dollar amount increase they would be billed if the City does not cap the increase at thirty-three percent (33%). The distribution is as follows:

<u>Amount of increase</u>	<u>Properties impacted</u>
\$ 24 – 499	101
499 – 974	13
974 – 1,449	6
1,449 – 1,900	4
>1,900	5

The second handout entitled “Percent Increase 2015-2016” illustrates the following:

<u>% increase</u>	<u>Properties impacted</u>
0 – 100%	71
100 – 200%	37
200 – 300%	4
>300%	17

Mr. Wannamaker stated that the thirty-seven (37) accounts out of one hundred twenty-nine (129) have been billed as vacant, undeveloped or less than one (1) ERU in previous calculations. Of the seventeen (17) properties with a greater than three hundred percent increase, twelve (12) have been billed at eighteen or thirty-six dollars (\$18 – 36) for the past ten (10) years.

Responding to the Administrator’s questions, Mr. Wannamaker stated that eighteen (18) City properties were included in the figures for properties that would have an increase.

Mayor Cronin asked how the City could justify charging a vacant lot more than forty-eight dollars (\$48), or the fee for one (1) ERU.

Mr. Ruelle responded that a section in the original base when the fees were established was based on the general use in the various classifications, but a full audit of all of the non-residential parcels was not done then. At this time, Charleston County personnel have completed a full audit of non-residential parcels since the ERU was defined as three thousand square feet (3,000 sq. ft.), and some parcels in the data were found to be incorrect, or some have been developed but no change in the fee occurred.

Mr. Wannamaker announced that the projected revenue from non-residential properties if the cap was not employed would be thirty-seven thousand one hundred forty-two dollars (\$37,142); applying the cap to non-residential properties generates revenue in the amount of nineteen thousand nine hundred eighty-five dollars (\$19,985)

Administrator Tucker reminded Council that the bulk of the City’s stormwater reserve has been budgeted to fund the NPDES eligible portion off the improvements being made to the Public Works site. If the fund balance were depleted and the City employed the cap to non-residential properties, it could have a negative fund balance.

Mr. Ruelle reported that the stormwater utility fee bills were to be printed this week for local governments in the County except the Isle of Palms, and, when mailed, will also contain an insert showing how the fee was determined and information should someone want to appeal the billing. (A copy is attached to the historical record of the meeting.) In addition, the invoices will have two (2) paragraphs explaining what Charleston County has done to get to this point.

When the County receives a challenge, it has thirty (30) days to respond. A review of the account will be made, and the engineer will generate an analysis and, in most cases, will make another site visit to determine if any mistakes have been made. If the property owner does not accept the County’s findings, he can submit a formal written appeal to the Board of Appeals who will make a final determination.

Mayor Cronin thanked the gentlemen for attending the meeting and stated that he had found their presentation very enlightening.

MOTION: Councilmember Ward moved to re-order the Agenda to address Old Business – Discussion of stormwater management utility fee cap for non-residential parcels; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.

5. Old Business

Discussion of stormwater management utility fee cap for non-residential parcels

Administrator Tucker stated that these guys from Charleston County and City Attorney Halversen have been working to arrive at the three (3) options for moving forward on the stormwater fee issue. The Administrator reported that, since the beginning of this discussion, she has moved from believing that a cap should be exercised to keep the stormwater fees manageable, an action Council took in November, 2016. Having learned that taking an action to cap the commercial properties would affect only a few properties, some of them belonging to the City, and that they are the commercial properties that the City would not want to create a lot of stormwater runoff that is not good for the environment. Once the discussions of using fund balance to cover the uncollected fees versus running with as deficit, she has decided that consideration of imposing the cap for non-residential properties would not be in the best interest of the City.

Council has the following three (3) options from which to choose:

1. Not to cap the fees and go forward with forty-eight dollars (\$48) per ERU;
2. To cap the fee at one-third ($\frac{1}{3}$) for one (1) year; or
3. To leave the cap in place over three (3) years, which would be more than a third ($\frac{1}{3}$) because it would become cumulative.

The ordinance to come before Council tonight for First Reading implements Option 3, a one-third ($\frac{1}{3}$) increase each year over three (3) years.

MOTION: With the advice of counsel, Councilmember Ward moved to rescind the motion passed at the Council meeting of November 15, 2016; Councilmember Bettelli seconded.

Mayor Cronin stated the passage of this action will establish the stormwater utility fee at forty-eight dollars (\$48) per ERU for residential and non-residential properties in the City.

VOTE: The motion PASSED UNANIMOUSLY.

Mr. Pandullo thanked his colleagues and commended the Council for their manner of operating; he added that it had been an added pleasure to deal with Administrator Tucker, Attorney Halversen, and Directors Kerr and Pitts.

3. Citizens' Comments

Jim Raih of 3904 Cameron Boulevard expressed his opinion that City Council had made the wise choice on the stormwater fee.

4. Financial Statements – Treasurer Suggs

A. Financial Statement – Preliminary Summary Only

The Treasurer apologized for not having the full financial statement; she has spent her time completing the FY18 budget for discussion at the Special Meeting earlier in the day, but she was confident that the final statement would be very close to what is to be presented.

General Fund Revenues through February 28, 2017 were at sixty-six percent (66%) of budget with expenditures at fifty-eight percent (58%) of budget; the target at this point in the fiscal year was sixty-seven percent (67%). The Treasurer predicted that the City would meet budget in both revenue and expenditures. General Fund cash was at forty-one percent (41%) of the annual budget; total cash in the bank totaled approximately twenty-two million dollars (\$22,000,000) including five million dollars (\$5,000,000) in stakeholder funds for the beach renourishment project. The General Fund Departments were within budget with the exception of Mayor and Council, which is the result of a timing issue.

Councilmember Kinghorn asked if the restricted funds were in non-interest-bearing accounts, and the Treasurer assured him that the City funds are in interest-bearing accounts at the LGIP and the money is moved between the checking accounts at BB&T and the LGIP.

B. Tourism Schedules

In MUNI ATAX, collections are down one percent (-0.1%) from the same period last year, but the Treasurer reminded Council that February is a very slow month for the City. The City anticipates the receipts of the March quarter state ATAX in the month of April. No funds have been received from the Charleston County Accommodations Tax Pass-through that is paid semi-annually. Hospitality Tax collections are relatively flat with a one percent (1%) increase over FY16. Beach Preservation Fees continue to be strong.

C. Project Schedule

On the Beach Restoration Project worksheet, the only expenses for February were to CSE for design and permitting and a reimbursement to the City for paper, printing and UPS fees.

The Mayor noted that under Proposed Funding Sources, approximately seven hundred fifty-four thousand dollars (\$754,000) anticipated in FEMA funds for Joaquin have been removed. The current FEMA beach assessment team rejected the first team's work and has decided that the City is due nothing as a result of Joaquin; on the other hand, in a meeting last week, the team changed and executed paperwork increasing the sand loss from Hurricane Matthew to be two hundred sixty thousand cubic yards (260,000 cu. yds.) which equates to substantially more than seven hundred fifty thousand dollars (\$750,000).

The Administrator cautioned Council that the FEMA worksheets have multiple layers of approval to pass before any money is dispersed; until the City receives a final, approved project worksheet, it cannot count on the FEMA money for the project.

The FEMA reimbursement is seventy-five percent (75%) of the expense; the state legislature has included the remaining twenty-five percent (25%) in the proposed FY18 budget.

The Administrator reminded Council that the renourishment project was a fifteen million dollar (\$15,000,000) initiative and the City currently has seven million dollars (\$7,000,000) in the bank. Any additional money the City receives will be reimbursable, meaning that the City must front the money and wait to be reimbursed; the Administrator, therefore, stated that the City could face cash flow challenges in the coming year based on the timing of the renourishment project and the drainage project.

6. New Business

A. Recommendation from the Public Works Committee to place matting at 5th Avenue (page 27, line 291 – State ATAX, Capital Outlay, \$15,000)

Administrator Tucker informed the Committee that the City did not have enough money budgeted to do this, and it appears that the project must go out to bid, i.e. drivable matting in the width and length needed has been estimated to be in excess of twenty-five thousand dollars (\$25,000), as cost that requires an RFP. The Administrator, therefore, recommended that the Committee take no action at this time and to include the expense in the FY18 budget.

Mayor Cronin sent the matter back to the Public Works Committee for further consideration.

B. Recommendation from the Real Property Committee to award of an unbudgeted contract to JMT in an amount not to exceed \$20,070 for construction oversight and monitoring of marina bulkhead repairs (Page 37, line 60 - Marina Fund Expenditures, MUNI ATAX, Paint Bulkhead, \$40,000)

MOTION: Councilmember Kinghorn moved to award the contract to JMT as detailed above; Councilmember Bergwerf seconded and the motion PASSED UNANIMOUSLY.

C. Recommendation from the Public Safety Committee to award a contract to Munnerlyn Pyrotechnics in the amount of \$25,100 for the July 4th fireworks display (Page 26, line 266 – State ATAX, Programs/Sponsorships, \$35,000)

MOTION: Councilmember Kinghorn moved to award a contract to Munnerlyn Pyrotechnics in the amount of \$25,100; Councilmember Harrington seconded and the motion PASSED UNANIMOUSLY.

Councilmember Carroll stated that this was the contract that could be renewed for three (3) years; the show will not be a duplicate of 2016's show because the City got more than it paid for last year.

D. Approval of over-budget expense of \$790 from State ATAX funds for the new pickup truck for the Fire Department

MOTION: Councilmember Kinghorn moved to approve the over-budget expense for the ATAX fund; Councilmember Harrington seconded and the motion **PASSED UNANIMOUSLY.**

E. Report in accordance with Chapter 120, Purchasing, Section 1-10-3(c) (less than \$25,000 and in budget)

- a. Award of a sole source contract to A&H Company in the amount of \$15,216.49 to fabricate and install beach parking signs (Page 23, line 103 – General Government, Signs, \$60,000)
- b. Award of a contract to Blitch Plumbing in the amount of \$19,928.17 for plumbing work at the public restrooms (Page 27, line 308 – Construction in Progress, \$109,820)

Mayor Cronin noted that this report was in compliance with the City's procurement code for purchases not exceeding twenty-five thousand dollars (\$25,000) and included in the FY17 budget. (The reports is attached to the historical record of the meeting.)

7. Miscellaneous Business – None

Next Meeting Date: 5:00 p.m., Tuesday, April 18, 2017 in Council Chambers

8. Executive Session – not needed

9. Adjournment

MOTION: Councilmember Harrington moved to adjourn the meeting at 6:05 p.m.; Councilmember Bettelli seconded and the motion **PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland
City Clerk