

## **WAYS and MEANS COMMITTEE**

Tuesday, October 24, 2017

The regular meeting of the Ways and Means Committee was called to order at 5:00 p.m., Tuesday, October 24, 2017 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelli, Carroll, Ferencz, Kinghorn, Rice and Ward, Mayor ProTem Harrington, 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 had been duly notified of the meeting in accordance with the Freedom of Information Act.

### **2. Approval of Previous Meeting's Minutes**

**MOTION:** Councilmember Carroll moved to approve the minutes of the regular meeting of September 19, 2017 as submitted; Councilmember Bergwerf seconded and the motion PASSED UNANIMOUSLY.

### **3. Citizens' Comments**

Arnold Karig, 5102 Palm Boulevard, stated that, in recent weeks, he has heard residents talking about the marina, stormwater and sewers; he said that he also has heard compliments about Public Works that picks up the garbage on time and keeps the beach clean. He expressed the opinion that Director Pitts does "a fabulous job," but, since Council will begin budget talks soon, he asked that consideration be given to increasing the staff in the Public Works Department because he has also heard complaints that the beach access paths are not being kept up.

### **4. Financial Statements – Treasurer Debbie Suggs**

In an update on the conversion to the new financial software, the Treasurer reported that a BS&A representative is in City offices this week training a large number of employees who have not yet been involved, but, will be entering requisitions, purchase orders and invoices. Certain procedural changes will occur with the new software that will give more control to the department heads while keeping a good separation of duties. Cash receipts training will take place later in the week, and the new software will go live on Monday, October 30<sup>th</sup>. She indicated that she expects the next couple of months to be somewhat chaotic, and, although she anticipates many more options in financial reporting, she does not know how November's financial statements will look. Treasurer Suggs said that BS&A representatives will be on-site for the next two (2) weeks to assist in the transition.

Responding to Councilmember Ward, the Treasurer said that the changeover "has not been as painful as [she] thought it would be" because BS&A has done a lot of work on the front-end with converting the data. Although staff will not have the detail that it now has in descriptions, ten (10) years' data will be available in the new system. They appear confident that the conversion will continue smoothly and successfully.

Treasurer Suggs explained that data will be stored on the City's server since the new system is not cloud-based and that automatic backups will take place every night.

## **A. Financial Statements**

From the financial data through September 30, the City is one-fourth ( $\frac{1}{4}$ ) of the way through FY18; therefore the target for revenue and expenditures is twenty-five percent (25%). Typically, at this time of year, revenues are low, and General Fund Revenues are eleven percent (11%) of budget or eighty-eight percent (88%) of last year for the same period. Building Department revenues are short about twenty-thousand dollars (\$20,000) due to a timing difference on a late deposit; another big swing in revenue is attributed to a one-time FEMA grant received last September for the flood situation of 2015. General Fund Expenditures for all departments are at twenty-three percent (23%) of budget; all departments are at or below budget with the exception of Public Works, which is likely due to storm-related work. General Fund cash on-hand is at two point seven million dollars (\$2,700,000); the majority of those funds are in the LGIP receiving one point zero eight percent (1.08%) interest. Total cash is at twenty-two point four million dollars (\$22,400,000) that includes four point eight million dollars (\$4,800,000) of stakeholder funds for the beach restoration project.

At the request of a Councilmember, Treasurer Suggs expanded the tourism graphs back to 2005 for this meeting.

## **B. Tourism Schedules**

Treasurer Suggs reported that the City has not received State ATAX funds or funds from the Charleston County Pass-through in this fiscal year. Hospitality Taxes received were fifty-one thousand eight hundred dollars (\$51,800), which is low, but it related to the timing issue with a deposit of twenty-nine thousand dollars (\$29,000). With that deposit added in, September was a good month for Hospitality Taxes with collections of approximately eighty-one thousand dollars (\$81,000) from thirty-one (31) taxpayers. The Beach Preservation Fee mirrors Municipal ATAX showing an increase of three percent (3%) over the same period in FY17.

## **C. Projects Worksheets**

The Vehicle Wash-down Project continues to proceed slowly; recent expenditures included two (2) pay applications to Hitt Construction and a special inspection; also listed are two (2) invoices from Thomas & Hutton for engineering oversight that have not been paid. For this project, the City has expended six hundred four thousand dollars (\$604,000) of a seven hundred seventy thousand dollar (\$770,000) budget; fifty-one thousand dollars (\$51,000) remains in the project's contingency.

Expenditures from the Beach Restoration Project were to Coastal Science and Engineering and for legal fees.

Mayor Cronin was pleased to announce that the City received the grant from SC Parks Recreation and Tourism for the beach renourishment project of approximately two point nine million dollars (\$2,900,000) in advance of the project; the Mayor commented that the receipt of the check not only confirms their participation in the project, but will also help with cash flow as the project begins.

Small expenses for engineering and design were paid to Civil Site Environmental (CSE) on the Phase II Drainage Project. Since the bids for the project came in considerably higher than anticipated, the City will use the June 30, 2017 reserve balance in General Drainage and Roads and has received an additional grant from Charleston County TST funds to partially cover the shortfall in the project funding. The remaining short fall is considerably less than the available contingency on the project.

Based on community discourse about the City's debt limit as it relates to the five and a half million dollar (\$5,500,000) marina revitalization, Treasurer Suggs has prepared a schedule that shows how the City's debt limit is calculated according to state statutes and the City's current debt. (A copy is attached to the historical record of the meeting.) At the end of FY17, the City's debt limit exceeded fifteen million nine hundred thousand dollars (\$15,900,000) with current debt principal of approximately eight million one hundred thousand dollars (\$8,100,000). Based on this schedule, borrowing the funds for the marina revitalization would not cause the City to exceed its state mandated debt limit.

Administrator Tucker noted that this information is included in the "Questions and Answers" section of the marina revitalization portion of the City's website.

**D. Report on Status of ATM contracts and expenses related to Marina Plan**

Treasurer Suggs reported that, going back to 2015 when the relationship with ATM began, Council has approved payments to them of one hundred seventy-six thousand dollars (\$176,000); additionally, the City spent twelve thousand seven hundred forty-four dollars (\$12,744) for the mailings and postage and visual aids and models for the two (2) community meetings.

After learning that Treasurer Suggs has been with the City since 1996, Councilmember Kinghorn asked her whether she has seen the City's financial position improve or worsen over the past eight (8) years, and she answered that it has improved. Assuming that the City continues to manage its finances as it has, he then asked her if she could see any reason why improvement would not continue. The Treasurer responded that a natural disaster would cause a "blip," but she thought the City would recover quickly. Councilmember Kinghorn then inquired that, barring such a circumstance, did the Treasurer see any reason why the City's financial position would not continue to improve, to which she said that she did not.

**5. Old Business – None**

**6. New Business**

- A. Consideration of an award of a sole source contract to Civil Site Environmental (CSE) in the amount of \$13,200 for an evaluation of drainage issues at 32 Thirty-second Avenue (One qualified source documentation attached.)**

**MOTION: Mayor Cronin moved to award a sole source contract to CSE as detailed above; Councilmember Kinghorn seconded.**

Mayor Cronin commented that this proposal and the underlying issues associated with it generated lengthy discussion at the Public Works Committee meeting; until the City has an engineering evaluation, it cannot move forward.

Councilmember Bergwerf asked if this evaluation was for one (1) property or for the entire block.

Administrator Tucker referred Council to the areas marked on the maps included in the meeting packet. She stated that this ditch runs on the side of one (1) property, then behind several properties toward the outfall via Waterway Boulevard to the backside of the island. The evaluation will look at the water that is coming from elsewhere into the ditch as well as look at the tidal aspect. The property owner has reported that, when the ditch is serviced and when the island receives heavy rains, the ditch is eroding and resulting in loss of his yard; he came before the Committee to get the City's approval to allow his landscaper to pipe the ditch. His proposal lacked any engineering evaluation as to what impact his actions would have on the watershed in that area. She said that the CSE proposal was not for one (1) property but an attempt to learn what could be done to improve the situation in that area.

Councilmember Ferencz added that the City requires an engineering evaluation before any changes are made to the island's drainage system.

Administrator Tucker explained that, in the case of an SCDOT ditch, a property owner deals directly with SCDOT, not the City; if SCDOT agrees with the technical aspect to pipe a ditch, it might proceed. The City is only responsible for seeing that all of SCDOT's requirements are met.

**VOTE: The motion PASSED UNANIMOUSLY.**

**B. Consideration of an amendment to the Thomas & Hutton contract for construction oversight on the NPDES vehicle wash facility in an amount not to exceed \$10,000**

Mayor Cronin commented that funds would come from the Drainage Contingency Fund that has a current balance of fifty-one thousand dollars (\$51,000).

**MOTION: Mayor Cronin moved to approve an amendment to the Thomas & Hutton contract in an amount not to exceed \$10,000; Councilmember Ferencz seconded.**

Mayor Cronin explained that, since this project has taken much more time than expected, Thomas and Hutton have incurred much engineering oversight than projected.

**VOTE: The motion PASSED UNANIMOUSLY.**

**C. Consideration of amending the Eadie's contract to increase the frequency of ditch maintenance**

The Mayor noted that this subject has been the object of much discussion since the flooding from Hurricane Irma.

Administrator Tucker recounted that the City has a five-year (5 yr.) drainage maintenance contract with Eadie's Construction, and the City's relationship with Eadie's extends back ten to fifteen years (10-15 yrs.); the City is currently in the third year of the existing five-year (5 yr.) contract. In this contract, Eadie's cleans and restructures the island's ditches and cleans out some pipes, but it has become increasingly apparent that the frequency of that work is inadequate for the amount of water the ditches and pipes carry, plus the vegetation grows back very quickly. Another factor is the demand from citizens that the ditches be kept clean and free-flowing. Based on recommendation from the Public Works Committee, staff asked Eadie's for a proposal for cleaning the island's ditches more frequently; also addressed in the proposal are the addition of cleaning the drainage system from 53<sup>rd</sup> to 57<sup>th</sup> Avenues (Phase I Drainage Project) as well as the cost of hauling the debris collected off the island and taking it to a proper disposal site since they can no longer discharge the water collected through Carmen R. Bunch Park; the increase proposed is unbudgeted for the current fiscal year and would be budgeted for FY19 and FY20.

Councilmember Ferencz stated that the total five-year (5 yr.) contract cost will increase from approximately four hundred thirty-eight thousand two hundred dollars (\$438,200) to seven hundred fifty-one thousand four hundred fourteen dollars (\$751,414), but she emphasized that amending the Eadie's contract for more frequent ditch cleaning is something that can be done for the residents now while the Planning Commission is studying the drainage on the entire island.

**MOTION: Councilmember Ferencz moved to amend the 5-year drainage maintenance contract with Eadie's Construction by increasing Year 3 (FY18) from \$88,150 to \$198,288, by increasing Year 4 from \$80,100 to \$187,038 and Year 5 from \$88,400 to \$184, 538; Mayor Cronin seconded.**

Councilmember Rice asked if the amended contract would include the area in the Phase II Drainage Project.

According to the Administrator, those ditches should not need maintenance until Year 4, and the City would enter into a new contract. She also assured Councilmember Rice that Eadie's has sufficient manpower and equipment to do the job as stated in the amendment.

Councilmember Bettelli asked specifically what the City would be getting for the increase in the contract, and Administrator Tucker replied that the ditches on the island would be cleaned three (3) times a year rather than once a year – as they are now, add the ditches between 53<sup>rd</sup> and 57<sup>th</sup> Avenues and pay to haul and dispose of the debris collected off the island.

Responding to Councilmember Kinghorn's concern, Administrator Tucker stated that Eadie's has recommended that the ditches be cleaned in March, July and October each year. And, when he asked the source of funding for FY18, the Administrator stated that staff's recommendation was for the additional contract cost be an unbudgeted expenditure from the Capital Projects fund balance that is projected to be one million point one million dollars (\$1,100,000) at June 30, 2018.

Councilmember Kinghorn asked whether the City could be reimbursed from FEMA for Eadie's work in preparation for Hurricane Irma.

Mayor Cronin stated that grants are available for hazard mitigation whereby the local government reduces the likelihood of subsequent damage; these grants are a fifty-fifty match.

Councilmember Kinghorn saw these grants as a two-fold opportunity for the City; the first being for the work done prior to Irma and the second being for preparations for future storms.

In the Mayor's opinion, a large part of preparation was planning, noting that large parts of the island have no drainage infrastructure and to install the needed infrastructure is a very costly project, and he pointed to the project underway for 45<sup>th</sup> to 52<sup>nd</sup> Avenues.

**VOTE: The motion PASSED UNANIMOUSLY.**

**D. Consideration of a retroactive engagement of McCay, Kiddy & Associates, LLC in the amount of \$23,000 for the audit for the year ending June 30, 2017 and approval of engagement through FY19**

When staff looked back at the minutes when the award was made, it was found that the motion covered only one (1) year although the proposal quoted four (4) years; this action is a matter of housekeeping since the audit for June 30, 2017 has just been completed and prepares for the FY18 and FY19 audits. The numbers quoted for FY18 and FY19 are twenty-three thousand six hundred dollars (\$23,600) and twenty-six thousand two hundred fifty dollars (\$26,250), respectively; they also provided numbers for a single audit that would be necessary if the City exceeds a certain amount of federal funds.

**MOTION: Councilmember Ward moved to approve the engagement as stated; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.**

**7. Miscellaneous Business – None**

**Next Meeting Date: 5:00 p.m., November 28, 2017 in Council Chambers**

**8. Executive Session – not needed**

**9. Adjournment**

**MOTION: Mayor ProTem Harrington moved to adjourn the meeting at 5:43 p.m.; Councilmember Bergwerf seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk