

Ways and Means Committee
5:45 p.m., Tuesday, May 18, 2010

The regular meeting of the Way and Means Committee was held at 5:45 p.m. on Tuesday on May 18, 2010 in Council Chambers of City Hall, 1207 Palm Boulevards, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bettelli, Duffy, Loftus, Piening, Stone and Thomas, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland. Councilmembers Bergwerf and Buckhannon were absent due to illness; there was a quorum 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 Bettelli moved to approve the amended minutes from the regular meeting of April 27, 2010; Councilmember Duffy seconded and the motion PASSED UNANIMOUSLY.

Administrator Tucker noted that the minutes had been amended at Councilmember Loftus' suggestion to add his recommendation to reduce the merit pool to two percent (2%) and to correct a typographical error.

3. **Citizens' Comments - None**
4. **Financial Statement – Treasurer Suggs**

B. April Financial Statement and Future GASB 54

Discussion at this meeting centered on the April 2010 financial statement; being ten (10) months into the fiscal year, the target for expenditures was eighty-three percent (83%). On the revenue side, the City was at eighty-one percent (81%) and Property Tax Revenue is only seven thousand dollars (\$7,000) short of meeting budget with three (3) months' of collections remaining. Another large revenue item, Local Option Sales Taxes, is projected by the Treasurer to fall short of budget by approximately twenty thousand dollars (\$20,000). Treasurer Suggs stated that, overall, General Fund expenditures were at seventy-seven percent (77%) of budget; the Judicial Department was the only department in excess of the target due to the legal expenses incurred recently.

The Treasurer reported that a new accounting fund was established in April to be referred to as the Beach Maintenance Fund, Fund 57. This fund will capture the City's reserves for future beach nourishment issues outside the 2008 beach restoration project area.

The April cash available is at thirty percent (30%) as a percent of annual General Fund expenses.

A. Auditor's Letter to City Council

Treasurer Suggs stated that this letter represents the Auditors' way of increasing communication between City Council and themselves and states that they are reachable by

phone to answer any questions Councilmembers may have. She stated that the auditors were in City offices a week ago doing preliminary work for the 2010 audit.

On the subject of GASB 54, Treasurer Suggs commented that these new accounting rules will not impact the City for the 2010 audit, but would be a consideration for the 2011 audit. The new rules relate to the classification of fund balances as legally restrictive or unspendable, as examples.

C. Tourism Schedules

State ATAX – Treasurer Suggs reported that the City had received the third quarter payment which was slightly higher than last years' payment; year-to-date, the receipts are only two and one-tenth percent (2.1%) less than for the same period in 2009. She added that the third quarter, typically, has the lowest payment of the year.

Municipal ATAX – As in March, the April collections were higher than 2009, and, year-to-date, collections are one percent (1%) higher than for the same period in 2009.

County ATAX Pass-thru – This revenue source has not changed from last month since the payments are made semi-annually.

Hospitality Taxes – According to the Treasurer, receipts were good for the month with twenty-five (25) payers; there were seven (7) new caterers one (1) new business and a couple of delinquents caught up. In response to Councilmember Loftus' question, Treasurer Suggs noted that there is still one (1) payer who is delinquent and is being charged the new late fees approved by Council earlier this year.

D. Project Status

Beach Restoration Fund

The Treasurer re-stated that this fund represents expenditures inside the 2008 project area; the only expense during the month was for work done by Coastal Science and Engineering.

Public Safety Building

Treasurer Suggs noted that this project is rapidly drawing to a close; the primary April expenditures were to Cole+Russell and for the defibrillator in the lobby of the building.

Treasurer Suggs concluded her comments by reviewing the fund balance schedules she had provided to Council. One schedule was a historical representation of revenues and expenditures by fund that was originally distributed last month; the revised version has the ending fund balances by year, as well as the original FY10 budget figures, changes that are expected to occur by the end of the year, the estimated FY10 actual ending balance and the FY11 budget numbers. The second schedule was headed "Fund Balance Rollforward;" the Treasurer explained that the schedule contains three (3) years' audited fund balances, the estimated FY10 year-end numbers and revenues from the proposed FY11 budget. This schedule adds the detail of the monies within the fund indicating reserved or unreserved.

Mayor Cronin pointed out that Treasurer Suggs is estimating a surplus at the end of FY10 in the amount of three hundred twenty-seven thousand dollars (\$327,000); he stated that Council would later decide whether to leave the surplus in the General Fund or move to Capital Projects.

5. Old Business

Review of Operating and Capital Budgets for FY 2010-2011

Administrator Tucker repeated that the FY 2010-2011 budget as presented is a balanced budget with no tax increase for the residents of the City; she noted that the current millage rate of 22.2% was slightly lower than the rate in 2007. The Administrator commented that she would proceed to review the changes and/or corrections made to the budget as a result of the Ways and Means meeting of April 27, 2010.

General Fund Revenues

Intergovernmental Transfers – an increase of two percent (2%) from Sullivan’s Island for dispatch service.

Sales of Assets – change to reflect deferral of sale of Recreation Department vehicle and adjustment to anticipated revenue from sale of Toro groomer and Fire Department vehicle.

The Administrator reminded the Committee that one (1) reason the staff could present a balanced budget was that certain personnel positions would be funded from tourism-related revenues; Administrator Tucker added that she would recommend that these personnel expenses be returned to the General Fund when economic conditions allow the City to do so.

Councilmember Loftus expressed concern that the increase of three percent (3%) Property Tax Revenue was too aggressive in light of the state of the economy and asked whether the estimate was reachable. Treasurer Suggs responded that the amount was based on the County’s most recent property assessment less any potential appeals; she added that, historically, the County has proven to be very conservative.

Councilmember Loftus also thought that, as a result of the increase in parking meter fees, people might seek out alternative parking; therefore, he voiced the opinion that parking meter revenue could also be overstated. Councilmember Bettelli stated that he had spoken with Officer Keelan who reported that meter revenue was running ahead of last year so far this year.

General Fund Operating

Mayor and Council – no change.

General Government – a duplication of \$300 was found and corrected.

Police Department – no change.

Fire Department – no change.

Public Works Department– no change.

Building Department – no change.

Recreation Department – increase of \$1,200 to Vehicle Maintenance from deferral of vehicle replacement.

Judicial Department – next version of the budget, legal expense appearing in Professional Services to be re-evaluated based on Treasurer's earlier comments.

Capital Projects

Revenue – next version will include grant income for 54-57th Avenue Drainage project.

Expenditures/Building Department/Maintenance and service – reduced by \$28,000 with elimination of demolition of building

Municipal Accommodation Fund

Transfers – To Marina for dredging reduced to \$50,000.

Expenditures/General Government/Miscellaneous – reduced by \$5,000 as replacement Christmas lights moved to Aisle of Palms Fund.

State ATAX

Revenue/Sale of Assets – increased by \$250 for sale of Impala and pickup truck.

Transfers out/To marina – reduced to \$50,000

Expenditures

General Government/Programs and Sponsorships – reduced by \$35,000 by elimination of event.

Public Works Department/Capital Outlay – reduced by \$160,000 by elimination of replacing beach walkovers

Beach Restoration Fund Revenue/Donations of Cash – next version to reflect revenue of \$799,400 to zero out fund.

Aisle of Palms Fund

Maintenance & service – increased by \$2,500 for holiday lights replacement.

Capital Outlay – reduced by \$7,500 by eliminating public art on Front Beach.

Marina Fund

Transfers

From Muni Tax for Dredging – reduced to \$50,000.

From State ATAX for Dredging – reduced by \$200,000 to \$50,000.

Expenditures/Contracted services – related to dredging, reduced by \$200,000 to \$100,000.

Capital Projects

General Government/City Hall renovation – adjusted down to reflect completion of Liollo contract in 2010.

In all departments, the cost of replacing computers has been reduced to reflect laptops at fourteen hundred dollars (\$1,400) and desktops at eight hundred dollars (\$800).

Public Works

Replace privacy fence – eliminated fence for a \$5,000 reduction.

Replace dune walkovers – eliminated from budget at a total cost of \$160,000.

Building Department

Reduction of \$29,200 by eliminating the demolition of the building with related expenses.

Front Beach/Facility Maintenance/Maintenance – reduction of \$7,500 by eliminating public art.

With the budget review completed, Mayor Cronin suggested using a portion of the unrestricted net assets in the marina to pay for personnel that have been earmarked in the budget to be paid from Hospitality Taxes and Municipal Accommodations Fees.

MOTION: Councilmember Stone moved to transfer approximately \$255,000 from the Marina's unrestricted net assets to the General Fund to fund personnel; Councilmember Bettelli seconded.

Councilmember Loftus expressed his opposition to this motion, because he believes that the level of tourism drives the staffing levels in the Police and Fire Departments thereby justifying paying salaries and benefits from tourism-related funds.

In response to Councilmember Piening's question as to the reasoning behind the suggestion, Mayor Cronin stated that, to a large extent, the funds that make up the unrestricted net assets at the marina came from the General Funds initially, plus the income from the leaseholders; this is a way of returning the money to the General Fund. The Mayor added that a balance of three-

quarters of a millions dollars (\$750,000) would remain in unrestricted net assets should an unanticipated emergency occur.

Councilmember Bettelli commented that the marina is run as an enterprise and creates revenue for the City to use as needed.

Mayor Cronin offered a second option of transferring this amount of money into the General Fund to increase the reserves in the General Fund.

Councilmember Loftus recommended a third choice, that of paying down on the City's debt; the only debt the City has that does not carry an early payoff penalty is the beach restoration debt with a payment of approximately three hundred twenty thousand dollars (\$320,000) per year for the next four (4) years.

Mayor Cronin suggested that the monies be moved to the General Fund, but to delay a decision on its use until the end of the year when the decision is being made about the use of any surplus; Council agreed.

Councilmembers Stone and Bettelli withdrew the motion and second.

Administrator Tucker noted that marina debt service is being funded by transfers-in from the ATAX funds. She stated that, if Council were interested in the marina paying for itself, these transfers could stop allowing the ATAX funds to grow. This option accomplishes the same goal in utilization of marina funds.

Based on the state-imposed restrictions on the use of ATAX funds, Councilmember Loftus expressed his lack of support for the Administrator's suggestion.

Mayor Cronin repeated his recommendation of moving the money into the General Fund and deciding on its use at a later time.

Another subject the Mayor wanted the Committee to discuss was the three and one-half percent (3.5%) merit pool in the budget, and he proposed a change in the pool to two percent (2%) to be effective January 1, 2011. Mayor Cronin commented that he did not want to see the City not offer a merit pool when this was the first year for the new program, and the City does have the funds available. In addition, the Mayor referenced the high cost of employee turnover and his hope that these funds would encourage employees to stay with the City.

Councilmember Stone asked for an explanation of the calculation process; Administrator Tucker stated that is not a simple process of multiplication, but a process that takes into account each individual position and changes that have been made to salary, either merit increases or an adjustment as in 2009. The Administrator added that the total pool is less than seventy-six thousand dollars (\$76,000) including fringes, and that this budget reflects six (6) months' of the total amount of the merit pool.

Councilmember Loftus asked the Treasurer to explain overtime calculations to the entire Committee as she had explained it to him before the meeting. Treasurer Suggs related that,

with the performance-based program in effect, she found it necessary to review her mode of calculation. The Treasurer explained that she started the process with each employee's present wage and added the anticipated merit percentage. In going through this process, the Treasurer realized that the overtime calculation last year had been at straight time, not at time and a half as required by law; this action impacted some departments more than others. Treasurer Suggs related that she also takes into consideration the amount of overtime as a percentage of the total wage and uses that number as a basis to arrive at a percentage for that position. The Treasurer expressed confidence that this was the most accurate payroll budget she has presented having started from "scratch" to prepare it; she noted that she had learned things in the process related to shift personnel, for instance. Treasurer Suggs concluded by saying that "changes you see would be explained by, not so much an overage in the budget this year, but an error in the budget last year."

MOTION: Councilmember Duffy moved to change the performance-based pool from 3.5% to 2%; Councilmember Piening seconded.

Councilmember Bettelli commented that it had been a tough budget year and many municipalities are unable to provide their employees with any type of increase; he stated that this action reflects the Council's understanding of the value of City employees.

VOTE: The motion PASSED UNANIMOUSLY.

Councilmember Loftus suggested that future budget be presented with a two percent (2%) merit pool, then, if funds are available, Council can adjust the pool accordingly. Mayor Cronin stated that he did not see the need for a motion to accomplish this since it was an administrative function.

In addition, Councilmember Loftus asked that overtime appear on a separate line from regular wages in future budgets. Mayor Cronin thought that would be a good tool for the Committees' review of their respective areas.

A change requested by Councilmember Loftus was to remove fifteen hundred dollars (\$1,500) for electronic locks from the budget included in the City Hall renovations. Administrator Tucker stated that the purpose for the electronic locks was to make personnel more secure. Mayor Cronin asked about the surveillance cameras that had been discussed at one time; Assistant Dziuban related that the staff saw the cameras as a way to knowing who was entering, but not a way to keep anyone from entering. On the subject of the keys, Assistant Dziuban recounted that occasions do occur when staff arrives in the morning to find the door(s) unlocked, meaning that a person could be inside who would pose a threat to staff.

MOTION: Councilmember Loftus moved to eliminate the cost of electronic lock from the renovation costs of City Hall; Councilmember Piening seconded and the motion PASSED on vote of 4 to 3; Councilmembers Bettelli and Stone and Mayor Cronin voted against the motion.

Councilmember Loftus suggested that the budget should include funds to prepare the Building Department structure to be leased or rented once it is vacated by the City. Mayor Cronin

commented that exactly when the building will be vacated is unknown; Administrator Tucker added that the City would need to hire someone to prepare an estimate of the cost of needed repairs before funds could be added to the budget. Councilmember Bettelli voiced the opinion that someone would possibly lease the building without anything being done to it.

Mayor Cronin indicated that the building could sit empty for a couple of months and any costs, plus anticipated revenue, could be put into next year's budget.

Councilmember Piening stated his understanding that the Fire Department vehicle was being replaced because the Department needed to have a reliable vehicle at-the-ready for first response; taking these conditions into account, he did not understand how the vehicle had been driven over eighty thousand (80,000) miles while never leaving the island. Chief Graham explained that this vehicle had been her truck when first purchased, so much of the mileage was attributable to her driving.

Having looked at the tennis courts at the Recreation Center after the last meeting, Councilmember Piening asked Director Page whether the re-surfacing of the tennis courts could be delayed another year; she commented that the cracks in the court's surface are a serious tripping hazard. The Director noted that, typically, courts are re-surfaced every five or six (5 or 6) years, and the Recreation Center courts were last re-surfaced six (6) years ago.

Councilmember Piening asked Chief Buckhannon to explain to him why the Beach Service Officers needed an ATV; Chief Buckhannon confirmed that the Beach Services Officers use the ATV to move up and down the beach, as well as to remove trash and debris from the beach, to carry shovels that are used to fill in holes and to enforce parking on the Front Beach and other parts of the island.

Councilmember Duffy asked about the estimate for the cost of gasoline and diesel fuel; Director Pitts stated that the City appeared to be "right on the mark." Treasurer Suggs stated that the budget is based on three dollars and thirteen cents (\$3.13) per gallon for both types of fuel.

Administrator Tucker concluded the budget discussion by reminding the Committee that State law requires that the City hold a public hearing on the budget and advertise the budget indicating what the fluctuations are year-to-year and the applicable millage rate. The ad will be published in *The Post and Courier* on Sunday, May 23 with the figures from the "yellow" budget; the ad must be published fifteen (15) days prior to the date of the public hearing.

6. New Business

Recommendation from the Public Safety Committee to approve Thomas & Hutton Change Order in the amount of \$2,900 for milling

Administrator Tucker corrected the company reference to Sanders Brothers, the contractor who is doing the work, rather than Thomas & Hutton, the project engineers.

At the Public Safety meeting, Jeff Ingham of Thomas & Hutton, explained that much of this situation came out of the timing of the bid package because a key component was to get the job

completed prior to Memorial Day. In order to accomplish this, bidding occurred prior to receipt of the permit document from SCDOT; the permit document held stipulations for milling of the road, rather than overlaying the road. The bids were based on overlaying only, but, to comply with the SCDOT permit, milling had to be done, hence the need for the change order. Thomas & Hutton has confirmed that this is a justifiable request from Sanders Brothers.

MOTION: Councilmember Bettelli moved to approve the Sanders Brother's change order request in the amount of \$2,900 for milling; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.

Councilmember Duffy asked when the stop sign on 41st Avenue was going to be moved closer to Cameron Boulevard; Mayor Cronin explained that SCDOT is responsible for relocating the STOP sign.

7. Miscellaneous Business

Mayor Cronin announced that the MASC Annual Meeting would be held in Charleston on July 15-18 and that the informational packets are in Council mailboxes. He asked that interest in attending and which events should be funneled through Clerk Copeland for make the necessary reservations.

Councilmember Bettelli recognized a young Boy Scout who had been present for the meeting and asked that he introduce himself and explain his purpose in attendance at the meeting.

The young man was Cole Purvis, a member of Troop 502, and he stated that he had attended tonight's meeting as part of his work toward earning the Citizenship in Community badge.

Next Meeting Date: 5:45 p.m., Tuesday, June 15, 2010

8. Adjourn

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

Respectfully submitted:

Marie Copeland
City Clerk