

## **WAYS & MEANS COMMITTEE**

### **Budget Workshop 5:00pm**

Isle of Palms, South Carolina

April 17, 2007

A budget workshop meeting for the Ways and Means Committee was held at 5:00 p.m. on Tuesday, April 17, 2007 at Council Chambers, City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Present were Mayor Sottile, Council members Bettelli, Buckhannon, Cronin, Hanbury, Marino, McMackin, Rice and Taylor. Also present were City Administrator Tucker, Police Lt Wright, Fire Captain Maibach, Recreation Director Page, Public Works Director Pitts, Treasurer Debbie Suggs and Real Property Advisory Committee member Jim Raih.

City Administrator Tucker reviewed the FY07-08 budget for the Ways & Means Committee meeting and referred the Committee to the (pink colored) proposed FY07-08 budget, also available on the overhead projector. The administrator was asked by Councilman Taylor to present a visual aide for revenue and expenditures for all sources of money, as well as to give explanation for the change in funding parameters for the millage. Administrator Tucker also stated that she would be presenting options for the \$400,000 shortfall in the budget.

The general overview began with a chart of the general funds, which matched exactly as budgeted. Administrator Tucker pointed out that the city is on the cusp of talking about alternate sources of revenue to keep our funds balanced and where they need to be. She stated that it would be evident in future charts during the presentation and voiced that there is more spending than revenues. Administrator Tucker specifically pointed to the capital projects chart as an example.

In talking about the accommodations tax fund there was a question about the large spike on the graph in 2004. Administrator Tucker commented that it was the expense put towards the Front Beach Enhancement Project. The accommodations tax fund had built up significantly and the decision was made to move forward with the project.

The hospitality chart showed that collections started only in 2004 and that in the 2008 budget we were planning to spend more than was in the revenue. Councilwoman Rice questioned why this was being planned and was told that in previous years there was more earning then spending and that there was a fund balance already built up.

The next two bar charts showed how each year expenses have been rising. Administrator Tucker said that this is normal and she thinks the city has been frugal and is in good shape in regard to the budget. It was also noted that the city has major projects like the fire station construction and that this is a reason for the expense.

Administrator Tucker reviewed the new law related to the millage. She indicated that it states that there cannot be a raise in the millage if there is not an increase in growth. After

speaking to the municipal association, it was determined that the millage could be increased by the CPI and if the growth factor was negative, it could be treated as zero. It was stated that you can also raise the millage because of a debt issue which the city has.

The next question was how to deal with the \$400,000 shortfall in the budget. The budget did not include the millage revenue associated with debt issues. This can make up for a large amount of the difference in the budget. There was also a list of suggestions given to council to help balance the budget. Some of the general suggestions were to increase property tax to fund 100% of the fire station/public safety outpost. Also suggested was to increase transfers in from the municipal accommodations to cover our beach services functions. In the past, it had been covered by the general fund, municipal and state accommodations tax. Staffing in regard to the public safety outpost would be covered in the municipal accommodations tax funds and not the general fund. Debt service has been in municipal accommodations, but now it is suggested for the general fund. The compacter service and dumpster service should be paid from municipal accommodations tax fund instead of the general fund. Summer and beach services in general could be shifted to municipal and hospitality instead of the general fund. Under state accommodations there would be a shift in the debt services to the general fund.

Councilwoman Hanbury stated that she did not realize that to have the public safety outpost would be cause for additional personnel and funding. Administrator Tucker said that it was a decision that the council would have to make, but staffing expense was put in the budget to have two individuals. These people would be more like summer beach services positions. Councilman Marino thinks that the outpost could be staffed by already employed personnel and that it was a supply outpost. He stated that he thinks that the outpost staffing needed to be revisited in the next public safety meeting. Councilman Cronin agreed that it should be discussed more in the public safety meeting because council needs an overview plan in order to make staffing decisions. Councilman Taylor reminded council that Treasurer Suggs and Administrator Tucker had to add many things to the budget to give council a good idea of city finances and budget numbers for informed decisions to be made.

The next information given to the council was two possible schedules for the 12 million set up for major city projects.

The first schedule was the \$12,135,000 for the purchase of property adjacent to the post office, the demolition of fire station one, the cost of the public safety outpost, the reconfiguration of the city hall site, the demolition of the building department and reconfiguration of the public works building. The \$12 million does not include expanding the public safety building by 4,000 square feet or the city reimbursing itself for the purchase of the property for public works. Councilwoman Hanbury stated that she was shocked and was not thinking that the council was intending to redo the entire city hall complex. Administrator Tucker reminded her that the information was just included in the presentation so that council can make informed decisions.

The second schedule showed council the figures for the public safety building without council chambers included. It shows the cost of putting the public safety building on property the city already owns. It included paying the city back for property purchased behind the public works building and it includes the public safety outpost, as well reconfiguring the current city hall site as well as the public works site and the demolition of the building department site.

Councilwoman Rice wanted to know the benefit of paying the city back for the purchase of the property behind the public works department. Administrator Tucker stated that there was a schedule and it would be presented later in the meeting. It was then noted that there are many different decisions that the council can make to rework the budget. Again, it was pointed out that Administrator Tucker and Treasurer Suggs were asked to put multiple options on the table for council to see and vote on. It was also noted that this was an information gathering session and not the time to have to make decisions. Councilman Marino stated that there was no way the city could spend all of the money from the budget this year and that the public safety building and the other projects are a multiple year undertaking. Councilman Cronin asked if the city would face a penalty if money was borrowed for a project this year, but did not undertake that project. Treasurer Suggs noted that the city has until September to set the millage and that there was still time to work with the budget. Councilwoman McMackin wanted to know if council could get a list of all of the upcoming projects as a way to help make decisions on the projects in order of importance. Administrator Tucker noted that a list could be made, but asked for guidelines for what should be listed. The guideline that was suggested was anything that would cost the city over \$250,000. Administrator Tucker asked if the various committee groups submit lists through the committee process in order to make sure all projects are covered.

The next sheet covers the millage and what affect the most expensive project would have on it. The current millage is listed at 18.5. The millage is supposed to go down because there was a loss of growth in population but the Municipal Association has advised against that for the Isle of Palms. It was noted that if 4.5 mills was added to the debt service for the 12 million dollar project, that leads to the anticipated millage rate of 23.6. This means that an owner occupied house would increase \$153. For a non-owner occupied house the increase would be \$229 or \$30.55 per \$100,000 each year. This data was based on a \$750,000 house.

There is a need for an underground wiring project and electrical updates are needed. A SCE&G information sheet was issued on potential costs for this type of project. The information is incomplete at this point, but it was issued to remind council that this was a project that would need to be addressed and it would be an expensive project

The public safety meeting came up with additional information regarding the purchase of radios for the city. There are two schedules to show different costs for the radios. The public safety committee feels there is a need to be able to have radios that work as analog and digital for emergency situations. One point that was brought up was that the volunteer fireman should have the same radio as the regular fire personnel for both

training and emergency purposes. Also it was noted that key city personnel would need the radios for emergency situations. These two changes make up a \$96,000 difference in the budget. Councilman Marino noted that in the public safety meeting that the recreation department wanted eight (8) radios, but said that he felt that quantity was too high. He did not deny that the recreation department needed the equipment, but thought that they needed to reduce the number of radios needed to three (3). Councilman Taylor said that this was something that should be further discussed during the scheduled Ways and Means meeting.

The last schedule refers to the city paying itself back for the purchase of the property behind the public works building. If the city borrows money to pay itself back, it will restore the audited fund to a more fiscally prudent balance in the fund for capital expenditures. If the city starts reducing funds balances, then it puts other city projects on hold or pushes them back. Councilman Taylor also noted the other reason that the city should pay themselves back would be the potential interest that could be earned in doing so.

Before closing, Administrator Tucker wanted to mention that the long-term beach restoration, the underground wiring, and a wireless mesh throughout the city were not listed in the budget. She urged that the council move forward with the budget and that also before the millage could be changed, it had to be advertised for fifteen (15) days in advance in the paper. Mayor Sottile reminded council that in the Ways and Means meeting the council would only be voting to move forward with the budget to go to first reading, not passing it.

Before closing the meeting, Councilman Taylor thanked Administrator Tucker and Treasurer Suggs for their hard work putting the packets together and reminded council it was now time to review the budget and to start making decisions.