

WAYS AND MEANS COMMITTEE
5:45 p.m., Wednesday, August 13, 2008

The regular meeting of the Ways and Means Committee was held at 5:45 p.m. on Wednesday, August 13, 2008 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Council members Bettelli, Buckhannon, Cronin, Duffy, Loftus, Piening and Rice, Mayor Sottile, Chairman Taylor, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland. There was a quorum present to conduct business.

1. Chairman Taylor called the meeting to order and acknowledged that the press and the public had been duly notified in accordance with the Freedom of Information Act.

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

MOTION: Councilman Cronin moved to approve the minutes of the regular meeting of July 15, 2008 as submitted; Councilman Bettelli seconded and the motion PASSED UNANIMOUSLY.

3. **Citizens' Comments - None**

4. **July 2008 Financial Statement – Treasurer Suggs**

Treasurer Suggs explained that the figures for July were traditionally somewhat misleading since it is the first month of a new fiscal year; there can be cutoff issues or issues with journal entries posting correctly. In reviewing expenditures, she reported that the Police and Fire Departments were showing 8% and 9%, respectively, of budget, because July was one of two months in the year when three (3) payrolls were paid with accompanying fringe. The Treasurer noted that the City was currently in a good cash position with approximately \$2.4 million in the bank. Another item to be clarified was that the Total Budgeted Expenditures figure of \$26 million included the Public Safety Building and one hundred percent (100%) of the costs of the Beach Restoration project, not just the City's portion.

Councilman Cronin asked if the Council would get a full picture of the City's financial position for FY 2007-2008 before the audit results were delivered. Treasurer Suggs replied that she anticipates providing a summary schedule that would include the adjustments and journal entries reflecting June 30, 2008 so that Council can see how the year ended. She did report that she has processed all State Accommodations taxes for the year and the total was twenty percent (20%) over budget. She cautioned that the FY 2008 budget was lower than FY 2007, so the total State Accommodations taxes would not reflect a twenty percent (20%) increase in revenue.

In response to concerns voiced by Councilman Loftus about revenue collections, Administrator Tucker reported that she and the City attorney had been monitoring the lawsuit related to on-line bookings; they have determined that, whatever the resolution to the suit, it will be to the City's benefit. As far as ensuring that the City captures all of the short-term rental business license revenue and accommodations tax revenue that it is due, the Administrator reported that the business license process requires a cross reference to accounts being established for state and municipal accommodations taxes. If in acquiring an Isle of Palms business license, it was found that the applicant had not been properly paying before, they will have to pay going forward. The Administrator noted that there is also an auditing procedure built into the licensing that would allow the City to go after prior years' revenue if it chose to do so.

Mayor Sottile asked the Treasurer why the line item for Fire Department part-time salaries was at 50.45%; she responded that part-time salaries at straight time were preferred over overtime. Treasurer Suggs stated she would review the figures.

Referencing the Beach Nourishment Schedule, Treasurer Suggs commented that there had been significant expenditures in July, namely \$4.5 million paid to Weeks Marine; she reported that another payment had been submitted to Weeks Marine on August 8 for \$1.319 million. Other significant expenses were for the payroll and fringes related to turtle monitoring.

Mayor Sottile asked how the City was handling the \$1 million grant from the state. Administrator Tucker stated she would discuss the City's two (2) grants, i.e. one million dollars (\$1,000,000) from the state and nine hundred thousand dollars (\$900,000) from the County. On the County grant, she reported that City was in the process of finalizing the agreement with the County; upon completion, the City would be requesting the funds. For the state grant, the City will be submitting a request for reimbursement for those expenses associated with the part of the project that clearly qualifies as having public access according to state standards. The Administrator reported that both Weeks Marine and Coastal Science and Engineering have been very helpful in calculating the expenses related to the public access area. Confirming Councilman Buckhannon's understanding, Administrator Tucker stated that, for the elements of the project that are future elements that would be within the public area, the City will seek reimbursement for all that is allowed. To be included in the initial reimbursement request will be the portion of the project costs related to the public area and pro-rated share of mobilization and de-mobilization; turtle monitoring expenses were not approved for reimbursement. The areas that meet the state standards for public access are from the vicinity of 57th Avenue to just past Grand Pavilion.

The Public Safety Building schedule reflected the first payment to Mashburn, which included a portion of the materials' costs.

5. **Old Business - None**

6. **New Business**

A. Recommendations for Approval from Real Property Advisory Committee

1. Reimburse Morgan Creek Grill for lighting improvements to the marina parking lot in the amount of \$1,318.54

Administrator Tucker reported to the Committee that management of Morgan Creek Grill had come before the Committee for several months with concerns over the lack of lighting primarily in the area in which their employees park. With the workload that the City staff has been carrying, Morgan Creek Grill offered to resolve the problem with reimbursement from the City, and the Committee agreed. The paid receipts were presented to the Real Property Committee at their last meeting and were approved for reimbursement.

MOTION: Councilwoman Rice moved to reimburse Morgan Creek Grill \$1,318.54 for lighting improvements to the marina parking lot; Councilman Cronin seconded.

Mayor Sottile reminded the Ways and Means Committee that the Morgan Creek Grill lease states that they are responsible "for everything at their expense." Administrator Tucker noted that the Real Property Committee communicated that message to the management of Morgan Creek Grill at the meeting. The Administrator added that, since the beginning of the relationship at the marina, the City has participated in some of the expenses that the tenants have incurred; therefore, a pattern of behavior has been established that, she agreed, should stop at some point in time.

Mayor Sottile explained the one reason he had brought the subject up for discussion was that he understood that Morgan Creek Grill would be seeking to renegotiate their lease which may cost the City more money. He voiced his opinion that the Real Property Committee should inform Morgan Creek Grill that the City is going to adhere to the letter of the lease.

Councilwoman Rice stated that she understood that the lighting problem had been on-going since the buildings had been removed from the corner of the parking lot. She added that the area had been a hazard and that paying this amount was small for the safety of guests and employees at the marina.

Councilman Bettelli recalled that the area assigned in the lease to Morgan Creek Grill for parking was the asphalt area between the boat ramp around the restaurant; the restaurant has worked out an agreement with the marina manager for additional parking. As a result, the area that they are now using for employee parking is not included in their lease.

The discussion that followed resulted in agreement that the lease should be followed; that the forthcoming lease negotiations would be the opportune time to ensure that all parties understand the lease and the intentions of the City; that the Real Property Committee had given Morgan Creek Grill permission to do the work with the understanding that they would be reimbursed and that the property that was lighted is actually City property.

Call for the Question: The motion PASSED on a vote of 6 to 3; Mayor Sottile and Council members Buckhannon and Loftus voted against the motion.

2. Grant a sixty (60) day extension to the leases of Marina Joint Ventures and Tidal Wave Water Sports.

Administrator Tucker noted that both leases expire September 30, 2008, and, with the staff workload relative to the Public Safety Building and the bulkhead replacement, the Real Property Committee decided to allow time to decide what the City wants to do. For the benefit of the new Council members, the Administrator noted that the City had twice gone through the RFP process for marina management, interviewed candidates and twice selected the same contractor that is currently there.

MOTION: Councilwoman Rice moved to extend the leases for Marina Joint Ventures and Tidal Wave Water Sports for sixty (60) days (until November 30, 2008); Councilman Cronin seconded.

Councilman Buckhannon recalled that there had been minimal response to the RFPs in the past, but he anticipated more responses because of the changes that have been made to the marina, as well as the bulkhead replacement.

Call for the Question: The motion PASSED UNANIMOUSLY.

3. Reimburse up to \$2,500 each to Morgan Creek Grill and Marina Market for expenses related to cleanup underneath the buildings to enable the City to obtain termite bond.

Administrator Tucker appealed to the Council members to read the minutes of the Real Property Committee meeting to be reassured that the issues raised at this meeting were thoroughly discussed with the marina tenants.

The Administrator explained that every year the City has all of its buildings inspected for the termite bond. When the marina store and the restaurant were inspected this year, the inspector stated in his report that he would not certify these structures for another year until the underneath areas have been cleaned up. Rather than the City hiring a contractor to go under the buildings, the Real Property Committee recommended that the City authorize up to a certain amount for the tenants to hire someone to complete the job within the next thirty (30) days. Administrator Tucker explained that the Committee had chosen to follow this course because, typically when the City hires a contractor to go onto tenant's property and into tenant's buildings to do work, the tenants end up having some issue with the work that was done or blame the contractor, that was there on the City's behalf, for something else that comes up. With hiring their own contractor, there was less chance of having those types of conflicts.

Councilman Loftus questioned how the stuff got under the buildings; the Administrator explained that part of it is a function of the climate they are in; the moisture that gets under the buildings from the water degrades the materials leading to sagging plywood and insulation. Councilwoman Rice added that there is debris that has been thrown under the buildings or items that have been stored, but building materials that have degraded.

When asked how the amount had been determined, the Administrator related that both Directors Pitts and Kerr had made on-site inspections to provide estimates of the costs that will include the rental of a large dumpster and some small repairs.

Administrator Tucker stated that the responsibility for maintaining the termite bond on the City's buildings is a part of the City's insurance policy – one way that the City protects its assets. Councilman Taylor expressed his opinion that maintaining the termite bond should be a part of a triple net lease. Councilman Duffy countered that the City owns the buildings; therefore, it is responsible for the foundation and the superstructure. There was general consensus that, if there were to be a change in responsibility, the renegotiation of the lease, which is occurring now, was the time to address it.

MOTION: Councilwoman Rice moved to approve up to \$2,500 each for the Marina Market and Morgan Creek Grill to reimburse them for expenses incurred in cleaning out and repairing underneath the structures; Councilman Cronin seconded and the motion PASSED on a vote of 5 to 4;

Mayor Sottile and Councilmen Buckhannon, Loftus and Taylor casting votes against the motion.

B. Recommendation for Approval from Public Safety Committee

Approval of the Change Order from Mashburn Construction for the mobile fencing in the amount of \$5,306.35.

Administrator Tucker reminded the Committee that she had informed them that this change order would be forthcoming at the July meeting and that the change order had come as a result of a request made by the City in order to retain as much public parking as possible for as long as possible.

MOTION: Mayor Sottile moved to approve the change order to Mashburn Construction in the amount of \$5,306.35; Councilman Bettelli seconded.

Councilwoman Rice asked what was to be done with the fence when it was removed; Councilman Buckhannon remembered that the City had been told it could be resold to the vendor at a reduced price.

Call for the Question: The motion PASSED UNANIMOUSLY.

C. County Park Parking Lot Statistics – City Parking Lot 90 day Notification

The Administrator recounted that Councilwoman Rice had been tasked by this Committee to acquire this information partly because of the perceived downturn in visitation. She referred the Committee members to the information provided in their packets which does show for the County Park a slight reduction in the number of cars, but an increase in overall revenue.

Administrator Tucker reported that she had received 90-day notification from Rick Linville that he was no longer interested in managing the Front Beach parking lot. This issue will be discussed by the Real Property Advisory Committee to generate options to present for consideration. She noted that this is a time sensitive issue because there are issues with the lot that occur all year long, for example yearly passes, employee parking, hotel parking, etc.

Councilman Taylor recalled that the City had learned that outside management was better than having City employees at the parking lots. Councilman Taylor said, "City employees were not as interested in collecting the five dollars (\$5) per day fee as someone who was trying to make a profit."

In conclusion, Administrator Tucker informed the Committee that Mr. Linville would be preparing exit information for the Real Property Committee to assist them in making their recommendations.

D. Recommendation for Award of General Obligation Bond to BB&T for financing \$6.7 million for the Public Safety Building at a rate of 4.14% for a term of twenty (20) years.

Administrator Tucker notified the Committee that the only other offer the City received was from SunTrust Bank; they quoted 4.68% to prepay at any time and 4.57% to prepay with penalty.

Councilman Loftus asked if the quote from BB&T had a prepayment penalty attached; the Administrator explained that BB&T had not quoted a prepayment rate, but that the City would not be prepaying this debt. She added that, while it had been advantageous to the City on the beach restoration project to be able to prepay at any time, in a General Obligation Bond where the asset is long term and the rates are as low as they are today, the City would be safe in proceeding with 4.14%. By the time the City would be ready to prepay, the Bond would allow it. Councilman Taylor noted that, should the City experience a windfall, research would be done on each issue of City debt to determine the best use of the windfall – weigh the benefit versus the penalty.

MOTION: Councilman Rice moved to award the General Obligation Bond to BB&T for financing \$6.7 million for the Public Safety Building at a rate of 4.14% for a term of twenty (20) years; Mayor Sottile seconded and the motion PASSED on a vote of 8 to 1 with Councilman Loftus casting the sole negative vote.

MOTION: Councilman Bettelli moved to suspend the rules to allow the Public Works Committee to add an item to the Agenda; Councilman Duffy seconded and the motion PASSED UNANIMOUSLY.

E. MOTION: Councilman Bettelli moved for approval of the recommendation from the Public Works Committee for up to \$16,000 for drainage repairs and resurfacing of Cross Lane by sole source provider Sanders Brothers; Councilman Cronin seconded.

Councilman Bettelli explained that Sanders Brothers was resurfacing the street at either end of Cross Lane for the Isle of Palms Water and Sewer Commission; they could do this additional piece of work in tandem with the project for Water and Sewer. He reported that the funds would come from the Drainage Contingency Fund.

Councilman Bettelli reported that there are three (3) sink holes on Cross Lane that are the result of faulty work done by the County; they failed to wrap the joints when they did the drainage the work.

Mayor Sottile asked why Cross Lane had been selected; he noted that there are roads all over the island that he has been trying to get paved for years. He also thought that it was wrong to pay for resurfacing with drainage money.

Discussion continued on issues related to Charleston County Public Works doing the work, having a prioritized list of roads that need repair on the island, using City funds to address the most critical need first and the option to patch the road versus resurface it.

When Councilman Loftus asked Director Pitts where he would place Cross Lane on the City's proposed prioritized list, Director Pitts responded that Cross Lane had been pushed to top of the list because of the drainage problem, not a road and resurfacing problem. He reported that the drain line must be repaired because it leads to the main watershed for that area.

Administrator Tucker pointed out that the work to repair the drainage problems will only exacerbate the problems with the road itself, so there will be repairs to the road. Since Sanders Brothers will be mobilized for the Water and Sewer Commission, there are likely some cost savings; Councilman Duffy pointed out that the Committee does not know what the project would cost if it were to stand alone. Director Pitts reported that the asphalt resurfacing at the marina by Charleston County cost the City eleven thousand dollars (\$11,000) for materials only and the areas are comparable in size.

Call for the Question: The motion PASSED on a vote of 6 to 3; Council members Buckhannon and Rice and Mayor Sottile cast votes against the motion.

7. Miscellaneous

Receipt of Updated Maximum Permitted Rates from Comcast Cable

Administrator Tucker reported, in the way of information, that Comcast Cable had submitted their updated maximum permitted rates that the FCC requires. Typically this notification is where the cable company justifies its rate increase which is already in place. Councilman Cronin told the Committee that the City receives this information because of the franchise agreement between Comcast and the City.

8. Executive Session – not necessary

9. Adjourn

**MOTION: Councilman Buckhannon moved to adjourn at 7:05 p.m.;
Councilman Loftus seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland
City Clerk