

**WAYS and MEANS COMMITTEE**  
5:45 p.m., Tuesday, October 16, 2012

The Ways and Means Committee held its regular meeting at 5:45 p.m. on Tuesday, October 16, 2012 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelli, Buckhannon, Carroll, Loftus, Stone, Thomas and Ward, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, Assistant Dziuban and 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 Bettelli moved to approve the minutes of the regular meeting of September 18, 2012 as submitted; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.**

3. **Citizens' Comments** – None

4. **Financial Statement** – Treasurer Suggs

**A. September Financial Statement**

The financial statement presented tonight is through September 30, 2012 – one quarter (¼) through the fiscal year; therefore, the expenditure target in the General Fund is twenty-five percent (25%). Treasurer Suggs reported that the City received a second payment from SCLGAG, the City's previous health insurance provider, for one hundred twenty-five thousand dollars (\$125,000), which is unbudgeted revenue that has been classified as Miscellaneous Revenue. The City received one hundred thirty-nine thousand dollars (\$139,000) in FY12, but the City does not anticipate any future payments from SCLGAG. General Fund revenues are at twelve percent (12%) of annual budget and fifteen percent (15%) ahead of FY12. All departments are at or below budget; overall the City is at twenty-one percent (21%) of annual budgeted expenditures. Cash on-hand totals an excess of two and a half million dollars (\$2,500,000) distributed between BB&T and the LGIP, Local Government Investment Pool. Treasurer Suggs stated that, in October, she expects the interest rate at BB&T to go below the one tenth of one percent (0.1%) currently being paid. The Treasurer foreshadowed that the City will likely exceed the amount budgeted in FY13 for legal services despite having re-classed ten thousand dollars (\$10,000) in legal expenses related to the land purchase to Capital Projects. She noted that the City's prosecuting attorney is being asked to do things that Lieutenant Wright did due to his many years of experience; the City does not have an employee at this time with the experience needed to do those tasks.

**B. Tourism Schedules**

Municipal Accommodations Fees were at one hundred fifteen thousand dollars (\$115,000); collections are eight percent (8%) higher than in FY12.

Year-to-date, the City has not received State Accommodations Taxes or Charleston County Accommodations Taxes.

Hospitality Taxes were noticeably higher in September 2012 than September 2011; research into the difference found that a major taxpayer was delinquent in 2011. Collections year-to-date are eighteen and six tenths percent (18.6%) higher than in FY12.

Mayor Cronin informed the Committee that the City and Charleston County have taken the initiative to contact the Department of Revenue and the State Treasurer regarding the facts that (1) State Accommodations Taxes have been sent to the County in excess of what Charleston County believes it was due, (2) Charleston County has returned these excess funds to the state and the state appears to be holding onto the money and not redistributing it. The City and Charleston County believe that the money likely belongs to some incorporated municipalities in the County, of which Isle of Palms is one. The letter states that this amount of money needs to be properly accounted for and distributed to the municipalities to whom it is due.

### **C. Projects Status**

The only financial activity in the Beach Restoration project was for banking service charges, leaving an available balance of four hundred six thousand dollars (\$406,000).

Councilmember Stone asked what expenses could be anticipated from this balance in this budget cycle; Administrator Tucker responded that the City has an outstanding contract in the amount of two hundred eighty-six thousand dollars (\$286,000) with Coastal Science Engineering (CSE) for monitoring activities

Councilmember Stone recalled that a stipulation of the permit had been a lighting study; he questioned that the study had been done, and, if so, what the results had been. The Administrator answered that the study had been done in two (2) sessions; in the first, CSE identified lights that were shining onto the beach at night so the City sent a communication to property owners in the area. The second survey was a follow up to determine whether or not improvement had occurred. Administrator Tucker recalled seeing the report from the initial survey identifying the problems, but does not recall having seen the follow-up report, but she was confident that a copy could be obtained for Council. The Administrator indicated that the study had been the result of comments from endangered species groups, but is included in the permit as a requirement under the Corps of Engineers and OCRM.

Mayor Cronin noted that the City should receive the results of the annual monitoring of the beach before Christmas.

In the Phase II Drainage Civil Site Environmental was paid an installment of eight-five hundred dollars (\$8,500) for engineering and drawings against their contract; one hundred two thousand six hundred dollars (\$102,600) remain to be spend on this project.

## **5. Old Business**

### **Discussion of Uses for FY12 General Fund Year-end Gain**

Mayor Cronin reiterated that, at the September Council meeting, seven hundred thousand dollars (\$700,000) of the FY12 General Fund gain of eight hundred six thousand dollars

(\$806,000) was moved to the Unrestricted Capital Projects Fund. As stated at that time, his intention was to make specific recommendations at this meeting.

**MOTION: Mayor Cronin moved to increase the Disaster Recovery Fund to \$2,000,000 using \$156,000 from the FY12 General Fund Gain in the Unrestricted Capital Projects Fund; Councilmember Bergwerf seconded.**

Councilmember Ward asked how the Mayor had arrived at that dollar amount; Mayor Cronin responded that he thought an eight percent (8%) increase was reasonable. The Mayor added that he believes that an annual increase of five to eight percent (5%-8%) is responsible in light of the fact that the City does have other unrestricted funds of approximately two million dollars (\$2,000,000) it could draw from. Councilmember Ward repeated his opinion that the Disaster Recovery Fund should be much larger.

**VOTE: The motion PASSED UNANIMOUSLY.**

**MOTION: Mayor Cronin moved to pay off the four (4) remaining capital leases totaling \$126,426 from the Unrestricted Capital Projects Funds; Councilmember Loftus seconded.**

Mayor Cronin noted that the early lease payoffs were unbudgeted but would yield a savings to the City of thirty-two thousand five hundred dollars (\$32,500).

**VOTE: The motion PASSED UNANIMOUSLY.**

**MOTION: Mayor Cronin moved to pay off the capital lease balances totaling \$69,180 each from the Municipal Accommodations Taxes and State Accommodations Taxes; Councilmember Loftus seconded.**

Councilmember Ward remarked that these amounts are not a part of the FY12 General Fund gain.

Administrator Tucker pointed out that the future financial statements will include these unbudgeted expenditures from these tourism funds.

**VOTE: The motion PASSED UNANIMOUSLY.**

Mayor Cronin expressed his opinion that, in the next budgeting process, reserve funds can be set up for future capital purchases; in addition, approximately four hundred thousand dollars (\$400,000) has been added to the Capital Projects Fund.

Councilmember Ward asked for the right to bring this subject up again at the November meeting after he has had time to refresh his memory regarding the composition of the FY12 gain that was detailed in an email from Administrator Tucker. He added that he was pleased that the City had managed to generate the surplus, but he was also concerned, from a budgeting standpoint, that the gain was so large. Treasurer Suggs stated that the City usually produced a gain from the General Fund, but not quite as large as in FY12.

Mayor Cronin reminded Councilmember Ward that the City had experienced revenue increases in several areas that were not anticipated and that the City had not carried through with certain expenditures that were budgeted. The combination of the two (2) produced the gain.

Administrator Tucker explained that the reason she and the Treasurer had generated the schedule detailing the makeup of the gain was that she had, also, been concerned when she was made aware of the amount of the gain; she questioned that a significant task had been assigned that had not gotten done. The schedule details where revenues were greater than anticipated, where money was planned to be spent but not spent, etc.

## **6. New Business**

### **A. Recommendation from the Real Property Committee to reimburse Mr. & Mrs. Phillip Smith \$4,833.20 contingent upon their signing a waiver releasing the City of any financial claims relative to the 2012 dredging project.**

**MOTION: Councilmember Loftus moved to reimburse the Smiths as stated above; Councilmember Bergwerf seconded.**

Councilmember Carroll indicated that he had initially questioned the engineering firm and the source of the silting at the Smiths and would support this motion, but he doubted that he would do so in the future. He reported that silting is occurring down the length of the island along the Intracoastal Waterway.

When Councilmember Ward asked for the reasoning for supporting this reimbursement, Administrator Tucker offered to provide the history behind the Smith's request. Mr. Smith appealed to City Council when the City initiated work toward dredging, claiming that the silting underneath and around his dock was a result of drainage from the 41<sup>st</sup> Avenue drainage ditch; the City authorized the engineer to look at the area to determine whether Mr. Smith's claim was accurate. The City's engineer agreed with Mr. Smith that the silting was from the drainage ditch; as a result, the initial dredging plan included dredging under and around the Smith dock. When the project went out for public notice, Mrs. Smith, the property owner, contacted the engineer expressing concerns that the dredging would undermine their pilings; from that conversation, the Administrator understood that the engineer and Mrs. Smith had agreed to stay ten (10) feet off the Smith's dock to avoid the risk to the pilings. The actual dredging permit footprint awarded as part of the bid indicated that the dredger would stay ten (10) feet off the dock. Between the time the project was permitted and dredging construction, some kind of miscommunication apparently occurred; therefore, when Mr. Smith approached the dredger about when the work around his dock would occur, the dredger told him that his property was not included. At the time that Mr. Smith became aware of the change, he came back to Council for inclusion, and Council approved six thousand dollars (\$6,000) dredging at his site; this approval was one (1) of several change orders that Council approved. Acknowledging that dredging is not an exact science and that the dredger cannot predict what type of materials he will be asked to remove until he starts the job, the time approved for the Smith's property was an estimate. Additionally, a dredging permit has a window of time under which the City was allowed to dredge; with that window expiring within twenty-four (24) hours, Administrator Tucker

was contacted by the engineer saying that Mr. Smith reported that additional material needed to be removed, which would cost more money, and he sought the City's authorization to proceed. The Administrator did not have time to assemble a Council meeting to approve additional money to dredge the Smith's dock, but, if Mr. Smith was willing to pay for the work and the disposal fees, she would allow the work to be done under the City's permit. That work did occur.

Mr. Smith has recently corresponded with the City. His justification for reimbursement of four thousand eight hundred thirty-three dollars and twenty cents (\$4,833.20) was the City's intention to include his dock initially in the project. Administrator Tucker commented that, if the dredging project happened as originally conceived, the City may well have paid the six thousand dollars (\$6,000) authorized plus the amount being requested by the Smith's now. The Real Property Committee agreed with the Smiths that the City should reimburse them for the dredging work at their dock; the Committee also thought it prudent to have the Smith's sign a document relieving the City of any additional charges that they might incur relative to the 2012 dredging project.

Councilmember Bettelli voiced concern that Mr. Smith did think that the City was setting a precedent in that whenever the City undertook a project and there is an outcry from the island that the City would be responsible for silting resulting from drainage ditches.

**VOTE: The motion PASSED UNANIMOUSLY.**

**B. Adoption of Policy to Prevent Fraud**

Mayor Cronin referred the Committee to the policy that was included in meeting packets.

Administrator Tucker related that she had studied fraud prevention policies from many local governments and meshed them together to create a simple one for the City. The adoption of this policy has been suggested by the auditors, and an action tonight will check off one of their recommendations. The draft of the policy includes a reference to Auditing Standards No. 99; a copy was not attached to the policy included in meeting packets due to the length of it, but a copy will be attached to the policy assuming that it is approved.

**MOTION: Mayor Cronin moved to adopt "A resolution by the City of Isle of Palms to Adopt a Fraud Policy;" Councilmember Bettelli seconded and the motion was PASSED UNANIMOUSLY.**

**7. Miscellaneous Business**

**Next Meeting Date: 5:45 p.m., Tuesday, November 27, 2012.**

Mayor Cronin commented that the November meeting will be on the fourth (4<sup>th</sup>) Tuesday of the month and will be followed by the monthly Council meeting.

**8. Adjourn**

**MOTION: Councilmember Loftus moved to adjourn the meeting at 6:23 p.m.; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk