

## **WAYS and MEANS COMMITTEE**

5:45 p.m., Tuesday, September 23, 2014

The regular meeting of the Ways and Means Committee was held at 5:45 p.m. on Tuesday, September 23, 2014. Attending the meeting were Councilmembers Bergwerf, Bettelli, Buckhannon, Carroll, Ferencz, Harrington, Loftus and Ward, Mayor Cronin, Administrator Tucker, Treasurer Suggs, Assistant to the Administrator Dziuban 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 Loftus moved to approve the minutes of the regular meeting of August 19, 2014 as submitted; Councilmember Bergwerf seconded and the motion PASSED UNANIMOUSLY.

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

#### **Presentation by Liollo Architects for Cost Estimates on Public restrooms and the Next Phase of Work (FY15 budget - \$49,220)**

Seth Cantley and Rick Bousquet attended the meeting to review the Order of Magnitude Construction Cost Estimates which went through the Real Property Committee earlier in the month. Mr. Bousquet stated that Liollo's most recent tasks on the proposed replacement of the Front Beach restrooms were programming of the restroom facilities and generating cost estimates for the two (2) locations under consideration.

For the record, Mr. Cantley repeated that the two (2) sites being considered were the existing location at Front Beach and the larger municipal parking lot. He reported that they agreed that certain things were the same for the two (2) sites; they are:

- The time of construction: The plan is to complete the design by the end of January 2015 and to advertise the bid packets toward the end of summer, giving the contractor time to set up to reduce time at the site;
- Demolition: No matter which site the City chooses for the new facilities, the existing restrooms must be demolished.
- Materials, both interior including the fixtures and exterior: The ideal materials will be durable for both public use and the salt-air environment.
- Building programming: The programming system was devised to meet the City's needs, the number of fixtures, and the space and movement including the shower facility for either site; the square footage and number of fixtures are the same for both sites.
- Cost contingencies: Fifteen percent (15%) has already been factored into the costs for design and five percent (5%) for construction has also been factored in.

In looking at the cost impact, there will be additional costs for elevating the structure at the site on Front Beach since ramps and stairs with landings will be necessary for access.

Another factor that increases the overhead at the Front Beach is that the site is very tight for getting pile drivers and bulldozers situated.

Issues that will help to reduce the cost of construction at Front Beach are the ability to connect the proposed new beach access walkover and the existence of utilities at this site.

For the site in the municipal parking lot, factors that will impact the cost are bringing new utilities to the site, keeping the showers in their present location at Front Beach as well as the cost of demolishing the existing restrooms.

Since these cost estimates were prepared, the City has been considering elevating the structure in the parking lot to avoid possible flood insurance issues in the future, so the costs will increase from what is presented.

The construction cost estimates for the two (2) sites are:

Existing space at Front Beach	\$1,111,456
Municipal Parking Lot	998,838

Councilmember Carroll inquired about the elevation of the site in the parking lot and the elevation height of a new structure. Director Kerr stated that the elevation recommended by FEMA is sixteen feet (16 ft.), but the City typically adds a foot to be safe; the grade at the lot is approximately eleven and a half feet (11½ ft.) and the building needs to go to seventeen feet (17 ft.).

Mayor Cronin asked if the builder would use the existing footprint without additional foundation work, and Mr. Bousquet answered that the existing foundation would not be used.

Responding to Councilmember Loftus' query about whether the building would have steps or ramps, Mr. Bousquet stated that the building would have a combination of the two (2).

Mayor Cronin suggested that the City not require additional work from Liollo at this time to allow him to open a dialogue with the County since the City now has cost estimates.

**MOTION: Mayor Cronin moved not to proceed with Liollo to allow him to initiate discussions with Charleston County Council; Councilmember Carroll seconded.**

Councilmember Ward stated that the County should pay for the public restrooms, and island residents should not be expected to contribute at all.

Mayor Cronin alerted Council that, in exchange for one million dollars (\$1,000,000), the County might want the land under the restrooms.

Councilmember Ward stated that the existing restrooms cost less than one hundred fifty thousand dollars (\$150,000) to construct, and he recalled that the residents "were adamant about the City spending any (General Fund) money" toward the costs. He added that he was

against spending Accommodations Tax money because it was not generated by the daily visitors to the island.

Councilmember Loftus asked for Council to be updated on any conversations that have transpired with the County about the restrooms. Mayor Cronin reported that he and the Administrator had met with the local representative to County Council here on the island and walked through the City's facility and through the County's facility and informed him that the City would be coming to them for funding.

Administrator Tucker mentioned that, when the City was in negotiations with the County about paying for the recycling and the grants they have been giving to the City for BSOs, they made the comment in a communication that the City could set aside some of this money to go toward the public restrooms in the future. The Administrator stated that she had responded that Council would likely "not feel that was adequate participation on the County's part" and that "(City) Council would be looking for something far more significant."

In terms of building a budget, the Administrator asked Mr. Bousquet whether the construction cost estimates included the costs for the scope of work yet to be completed by Liollio; she was told that they were two (2) separate items and would need to be combined.

**VOTE: The motion PASSED UNANIMOUSLY.**

**4. Financial Statement – City Treasurer**

**A. Financial Statement**

Treasurer Suggs quickly reviewed the August 2014 financial statement with a target for expenditures at seventeen percent (17%). General Fund revenues were eight percent (8%) collected, and General Funds expenses were thirteen percent (13%) of budget; the only department over-budget was BSOs, which was a timing issue. For General Fund revenues, the City has experienced increases in business and rental licenses over last year, as well as building permits. The Treasurer pointed out that overall cash was up from last year; the General Fund was down slightly, but all other funds were up.

**B. Tourism Funds**

The City has not received distributions from State Accommodations Taxes or the Charleston County Accommodations Pass-through. August collections for Municipal Accommodations Taxes were less than last year; for two (2) months of the fiscal year, receipts were down one percent (1%). Hospitality Taxes are up ten percent (10%) through two (2) months of FY15; a brief discussion took place regarding a late payer, who is making payments and paying penalties.

**C. Projects Status**

The parking and wayfinding schedule reported a payment of thirty-seven thousand eight hundred dollars (\$37,800) to Stantec relative to work on the parking program.

The only expenditures for the 2014 shoal management schedule were legal expenses. Treasurer Suggs directed attention to the first box toward the bottom of the page and noted that, since September 1, the City has received the remaining balance of funds from private entities for the project.

Councilmember Buckhannon asked for an update on the “ghost seawall” that was uncovered at Ocean Club. Administrator Tucker stated that their property manager indicated to her yesterday that they have hired an attorney to plead their case with the regulatory body; she said that she has learned that the seawall has been in place for a long time, possibly more than two (2) years.

Mayor Cronin noted that the wall appears to be well-constructed.

On the subject of the shoal management project, Councilmember Loftus reiterated his concern about the movement of the shoal, and the Administrator reported a conversation with the engineer earlier in the day that he was still planning on a November start on the construction. The project design he is proposing calls for harvesting sand from two (2) locations, i.e. the shoal and the project area where there has been significant accretion between Dunescrest and Beechwood East.

Councilmember Loftus then asked about the possibility of pushing the project back one or two (1-2) months. Administrator Tucker indicated she had posed that question to the engineer who had responded that there were problems with favorable tides and daylight hours so that work can be done.

Councilmember Ferencz asked how the litigation around the seawall would affect the City’s project and whether the City would put sand on top of the wall.

Mayor Cronin was emphatic that the City would not put sand on the wall.

Having worked with sandbags in the past, sandbags do not concern the Administrator, and she believes that the wave dissipation device can be removed relatively easily. But she is concerned about the seawall.

**D. Consideration of FY14 Positive Net Result**

Treasurer Suggs directed attention to the two (2) pages of information about the Positive Net Result achieved in FY14. Based on the decision on this matter, the Treasurer will generate the final journal entry, and the auditors will finalize their work to make the annual audit presentation to Council at the October Council meeting. The actual FY14 positive net result equals three hundred ninety thousand four hundred fourteen dollars (\$390,414); the Treasurer recommended that the City distribute this money as follows:

Transfer to Capital Projects Fund	\$350,000
Transfer to Disaster Recovery Fund	10,000
Retain in the General Fund	30,414

**MOTION: Councilmember Carroll moved to distribute the money as detailed by the Treasurer; Councilmember Bettelli seconded.**

Councilmember Loftus stated that he was concerned about having to impose a tax increase on citizens for the FY16 budget; therefore, he did not support the transfer to Capital Projects, but suggested that the City hold onto the money as one (1) source of funds to avoid a tax increase.

Mayor Cronin stated that, at the end of FY15, the Capital Projects fund will not have a sufficient balance at only four hundred thousand dollars (\$400,000) to cover ongoing purchases. The Mayor added that moving the funds into Capital Projects did not preclude Council from transferring them to another fund if needed; the Mayor also stated that he was not anticipating a tax increase next year.

Councilmember Ward stated that he did not agree with the Treasurer's recommendation; he voiced the opinion that more money needed to be in the Disaster Recovery Fund.

**Amendment: Councilmember Ward moved to amend the motion to transfer \$50,000 of the FY14 positive net result to the Disaster Recovery Fund; Councilmember Buckhannon seconded.**

Mayor Cronin stated that he saw the tourism funds as the disaster recovery second order with a cumulative balance of some three million dollars (\$3,000,000).

Councilmember Ward recalled that the City had one point eight millions dollars (\$1,800,000) for disaster recovery when Hurricane Hugo hit and had run through those funds in only a few days. He added that, if inflation were factored in, the City should have more than three and a half million dollars (\$3,500,000) in the Disaster Recovery Fund.

The Mayor countered that the Disaster Recovery Fund has a balance in excess of two million dollars (\$2,000,000) plus three million dollars (\$3,000,000) in tourism funds; in his opinion the City has in excess of five million dollars (\$5,000,000) for use in a similar situation.

Treasurer Suggs explained that the Capital Projects Fund ends FY14 with two point zero six five thousand dollars (\$2,065,000); with FY15 net expenditures of eight hundred thirty-two dollars (\$832,000), the FY15 ending balance is Capital Projects ending balance is projected to be one point two million dollars (\$1,200,000). Without disturbing the savings for specific projects and spending as budgeted, the ending balance for "Assigned for Capital Projects" will only be four hundred fifteen thousand dollars (\$415,000), which is approximately one year's expenditures; she added that the City has traditionally tried to maintain a two million dollar (\$2,000,000) balance in Capital Projects.

Councilmember Ferencz noted that the City does have the money to make the budgeted FY15 Capital Projects expenditures and will have four hundred fifteen thousand dollars (\$415,000) for expenditures the next year. She, therefore, does not see the need to transfer such a large sum into the account.

Treasurer Suggs reminded the Committee that the only source of revenue for the Capital Projects fund is transfers from the General Fund.

Councilmember Buckhannon stated that he liked the idea of building the Disaster Recovery Fund because residents understand it and feel a sense of peace knowing that Council is dedicated to seeing the island and people through a disaster.

The Treasurer noted that the Capital Projects can only be cut so far if Council wanted to continue to deliver the level of services that the residents are accustomed to.

**VOTE on the AMENDMENT: The Amendment PASSED on a vote of 8 to 1 with Mayor Cronin casting the negative vote.**

**AMENDMENT: Mayor Cronin moved to amend the motion to transfer the remaining balance of the FY14 Positive Net Result to the Capital Projects Fund; Councilmember Ward seconded and the motion PASSED on a vote of 8 to 1 with Councilmember Ferencz casting the negative vote.**

[Note: A vote on the amended main motion was not taken in this meeting. Please see minutes of City Council meeting of September 30, 2014 for vote.]

#### **F. Consideration of Refinancing Rec Tax-exempt Bond**

Mayor Cronin noted that the current principal balance is one million six hundred eighty thousand dollars (\$1,680,000) on the Rec bond; if the City was to pay it down to one million five hundred thousand dollars (\$1,500,000), it can avoid the major expense for refinancing costs.

The Mayor explained that the scheduled FY15 payment of one hundred forty-five thousand dollars (\$145,000) was to be paid with eighty-seven thousand dollars (\$87,000) from the General Fund and fifty-eight thousand dollars (\$58,000) from the Municipal ATAX Fund. The additional thirty-five thousand dollars (\$35,000) of unbudgeted expense can be paid with twenty-one thousand dollars (\$21,000) from the General Fund and fourteen thousand dollars (\$14,000) from the Municipal ATAX Fund. If the bond is paid down for refinancing, the FY15 interest savings would be eight thousand dollars (\$8,000).

The City's bond attorney with the McNair Firm estimates a market rate of between 2.31 percent and 2.44 percent; using an interest rate in the middle of 3.75%, the City's net interest savings over the life of the loan will be approximately seventy-two thousand dollars (\$72,000).

**MOTION: Mayor Cronin moved to authorize an unbudgeted expenditure of \$21,000 from the General Fund and \$14,000 from the Municipal ATAX Fund to begin the refinancing process on the Rec Center bond; Councilmember Harrington seconded.**

Responding to Councilmember Ferencz' question about the term of the bond, the Mayor stated that the term of the bond will not change and will be paid out in 2023; he noted that the current interest rate is 3.55 percent.

Councilmember Ward asked if these expenditures were in the FY15 budget; Administrator Tucker stated that the bond counsel fees of twenty-five thousand dollars (\$25,000) were included in Judicial Professional Services in the General Fund, but not the additional principal payment.

**VOTE: The motion PASSED on a vote of 7 to 2 with Councilmembers Ferencz and Ward dissenting.**

Administrator Tucker reported that she will be discussing a timeline with bond counsel and the a special meeting may be required.

Councilmember Ward asked if the City would be refinancing any additional bonds for which the costs were not included in the budget. The Administrator indicated that there were no other bond refinancing in the near future; she also stated that the additional legal expenses associated with this refinancing were discussed during the budget preparation, but agreed that the additional principal payment was not.

Administrator Tucker was pleased to announce that Standard and Poor's has upgraded the City's bond rating to AA+. The Mayor noted that bond counsel was not aware of the change when they quoted interest rates; the City might get a rate lower than counsel is predicting.

## **5. Old Business**

### **A. Consideration of Front Beach Lighting Project (FY15 budget - \$125,000)**

The Administrator reported that this had favorably passed through Committee and that, in terms of the budget, the projected costs were very good.

**MOTION: Councilmember Ward moved to approve the expenditures detailed on the worksheet to proceed with the Front Beach lighting project; Councilmember Loftus seconded.**

Councilmember Ward thanked Councilmember Carroll for suggesting that the City approach SCE&G about using funds in the Non-standard Service Clause, thereby reducing the City's cash outlay; the City's share of the construction costs are expected to be sixty-seven thousand five hundred dollars (\$67,500) with an additional forty-nine thousand six hundred sixty-two dollars (\$49,662) from the Non-standard Service Clause. He added that the lights will be in place by spring 2015.

Administrator Tucker assured the Committee that Front Beach will have much improved illumination with the additional lighting. In addition, these lights will be can be turned off and on or dimmed from SCE&G headquarters; they will know when a problem occurs to dispatch a repair crew to the island.

The Administrator stated that, should the operational costs exceed budget for FY15, payments can be made from the balance of the budgeted amount of one hundred twenty-five thousand dollars (\$125,000).

**VOTE: The motion PASSED UNANIMOUSLY.**

**B. Discussion of Flood Insurance Renewals on City Buildings**

Administrator Tucker reported that she had received notification in the afternoon from C.T. Lowndes that FEMA has approved the information submitted on the Recreation Center, reducing the premium for flood insurance from Wright's to about three thousand dollars (\$3,000). The City will apply for a refund of the five thousand dollars (\$5,000) paid to Lloyd's. Staff is gathering data to submit for the flood insurance renewal for Fire Station 2.

The Mayor stated that he would like an update regarding Fire Station 2 at next month's meeting.

Councilmember Ferencz asked whether the City had received the results from the NFIP audit, and Administrator Tucker indicated that it has not.

Mayor Cronin stated that he had talked with Director Kerr who had informed him that the audit had occurred, but it would be at least six (6) weeks before the City received the results. If the rate is lowered, Director Kerr was told that the City will have six (6) weeks to two (2) months to make corrections and submit responses in order to get the City back to the level that would provide the same discount to residents.

**E. Update on Parking Management Plan**

Administrator Tucker reported that staff and Rick Day of Stantec have met with several vendors who could provide the services the City will need if it goes forward with the parking plan as presented. In addition, a meeting has taken place with the South Carolina Department of Transportation to review what the City contemplates doing. Staff members and Stantec personnel were very pleased with the positive and affirmative they received; therefore, the City does not anticipate a SCDOT obstacle if the decision is to proceed after the public hearing on October 2<sup>nd</sup>.

Councilmember Harrington stated that he would like for the City to respond to the editorial in the Post and Courier today; he believes "they totally missed the City's intention." Administrator Tucker stated that she thought the best response would be for the citizens to speak out.

The Committee also discussed briefly that Sullivan's Island appears to be considering developing a similar plan.

**6. New Business**

**Contracts in Excess of \$10,000 – None**

**7. Miscellaneous Business**



**Discussion of Appreciation Event (FY15 budget - \$11,000)**

The Administrator commented that the City has held a holiday party at the *Windjammer* for years, but attendance was off last year considerably; at the same time, the Holiday Street Festival has become very popular with both residents and employees. Staff has discussed having a different type of event at a different time of year. The suggestion was made to have the appreciation event in the spring as an Isle of Palms Day at the RiverDogs with a picnic; such an event would cost twenty-two dollars (\$22) a person. If two hundred (200) people attend, the expense would be well under budget.

A gift of appreciation to employees during the holidays has been a thirty-five dollar (\$35) grocery gift card; these cards could be increased to fifty dollars (\$50) and the City still stays well within the eleven thousand dollar (\$11,000) budget.

**MOTION: Councilmember Ward moved to give the employees \$50 grocery gift cards for the holidays and to hold an Isle of Palms Day at the River Dogs in the spring; Councilmember Carroll seconded and the motion PASSED UNANIMOUSLY.**

Councilmember Bettelli suggested that a notice be put on the website stating that the City would not have the holiday party this year.

**Next Meeting Date:** 5:45 p.m., Tuesday, October 21, 2014

**8. Executive Session** – not necessary

**9. Adjourn**

**MOTION: Councilmember Ward moved to adjourn the meeting at 7:23 p.m.; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk