

WAYS and MEANS COMMITTEE
5:45 p.m., Tuesday, August 17, 2010

The regular meeting of the Ways and Means Committee was held at 5:45 p.m. on Tuesday, August 27, 2010 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelii, Buckhannon, Duffy, Loftus, Piening, Stone and Thomas, Mayor Cronin, City Administrator Tucker, Assistant to the Administrator Dziuban and City Clerk Copeland. 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 Loftus moved to approve the minutes of the regular meeting of July 20, 2010 as submitted; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.

3. **Citizens' Comments**

Jim Raih, 3904 Cameron Boulevard, explained that his career is in real estate development, and, as such, he attended a Charleston County Planning Commission Meeting where the placement of two (2) four hundred foot (400 ft.) communications towers on Six Mile Road in Mount Pleasant were discussed. He noted that one (1) question posed was whether the two (2) towers would solve the communications problems on the Isle of Palms; to which Mr. Raih had responded that the City of Isle of Palms was anxious to avoid the construction of a tower on the island. Mr. Raih stated that he understood the issue before the Planning Commission as being whether the construction of two (2) four hundred foot (400 ft.) towers would solve the problems with the digital radios. He was interested in knowing whether the City would entertain a proposal for his services as a consultant or facilitator to resolve the issues relative to a tower on the island.

Mayor Cronin noted that the issues on the radio tower rested with the Public Safety Committee, so he suggested that Mr. Raih attend the September meeting.

4. **Financial Statement – City Treasurer Debbie Suggs**

A. July Financial Statement

Treasurer Suggs announced that the financial statement under review at this meeting was for the first month of the new fiscal year; as such, revenue was low because many of the July collections were reflective of prior year earnings. The Treasurer reported that both Parking Meter and Residential Rental License revenues had been substantial in July. The expenditure target for the first month of the fiscal year was 8.3%; all departments were at or below the target, and General Fund expenditures in total were at 7%. Treasurer Suggs pointed out that, as Council had requested, the FY11 financial statement segregates regular wages from

overtime in each department; for comparisons to prior years, she reminded Council that *Salaries and Wages* and *Overtime Wages* must be added together since no distinction has been made in previous years. In addition, the Treasurer pointed out that *Health Insurance* was over budget in the departmental budgets because July had three (3) payrolls and fringes were calculated on each one. Corrected figures will appear in the next financial statement. Referring to the cover page, Treasurer Suggs explained that the revenue showing for the Hospitality Tax Fund was actually June collections, therefore, should not be reflected here; additionally, the budgeted revenue that appears is very low because the revenue is offset by four hundred thousand dollars (\$400,000) in transfers out. In an effort to more clearly reflect the appropriate numbers, the next financial statement will indicate revenue and transfers out.

In discussing the position of General Fund Cash, Treasurer Suggs pointed out that the interest rate being paid by the Local Government Investment Pool has exceeded the rate being paid by BB&T; therefore, she will be transferring funds into the higher paying institution. Cash in the General Fund was at twenty-seven percent (27%) of annual General Fund expenditures on the date the financial statements were prepared. The Treasurer commented that the cash balances had reached their peak and would likely decline through the end of the year until property tax collections in January 2011.

B. Tourism Schedules

State Accommodations Tax Collections for FY10 have all been received, and the City ended the year with collections up 1.3% from 2009.

Municipal Accommodations Fee has one (1) month's collections yet to be received, but year-to-date collections are up 2% from 2009.

Charleston County Accommodations Tax Pass-through has not been paid for the second half the year; the payment is anticipated at the end of August.

Hospitality Tax Collections have all been received for FY10, and the year ended with a decrease of 2% from FY09.

C. Fund Balance Schedule

Treasurer Suggs reminded the members of the Ways and Means Committee that the Fund Balance Roll Forward was a schedule that they have been introduced to before and that she found it to be a very useful tool. She noted that the figures included reflect audited fund balances and budgeted numbers, and she encouraged each member to spend time studying it and to bring any questions to her regarding it. The Treasurer indicated that she saw this schedule as a statement of the City's financial position and what the City could and could not do. In addition, this schedule has historical data and predictions for the City's standing at the end of FY11; the schedule was being presented tonight for information and guidance as the Committee begins the FY11 year and looks to budgeting for FY12.

Treasurer Suggs expressed concern in the Capital Projects fund balance projected for the end of FY11 as being approximately eighty-four thousand dollars (\$84,000). She reported that she had reviewed the 10-year Capital Projects Plan, specifically those items to be funded from the Capital Projects Fund in FY12, eliminated any items that she interpreted as "wants" rather than

“needs” and found anticipated expenditures to be approximately five hundred thousand dollars (\$500,000). The types of expenditures expected are as follows:

1) Vehicles	\$ 93,000	3) Lease payments	\$131,000
2) Equipment	135,000	4) Drainage Maint.	141,000

Treasurer Suggs reminded the Committee that the lease payments and the on-going drainage maintenance are contractual obligations for the City – the money is spent. The Treasurer added that this half million dollar (\$500,000) figure does not include portions of expenses that the City typically funds from accommodations or hospitality taxes or set sides for future projects, like the ball field reconfiguration. The bottom line is that the City is looking at five hundred thousand dollars (\$500,000) in “needs” versus an available fund balance of eight-four thousand dollars (\$84,000).

Historically, the City Council has directed end-of-year General Fund gains into the Capital Projects Fund as this fund has no other source of revenue. Treasurer Suggs asked that the Council keep this information at the forefront of its thinking as the audit begins at the end of August; the Treasurer noted that she understood City Council’s inclination toward reducing debt, but she explained that this desire had to be balanced by the Capital Projects needs of the City.

In conferring with Mayor Cronin over ways to further the desire for debt reduction, the idea of establishing a Debt Reduction Fund was suggested, but the Mayor thought that Debt Reduction/Sinking Fund was more appropriate as the City sets aside money for either debt reduction or debt avoidance. For an example, Treasurer Suggs noted that a fire truck has an established useful life, and computing how much to set aside each year to purchase, rather than lease, a new one could be easily accomplished.

Other funds that the Treasurer thought deserved comments were the Municipal Accommodations and Hospitality Tax funds; she recalled that these funds have been drawn from heavily in recent budgets, especially FY11, to allow the General Fund budget to balance.

Treasurer Suggs concluded her remarks by stating that this schedule would likely be presented again as part of her presentation when the audit has been completed.

Councilmember Loftus referred to the completion of the Public Safety Building and asked whether the remaining contingency balance could be available to be put into the new Debt Reduction/Sinking Fund. Mayor Cronin noted that the reconfiguration of City Hall had been a part of the financing for the Public Safety Building and that the contract for that would be bid in September; therefore, once the City Hall contract has been awarded, the City will know exactly what funds are remaining. At that time, City Council can determine what will be done with the balance, and he thought the funds would be put into the Unreserved Capital Projects Fund. Administrator Tucker recounted that funds remaining from the construction of Fire Station 2 had been used to make payments on the construction debt, and that will be among the many options open to Council with the reserve from the Public Safety Building.

The Administrator added that establishing a similar fund for the marina had been discussed because assets at the marina are aging and will, at some future date, need to be replaced.

D. Project Status

The Treasurer commented that she had heeded Council's request to shorten the schedules by consolidating the financial activity prior to June 30, 2010 and bringing the project-to-date totals forward.

In addition, the Treasurer has added to each schedule the source(s) of funding and the current financial status of the projects.

1. Beach Restoration

The financial activity for the month of July was a small charge for banking fees.

2. 52nd to 57th Avenue Drainage Project

Financial activity was limited to revisions to the design to include 52nd Avenue.

3. City Hall Renovation

This is the newest schedule; Treasurer Suggs reported that she had taken the original budget, as stated in the original schedules, at the time the bond was issued and added the items that have been approved through action of Council or via budget approval, making the total project budget just short of three hundred thirty-nine thousand dollars (\$339,000). The most recent expenditures have been for services provided in June by the architect Liollo.

Councilmember Stone questioned that funds were in the project for the demolition of the Building Department; Treasurer Suggs explained that the amount was included because she was attempting to mirror the original budget. She agreed to move those funds into the contingency for the project.

5. Old Business

6. New Business

Recommendation from the Public Safety Committee

Award of a sole source contract to T2 Systems, Inc. in the amount of \$18,180.40 for 4 Casio IT-3100 handhelds and printer for Police Department traffic ticketing (included in FY11 State ATAX budget @ \$18,500)

MOTION: Councilmember Bettelli moved to award the sole source contract to T2 Systems as indicated above; Councilmember Bergwerf seconded.

Administrator Tucker related that Councilmember Thomas had posed a question to her regarding the award as a sole source contract, and she had explained that the reasoning was that the software included with the equipment was the same as the court software that the City uses. She commented that Chief Buckhannon had looked into purchasing the equipment from two (2) other vendors and found that their prices were higher than T2 Systems.

VOTE: The motion PASSED UNANIMOUSLY.

7. Miscellaneous Business

Next Meeting Date: 5:45 p.m., Tuesday, September 21, 2010.

8. Adjourn

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

Respectfully submitted:

Marie Copeland
City Clerk