

WAYS and MEANS COMMITTEE

5:45 p.m., Tuesday, April 19, 2011

The regular meeting of the Ways and Means Committee was held at 5:45 p.m. on Tuesday, April 19, 2011 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelli, Buckhannon, Duffy, Loftus, Piening, Stone and Thomas, Mayor Cronin, City Administrator Tucker, 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 Stone moved to approve the minutes of the regular meeting of March 15, 2011 as submitted; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.

3. **Citizens' Comments** – None

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

A. March Financial Statement

Treasurer Suggs commented that the financial statement before the Committee was through the month of March, which is seventy-five percent (75%) of the way through the fiscal year. General Fund revenue through March 31 was a sixty-nine percent (69%) of budget; in addition, the City received the final Property Tax payments for January and February from Charleston County in the amount of eight hundred sixteen thousand dollars (\$816,000). With this collection, the FY11 revenue attributed to property taxes has been met. Through nine (9) months of the fiscal year, General Fund expenditures are at sixty-eight percent (68%) of budget, and all departments, except General Government are below budget. The Treasurer reminded Council that the reason that General Government is over the nine (9) month target is that an annual debt service payment has been made that is charged to that department.

In addition, Treasurer Suggs explained that expenses are low presently, but will catch up by year's end with seven (7) payrolls still to be paid, bi-annual payments for property and liability insurance, as well as two (2) quarterly payments for Workers Compensation.

Councilmember Loftus asked for clarification on the disparity between the budget of over one million dollars (\$1,000,000) and collections year-to-date of only eighty-six thousand dollars (\$86,000) for Other Licenses revenue. Treasurer Suggs stated that revenues from insurance licenses and franchise fees make up that budget line, and the funds are, typically, received at the end of the fiscal year.

At the end of March, the City had three hundred ninety-one thousand dollars (\$391,000) invested with BB&T and approximately two million dollars (\$2,000,000) invested with the Local Government Investment Pool (LGIP); the total cash represents twenty-nine percent (29%) of annual General Fund expenditures.

B. Tourism Schedules

State ATAX – Payments are made quarterly; therefore, the City should be receiving the March quarter before the next meeting. Revenue is nine and a half percent (9.5%) greater than the same period in FY10.

Municipal ATAX – Collections for FY11 continue to trend ahead of FY10.

Charleston County Pass-through – Payments are received semi-annually, so the information is the same as February.

Hospitality Taxes – Collections year-to-date are nine percent (9%) greater than FY10.

C. Projects Status

Beach Restoration – Expenditures since the February meeting were for post-project monitoring, permitting and the consulting services of Chris Jones from October 2010 through March 2011.

53rd-57th Avenue Drainage – Page 1 reflects the change orders approved at the February meeting, and, on page 2, expenditures for legal fees, technical support from Civil Site Environmental and the first (1st) pay application from Eadie's Construction.

Administrator Tucker stated that work has been completed at the check-in area of Wild Dunes and the landscaping has been restored; work is continuing in the parking lot and on Marsh Island.

City Hall Renovation – The most recent expenditures are for phones, the fourth (4th) pay application to Wilson and Associates and painting.

5. Old Business – None

MOTION: Councilmember Bergwerf moved to reorder the agenda to discuss an item of Miscellaneous Business before New Business; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.

Mayor Cronin reported that the Public Works' ice maker has broken; it was purchased in 1998 and is determined to be beyond repair. Director Pitts has secured three (3) bids for replacement; the lowest was three thousand forty-six dollars (\$3,046), including sales taxes.

MOTION: Councilmember Duffy moved to approve an amount not to exceed thirty-one hundred dollars (\$3,100) from the Capital Projects Fund to replace the ice maker for the Public Works Department; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.

Before proceeding with New Business and the Budget Workshop, Mayor Cronin and Council agreed to break for a light meal at 6:05 p.m. The meeting resumed at 6:30 p.m.

6. New Business

Budget Workshop for FY 2011-2012 Operating and Capital Budgets

Administrator Tucker stated that the packets for the meeting included the following:

- 1) The proposed FY12 budget;
- 2) The City's debt schedule;
- 3) The Fund balance schedule; and
- 4) The Ten-year Capital Plan.

Copies of all of the documents are attached to the historical record of the meeting.

The Administrator then commented that the FY12 budget, as proposed, is a balanced General Fund budget with no tax increase.

Global comments for the operating budgets were that the departmental budgets include a three percent (3%) merit pool, do not create any new positions, include the cost estimates for the new health insurance, eliminate the long-term disability costs which are now part of the health insurance premium and contain an estimate of four dollars (\$4) per gallon for fuel.

Administrator Tucker informed the Committee that, since the March meeting, she and the Treasurer had met with each department manager for a line-by-line analysis of expenditures. The process involved calculating the average for each line using audited year-end financial statements for a period of five (5) years; any expenditure in the FY12 budget that was at least five hundred dollars (\$500) greater than the five-year (5 yr.) average was further dissected and, frequently, reductions were made. The FY12 budget included in the meeting packets reflects those changes.

General Fund Revenue

In general, revenue is projected to be slightly less than in FY11; primary contributing factors are the reduction to State-shared funds by the State legislature and the lower population reported by the 2010 census.

Transfers-in from tourism funds will pay salaries in FY12, as in FY11, for beach services officers, the livability officer, additional summer weekend personnel in the Fire Department, etc.

Administrator Tucker commented that, if necessary, the City could increase the millage by one and sixty-four one hundredths percent (1.64%), the amount of the Consumer Price Index (CPI). For the past couple of years, the City has avoided a millage increase to balance the budget.

Mayor Cronin reported that an issue being hotly debated in the State legislature as part of the point-of-sale legislation is a condition that would allow this type of increase to accumulate for a period of up to three (3) years, rather than just lose it if the local government does not enact the increase for any given year.

Councilmember Buckhannon asked whether the City had set a precedent with the FY11 budget of using tourism fund balances to balance the budget by paying salaries for staffing for the

Fire Department, two (2) Beach Services Officers and one (1) patrol officer previously paid from the General Fund.

Administrator Tucker responded that, were these salaries to be moved back to the General Fund, the budget would have to be re-balanced, and that re-balancing the budget could not be done without adding the CPI increase to the millage rate. The Administrator explained that she preferred not to fund salaries from tourism sources because these funds are not steady and are not a guaranteed source.

Councilmember Piening remarked that the City would not need the level of staffing that it has were it not for the tourists; he was clear in stating that the only other source of funds would be a tax increase to residents. Administrator Tucker responded that staffing requirements, due to public safety standards, would likely remain the same even if there were a reduction in tourism.

Councilmember Buckhannon said that another source of funds would be cutbacks to expenses; Administrator Tucker responded that to reduce personnel would mean a reduction in services.

Councilmember Piening asked Councilmember Buckhannon if he were suggesting that the City either reduce staff or raise taxes; to which Councilmember Buckhannon responded, "Neither."

The FY12 revenue total is projected to be six tenths of one percent (0.6%) less than in FY11.

Mayor and Council

Administrator Tucker commented that the transition to the State Health Plan continues to be a learning experience as enrollment continues. When the City was insured through SCLGAG, elected officials could participate in the program at no cost to the City; they reimbursed the City for the monthly premiums. Under the State Health Plan, all participants in the program must be treated the same, i.e. elected officials the same as employees, and all participants must be enrolled in the State Retirement System. In addition, the State Health Plan dictates out how much the City must contribute toward the participant's premium. For the City to continue to allow elected officials to participate, the City will see an increase to the budget in premiums and in the contribution to the State Health Plan. From polling other local governments, the staff learned that all but one (1) do cover elected official and pay the premium expense.

Administrator Tucker said that staff needs to know whether the City wants to continue its program of including elected officials, and, if so, who will want to participate and to what level. This is especially important to know these things because the enrollment process is to be completed and in the hands of the State Health Plan by May 1, 2011, as well as to make the appropriate changes to the next version of the budget.

MOTION: Councilmember Piening moved to continue the policy of allowing elected officials to participate in the City's health insurance program and for the City to pay the required premium expense; Councilmember Duffy seconded and the motion PASSED UNANIMOUSLY.

General Government

Administrator Tucker pointed out that the elevator maintenance for City Hall has been reduced by half (½) by eliminating the twenty-four (24) hour emergency service provision that was instituted when the Police Department shared the building. The City Hall cleaning service will be bid for a new contract beginning July 1, 2011. With the additional storage space afforded by the City Hall renovation, two (2) off-site storage units were vacated reducing the expense in Line 60.

Councilmember Loftus remarked that using a five-year (5 yr.) average for advertising would generate a misleading figure based on the successful efforts over the past two (2) years to reduce the City's advertising expense; the expense in FY10 was six thousand dollars (\$6,000) and, year-to-date in FY11, the expense is one thousand seventy-three dollars (\$1,073). He suggested reducing the FY12 budget to ten thousand dollars (\$10,000) leaving a cushion for bid notices/solicitations, and the City Administrator said the change would be made.

Councilmember Duffy commented to the amount budgeted for the digitizing of City records; between FY11 and FY12, the project is costing twelve thousand five hundred dollars (\$12,500). He questioned whether the task had been priced out as a project, what the total cost would be and in what fiscal year the project would be completed. The Administrator replied that the City was using the same company that had digitized the Building Department's records; they had been found to be reliable and dependable with the City's historical records and were charging the City the same price today as when they started working with the City originally. The Administrator assured Councilmember Duffy that the digitized records would be searchable.

When Councilmember Duffy queried if the City had fuel usage by department, Treasurer Suggs reported that the City had the actual number of gallons used per vehicle from the fuel system. Councilmember Duffy acknowledged that the City could not control the price of gas, but could control the mileage. Administrator Tucker said that three (3) factors impacted fuel costs; they are (1) the price per gallon when purchased, (2) seasonality and (3) frequency of trips. When the tourist season is at its height and services are in the highest demand, mileage and trip frequency are almost impossible to control.

Police Department

No significant changes have been made in this budget.

Councilmember Duffy expressed the opinion that the general maintenance in the amount of four thousand dollars (\$4,000) for the Police Department seemed to be high for a building that was in its second year of usage. Administrator Tucker recommended reducing the amount to three thousand dollars (\$3,000) to match the Fire Department.

For both the Fire and Police Departments, a proper estimate for electricity and gas in the Public Safety Building remains a work-in-progress. Despite the equipment corrections SCE&G made earlier in the year, the amount being billed is still in question.

Fire Department

No significant changes have been made in this budget.

Public Works Department

The Public Works' budget contains few changes from FY11.

Building and Planning Department

Having moved into their new space, the Building Department is now sharing City Hall expenses as well as continuing to carry some level of expense for the old building.

Councilmember Bergwerf commented that the overtime proposed for FY12 appeared to be high based on year-to-date. Treasurer Suggs explained that, for budget purposes, the overtime is calculated as two percent (2%) of the salaries of those persons in the department eligible for overtime; Councilmember Duffy suggested using one and one-half percent (1.5%) which equals twenty-seven hundred ninety-one dollars (\$2,791), which was acceptable to the balance of the Committee.

When Councilmember Bergwerf questioned the electricity and gas estimate, Administrator Tucker reminded the Committee that the Building Department is now paying half (½) for City Hall and one hundred percent (100%) of the costs generated by the old building. The Treasurer confirmed that the utility bills for City Hall are split fifty/fifty (50/50) and not apportioned by square footage.

Recreation Department

This budget contains no significant changes over FY11.

Judicial and Legal

This budget contains no significant changes over FY11.

Parking Meter Department

This budget contains no significant changes over FY11.

The total FY12 operating budget is eight million, two hundred ninety-seven thousand three hundred forty dollar (\$8,297,340) and represents a decrease of six tenths of a percent (0.6%) from the FY11 budget.

Capital Project Fund Revenues

Grant Income	\$286,000
CTC & TST grants for 53 rd -57 th Avenue and 46 th -52 nd Avenue drainage projects	
Grant Income	2,000
Recreation PARF grant	
Interest Income	<u>8,400</u>
TOTAL	\$296,400
Transfer in from Gen Fund	<u>6,216</u>
Total Cap Proj Rev Net of Transfers	<u>\$302,616</u>

Municipal Accommodation Fee Fund Revenues

With all tourism-related revenue sources appearing to trend upward, the staff is confident in estimating revenues to at or above the previous twelve months' actual receipts. The County Accommodations Taxes have been returned to their original 2009 levels, and staff has estimated accordingly. Among the transfers out are fifty thousand dollars (\$50,000) to increase the reserve for future beach restoration efforts and approximately three hundred fifteen thousand dollars (\$315,000) to pay one hundred percent (100%) of the scheduled Beach Restoration Debt service payment.

Municipal Accommodations Fee Fund Expenditures

The expenditures are listed by department, and the majority of expenditures are repeats of the FY10 and 11 budgets. Included in General Government is fifteen thousand dollars (\$15,000) as a placeholder for funds for the implementation of an on-street parking management program. For the Police Department, funds are provided for four (4) in-car digital cameras and two (2) mobile data terminals; the Fire Department sees a re-budget of funds for mobile radio repeaters and funds to replace the Boat 1. In the Public Works Department, partial lease payments, signs and the Charleston County Solid Waste Disposal fees are among the expenditures paid from Municipal Accommodations Fees. On the Front Beach, the largest additions were five thousand dollars (\$5,000) each for sod and green spaces and road resurfacing/patching and sixty-seven hundred dollars (\$6,700) for an additional kiosk in the area of Sea Cabins.

The FY12 budget anticipates spending one hundred eighty-one thousand dollars (\$181,000) of cumulative surpluses from prior years. Administrator Tucker reminded the Committee that the purposes of the accommodations taxes is to take care of tourists by providing services and amenities and to get the money back into the community; if the fund balances were not spent, the City would not be meeting the intended purpose for the money.

Hospitality Tax Fund Revenues

As collections have begun to rebound in FY11, Hospitality Tax revenues have been budgeted at the level of actual FY11 collections, which is an increase of sixty thousand dollars (\$60,000) from last year. Unlike prior years, the FY12 budget does not reflect a transfer out to the marina

fund for debt service, but does include one-third ($\frac{1}{3}$) of the projected costs for dredging at one hundred thousand dollars (\$100,000).

Hospitality Tax Fund Expenditures

Expenditures are again reflected by department. For General Government, an addition of half ($\frac{1}{2}$) of the cost for replacing the DOS-based court software at eight thousand dollars (\$8,000) has been included. Fifty-six thousand four hundred twenty dollars (\$56,420) will be spent to replace SCBA air packs, bunker gear, fire hose and appliances and two (2) gas meters for the Fire Department.

The FY12 budget, as presented, will require spending approximately one hundred forty-four thousand eight hundred dollars (\$144,800) of cumulative fund balance from prior years.

Volunteer Fire 1% Fund Revenues

Administrator Tucker reminded the Committee that the City only acts as custodian of this fund; revenues are one percent (1%) of all island fire insurance policies, and the purposes for which these funds can be expended is legislated.

State Accommodations Tax Fund Revenues

The revenues in the FY12 budget reflect the past twelve (12) months' actual collections, which are one hundred thirty-three thousand dollars (\$133,000) higher than budgeted FY11. Transfers out are basically the same with the exception of funding one-third ($\frac{1}{3}$) of the cost of marina dredging.

State Accommodations Tax Fund Expenditures

Under General Government, a provision of fifteen thousand dollars (\$15,000) for the implementation of an on-street parking management program is included. The balance of the cost of a replacement boat, twenty-thousand dollars (\$20,000), for the Fire Department is being paid from this fund, and eighty thousand dollars (\$80,000) has been added to the Public Works Department for the repair/replacement of a dune walkover. The FY12 budget does not reflect any new expenditures for the Police or Recreation Department or for the Front Beach and public restrooms.

The FY12 budgets for the 2008 Beach Restoration Fund, the island-wide Beach Maintenance Fund and Disaster Recovery Reserve Fund are basically unchanged from prior years. The balance in the Disaster Recovery Reserve is one million eight hundred forty-one thousand dollars (\$1,841,000).

Very little activity takes place in the Federal and State Narcotics Funds.

The Victims Assistance Fund pays half ($\frac{1}{2}$) of the salary and benefits for the Victim's Advocate; the FY12 budget generally reflects the FY11 budget.

On page 30, the Recreation Building Fund shows additional revenue in that the costs for and revenue from the IOP Beach Run have been reclassified to this fund from State ATAX. The Beach Run has generated revenue in the past, and staff agreed that this was a good way to increase this fund.

Marina Fund

Little expense is assigned to the marina because the leaseholders are responsible for the maintenance items that occur.

The Administrator noted that the City's true expense for dredging the marina remains unknown because, at this moment, no other stakeholders have come forward to participate in the project, but that may change. The FY12 budget anticipates an expense of three hundred thousand dollars (\$300,000).

Under the heading "General and Administrative," five thousand dollars (\$5,000) is included for advertising which is a provision of the lease. Also included are legal fees applicable to the marina, such as the review of the dredging agreements and engineering agreements.

For the Marina Store, the most significant figure is depreciation.

The City incurs no expenses from the Waverunner operation.

Total FY12 Marina Fund expenditures are approximately seven hundred thousand three hundred dollars (\$700,300) and anticipate a surplus of twenty-seven thousand three hundred eighty-six dollars (\$27,386).

The remainder of the budget documents is the FY12 Departmental Capital Budgets by proposed funding sources and the Bonded Debt Service schedule.

Mayor Cronin distributed a schedule he had prepared that traced the changes in year-end balances from FY06 through estimates for FY12 for the General Fund, the Capital Projects Fund and three (3) tourism funds. The Mayor commented that two and a half million dollars (\$2,500,000) is the comfort level for the auditor as it represents thirty percent (30%) of the annual General Fund expenditures; the comfort level for the Capital Projects fund is one million dollars (\$1,000,000).

Focus was now directed to the Debt Analysis schedule that lists all City Debt with the terms, principal and interest balances, sources of funds for payoff and whether or not early payoff is possible. Mayor Cronin repeated Councilmember Loftus' question about whether any debt existed that the City could pay off with fund balances on hand that will benefit the City in future years.

Councilmember Loftus stated that the City staff "has done a great job managing expenses this year" yielding a surplus that he would like to use to reduce debt, possibly one (1) of the fire trucks. His question was which truck; to which Mayor Cronin commented that the answer would be based on how much the City wanted to spend.

Treasurer Suggs confirmed that four hundred thousand dollars (\$400,000) had been transferred to the Capital Projects Fund at the end of FY10, and the forecast for FY11 is two hundred thirteen thousand dollars (\$213,000).

Councilmember Loftus explained that he understood that a portion of the FY10 gain would be added to a portion of the FY11 gain to pay off debt which would eliminate the need for inclusion of that debt service and interest in the FY12 budget.

Councilmember Stone expressed agreement with paying off the debt, but wanted the figures to remain in the budget as a reserve to pay cash for or to reduce the amount of borrowing for a future capital purchase.

The consensus of the Committee was to pay off the ninety-five foot (95 ft.) ladder truck; Treasurer Suggs recommended that the payoff come from the same sources from which the interest and principal payments would ordinarily be paid.

According to Administrator Tucker, the next step in the budget process is to have first (1st) reading of the budget with the changes discussed at this meeting at the April Council meeting next week. The budget advertisement must be published in the newspaper timely to hold the Budget Public Hearing before the May Council meeting in order to have the Second Reading of the FY12 budget at the May Council meeting.

7. Miscellaneous Business

Mayor Cronin stated that the Planning Commission would like to meet with City Council again to discuss parking management; the proposed date is Wednesday, May 11. Council was in agreement with the date and suggested meeting at 6 p.m.

Due to planned travels, the Ways and Means Committee rescheduled its May meeting to 5:45 p.m. on Tuesday, May 10, 2011.

8. Executive Session – not needed

9. Adjourn

MOTION: Councilmember Buckhannon moved to adjourn the meeting at 8:35 p.m.; Councilmember Duffy seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:

Marie Copeland
City Clerk