

**WAYS AND MEANS COMMITTEE**  
5:45 p.m., Tuesday, October 21, 2008

The regular meeting of the Ways and Means Committee was held at 5:45 p.m. on Tuesday, October 21, 2008 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Council members Bettelli, Buckhannon, Cronin, Loftus, Piening, Rice and Chairman Taylor, Mayor Sottile, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland; Councilman Duffy's absence was excused. 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 of the meeting in accordance with the Freedom of Information Act.

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

**MOTION: Councilman Bettelli moved to approve the minutes of the regular meeting of September 16, 2008 as submitted; Councilman Cronin seconded and the motion PASSED UNANIMOUSLY.**

3. **Citizens' Comments**

Jimmy Ward, 2207 Hartnett, came before the Committee with questions regarding property tax bills. He reminded the Committee that the School Board Operating Fund had been removed from property tax billings in 2006-2007; in that year the property tax on his home went down 52% from the previous year. He reported that the 2007-2008 tax bill had an increase of 23%, but, over the period of three (3) years, 2006-2008, the overall tax bill has been reduced by 34%. He stated that, in an analysis of only the Isle of Palms portion of the property tax bill for the same three-year period, there has been a 22% increase. In 2006 the Isle of Palms' portion was 11.4% of the total tax bill, but in 2008 the Isle of Palms' portion is 24.8% of the total tax billing. Mr. Ward ended his comments with two (2) questions as follows:

1) Does the tax include the new Public Safety Building? Mayor Sottile and Councilman Taylor answered this question before the meeting that 2.9% of the total was for the construction of the new building.

2) Should citizens of the Isle of Palms expect this trend on increases to continue?

Mayor Sottile opined that, when the building program was completed, he did not see anything happening for a period of time.

#### 4. Financial Statement

##### A. Audit Review – David Phillips and Genia Kornegay of Greene Finney & Horton

Treasurer Suggs introduced David Phillips and Genia Kornegay of Greene Finney & Horton. Mr. Phillips is a partner in the firm who has substantial input into the City's audit report, and Mrs. Kornegay had been on-site and performed the bulk of the testing to produce the audited financial statements and accompanying audit report. Mr. Phillips went through a PowerPoint presentation that was a brief overview of the audited financial statements for the fiscal year ended June 30, 2008; a copy of the presentation is attached to the minutes. Comments Mr. Phillips made in conjunction with the presentation include the following:

- The balance at year-end in the General Fund was within reasonable ranges at 29% of the 2008 fiscal year expenditures.
- There was healthy growth in business licenses and permits.
- The decrease in Other Revenue was attributed to the reduction in the interest rate paid on investments.
- Although the Accommodations Funds increased in 2007-2008, there seems to be a years' lag on tourism-related taxes, and the state of the economy is expected to play heavily in this revenue area in the coming year.
- All of the funds pledged for the Beach Restoration project have not been recognized because the recognition has been delayed to coincide with the expenditures.
- Lease income at the marina was consistent with the prior year.
- GASB34 requires two (2) additional statements to the audit showing all assets and liabilities, not just current assets and liabilities. The assets are higher as reflected on this new statement; they are not liquid, but tied up in buildings and infrastructure. Of total liabilities, 67% was debt and 27% the deferred revenue from the Beach Restoration project.
- Included in the total expense figure is the City's depreciation on the City's long-term assets.
- Significant events that occurred after the end of the fiscal year were (1) the issuance of bonds, (2) the \$900,000 grant from Charleston County and (3) the \$2.3 million contract on the bulkhead replacement.

Mr. Phillips directed the Committee's attention to the Management Letter to the City from Greene Finney & Horton, particularly to the recommendations on Attachment A to that letter. He explained that the Auditing Standards Board has issued new auditing standards based on auditing standards established for publicly traded companies; as a result, auditors are now reviewing financial controls in a way not previously done. The

recommendation is based on these new standards and encouraging government entities to document their policies and procedures. The second recommendation is for management to meet regularly to assess the risks of what could go wrong and what could be done to mitigate those risks.

Councilman Cronin confirmed that the City would have a surplus of \$200,000 to \$220,000 at June 30.

Councilman Loftus asked Mr. Phillips what the City should do over the remaining nine (9) months, based on the poor state of the economy, to protect itself. Mr. Phillips responded that he thought the City could see a decline in Hospitality and Accommodations taxes for the first time in years. Since these funds were restricted, and, therefore, not used for general operating needs, the impact would not affect the overall operations of the City. Mr. Phillips said there could also be a decrease in the assessed value of property that would mean a reduction in property taxes.

Mayor Sottile asked if the auditors looked into the retirement program; Mr. Phillips said that they did not go into detail because there were South Carolina statutes that restrict where these funds can be invested.

Chairman Taylor thanked Mr. Phillips and Mrs. Kornegay for their work in preparing the audited financial statements and for the very informative presentation.

## **2. Removal of Component Unit**

Treasurer Suggs noted that the draft of the June 30, 2008 financial statements does not include information that has been presented in previous years; this information is referred to as the component unit, i.e. the summary financial information for the Isle of Palms Water and Sewer Commission. Treasurer Suggs stated that the inclusion of the Water and Sewer financial data began as a recommendation from the previous auditor because, under GASB rules, the City Council must approve Water and Sewer debt. But having their financial data included made the City's financials more complicated and harder to understand and proved to be a source of confusion and of no added value to the City when the City's statements were being reviewed by outsiders, i.e. bankers. Therefore, Treasurer Suggs asked Greene Finney & Horton to determine if it were required for the City to incorporate that data in the City's audited year-end statements; their research found that there would be no legal repercussions to the removal.

Councilman Cronin asked if the inclusion of the Water and Sewer financial data helped or hindered those who would review the City's audited financials. The Treasurer reported that she had spoken with representatives of BB&T and Bank of America, the two (2) institutions that hold the City's debt, and they had no issues with the information

being omitted. If, for some reason, they would need the Water and Sewer information, they could request it directly. Treasurer Suggs also stated that she had spoken with the staff at Water and Sewer who had no objections to the proposed separation.

**MOTION: Councilman Cronin moved to separate the City of Isle of Palms' audited financial statements from those of the Isle of Palms Water and Sewer Commission and to pursue the City's audits independently; Councilwoman Rice seconded. Following brief discussion, the motion PASSED UNANIMOUSLY.**

#### **1. Fee Increase**

Treasurer Suggs informed the Committee that GASB34 has created additional requirements that auditors must meet; in order to do that, they must spend more time, ask more questions and do more work. When GASB was passed, various groups informed government entities to prepare for higher fees; Greene Finney & Horton has increased their fee by 12.5% from \$19,000 to \$21,650, or \$2,650. The amount in the 2008-2009 budget for the annual audit is \$19,000.

**MOTION: Mayor Sottile moved to approve the increase in fees of \$2,650 to Greene Finney & Horton; Councilman Bettelli seconded and the motion PASSED UNANIMOUSLY.**

#### **B. Monthly Financial Report and Project Status**

The statement discussed at this meeting was through September 30, 2008, the first quarter of the fiscal year, and, according to Treasurer Suggs, things are generally where they should be. One significant transaction that the Treasurer wanted to point out was the transfer from the General Fund to the Capital Projects Fund of \$589,549; this amount allowed the City to borrow less for the Public Safety Building and goes to principal.

Treasurer Suggs reported that she and the City Administrator had analyzed year-to-date revenues for the General Fund and compared them to the same period last fiscal year. The results for 2008-2009 were that (1) property taxes were up, (2) business licenses and permits were down and (3) residential rental licenses were up. She assured the Committee that they would continue to analyze revenues and expenses on a monthly basis and report to the Committee should there be any abnormalities.

Based on phone calls from Council members on the security of the City's deposits and investments, Treasurer Suggs had communicated with BB&T and the Local Government Investment Pool. She was told that funds at BB&T were insured by the

FDIC up to \$250,000, but that insurance was limited to one (1) account per federal identification number. Any funds in excess of \$250,000 that were held by BB&T were collateralized, in accordance with state law, by government-backed securities that were pledged monthly at market value; non-governmental entities are not provided this type of collateralization.

For the LGIP, Treasurer Suggs reported that the City had received a letter from the State Treasurer about the type of assets in which LGIP invested; the largest single investment was in overnight re-purchase agreements, which are again government-backed securities like the banks. The primary difference is that the LGIP investments rollover every night at market value, thereby providing more of an opportunity to ensure that LGIP investors are property collateralized; in addition, the collateral is held by a third party, not the bank.

The Treasurer expressed her opinion that the City's cash and investments were as secure as was possible.

Administrator Tucker reiterated Treasurer Suggs' comments that the City's revenues would be closely monitored month to month from this point forward. She noted that she had replied to inquiries that, with the exception of building activities, the City has not seen the downward trend, but there was the possibility that it has been delayed, as Mr. Phillips has predicted for Accommodations taxes. The City's staff would also be studying state proposals and their impact on the City's revenues. The Administrator reminded the Ways and Means Committee that debt for the bulkhead would be issued after the first of the year.

The Treasurer then directed attention to the schedule entitled "Fund Balance Rollforward" that encompasses information on all of the significant funds, reserved and unreserved. This schedule is intended to be a tool for the members of the Committee; the June 30, 2008 balances tie to the audited financial statements, and to those figures were added the 2009-2009 budget numbers.

Councilwoman Rice asked if the timing for the 54<sup>th</sup>-57<sup>th</sup> Avenues drainage project could be projected. Administrator Tucker responded that the City was dependent upon the second phase of The Village in Wild Dunes in order to move forward. If the City were to attempt to go forward without the next phase of The Village and, assuming that the City could acquire the easement to go from Palm Boulevard through the Palmetto, where infrastructure has already been built, there would be a chance that the City would have to relocate it.

Councilwoman Rice asked if the costs associated with pumping after heavy rainfalls should be paid from the "Reserved for General Drainage" rather than the General Fund.

The best “guess-timates” for the timing of the second phase of The Village was, at least, a couple of years away; Destination Wild Dunes has no impetus to move forward because Phase I has not been completely sold and the unknown impact of the down turn in the economy.

**1. Beach Restoration Fund**

From the Beach Restoration Fund, there have been two (2) significant payments, totaling \$46,212, made to Coastal Science and Engineering related to project management. The next beach monitoring report will be made in January 2009.

**2. Public Safety Building**

Since the last Committee meeting, there have been two (2) payments to Mashburn Construction totaling \$298,377. The project is on schedule.

**3. Bulkhead Replacement**

Payments totaling \$13,707 have been made to Jon Guerry Taylor for their work on the RFP; the City has not received any requests for payment from the contractor, Misener Marine. As of today, the equipment is on sight, but the materials have not arrived.

**5. Old Business – None**

**6. New Business**

**A. Recommendations from the Accommodations Tax Advisory Committee**

**1. \$20,000 for Spoleto Festival USA – 2009 Season**

Administrator Tucker reported that the request for Spoleto was an increase over the 2008 request; she recounted that the request in 2006 had been \$10,000, in 2007 and 2008 the requests had been \$15,000. The Spoleto representative attributed the increase in the request on the facts that their corporate donors were down and the reduction in state funding.

**MOTION: Mayor Sottile moved to approve \$15,000 for the 2009 Spoleto Festival; Councilman Cronin seconded and the motion PASSED UNANIMOUSLY.**

## 2. \$33,700 FOR July 4<sup>th</sup> Fireworks Display

The Administrator explained that the City has not seen an increase from Zambelli in the past, but there was an increase for 2009. She also reported that a cushion has always been built into the funding request on the possibility that the Sea Cabins' pier could not be used and a barge was required. Administrator Tucker informed the Committee that the City had never spent as much as had been requested or budgeted; she related that the 2007-2008 budget provided \$30,000 for the fireworks display and the City spent \$25,000 (the difference being the excess set aside for a barge).

**MOTION: Mayor Sottile moved to approve \$25,500, eliminating the cost of the barge and entertainment; Councilman Cronin seconded.**

Councilwoman Rice expressed her concern that this event brought a "huge" amount of business to the island and that it was an event that the people – residents and non-residents – looked forward to every year.

Councilman Loftus agreed with Mayor Sottile; he expressed the opinion that, if the total amount were to be approved, it would be spent.

Administrator Tucker took a moment to inform the Committee of exactly what would be cut out if the amount were reduced; those things that would be eliminated were the replacement of *NO FIREWORKS* signs, advertising for the event, meals for employees who work long hours that day and t-shirts that enable workers to be recognized in the crowd. The amount of \$25,000 would only pay Zambelli for the fireworks.

Mayor Sottile reiterated his assertion that the City must tighten up on spending; he stated that, if these other things were needed, the dollar amount to be spent on the fireworks themselves could be reduced to pay for them.

In response to Councilman Loftus' inquiry about the amount of Zambelli's increase, the Administrator stated that the increase was \$2,500 – from \$22,500 to \$25,000.

Chairman Taylor suggested that the Administrator contact Mr. Crosby of Sea Cabins to determine whether the City would be allowed the use of the pier for the July 2009 fireworks display before the City Council meeting next week. He added that he had faith that the Administrator could "tweek" the numbers to cover the requirements of the day.

Councilman Buckhannon stated that he believed that the Committee should not tie the Administrator's hands, especially as to the need for signage to ensure that the day was a safe one for residents and visitors alike.

**Call for the Question: The motion to approve \$25,500 for the July 4<sup>th</sup> fireworks event PASSED on a vote of 7 to 1; Councilwoman Rice cast the “nay” vote.**

**B. Recommendations from Public Safety Committee**

**1. Change Orders related to Public Safety Building**

- a. **Emergency Repairs to deteriorated manhole - \$4,639.79**
- b. **Change Order #3 – Balcony alternate adjustment - \$1,290.20**
- c. **Change Order #3A – Electrical conduit to accept bi-directional amplifier - \$3,610.00**

Administrator Tucker explained that these change orders had been presented to the Public Safety Committee at their last meeting and that one related to a contract approval in the next item of business. The deteriorated manhole was an emergency repair; as such, the repair has already been made. The repair was part of the drainage improvements for the new building; the manhole was collapsing. She was looking to get an affirmation from the Committee on this item. The balcony alternate adjustment was the result of Council’s decision to remove the balcony from the Public Safety Building; the expense represented the changes that were required to the exterior of the building to accommodate the removal. The conduit is the one necessary to accommodate the bi-directional amplifier system that was approved shortly after the project began.

**MOTION: Councilman Buckhannon moved to approve the three (3) change orders for the Public Safety Building; Councilman Bettelli seconded and the motion PASSED UNANIMOUSLY.**

**2. Award of Contracts in Excess of \$10,000**

- a. **Mobile Communications of Charleston - \$41,518.26 – Bi-directional amplifier, programming, labor and installation at Public Safety Building. Funded from Public Safety Bond Issue. State Purchasing.**

As stated earlier by the Administrator, the expenditure has already been approved; this action would be the approval of the award of the contract that is required because it exceeds the \$10,000 threshold established in the City code. Administrator Tucker noted that the cost was the state-purchasing price.



**MOTION: Councilwoman Rice moved to approve the contract award to Mobile Communications of Charleston for the bi-directional amplifier at \$41,518.26; Chairman Taylor seconded and the motion PASSED UNANIMOUSLY.**

- b. Mobile Communications of Charleston - \$119,973.29 – console. Funded from Capital Projects Fund, Radio Reserve. State Purchasing**

Administrator Tucker explained that the console was the last piece of the overall radio purchase of the radio system that was budgeted in a prior year; this was also state purchasing pricing.

**MOTION: Mayor Sottile moved to award the contract for the console to Mobile Communications of Charleston in the amount of \$119,973.29; Councilman Buckhannon seconded.**

Councilman Cronin asked what the total cost of the radio system has been; Administrator Tucker and Treasurer Suggs agreed that the total was in excess of eight hundred thousand dollars (\$800,000).

**Call for the Question: The motion PASSED UNANIMOUSLY.**

## **7. Miscellaneous**

Chairman Taylor thanked and complimented Councilman Cronin for the manner in which he chaired the prior meeting.

Chairman Taylor also acknowledged Mayor Sottile's participation on the Committee over the years because tonight was the last Ways and Means Committee meeting he would be attending as Mayor of the City of Isle of Palms. He noted that Mayor Sottile has always been very straightforward and always had the best thoughts for the City in mind; he thanked the Mayor for his hard work both as Mayor and as Council member.

Mayor Sottile remarked that the finances of the City were in good hands because the City has the best staff and the best administrator of any City. Reminiscing, Mayor Sottile recalled a Ways and Means Committee composed of three (3) members, not including the Mayor, under the strong mayor form of government. He expressed his pride in what the City has done and, particularly, this Council because of the issues it has handled over the past couple of years. He asked that the Council continue moving forward and "always be mindful of what put you where you are." The Mayor stated that

he would take what he had learned at the Isle of Palms with him to the State House. He acknowledged that he would be “the low man on the totem pole” in Columbia, but that he looked forward to all that he would learn. In conclusion, Mayor Sottile stated that he would always be available to the City and the residents of Isle of Palms and that people should not hesitate to contact him.

**8. Executive Session to discuss contractual matters related to the Beach Restoration Project**

**MOTION: At 7:20 p.m., Councilman Bettelli moved to go into Executive Session; Councilman Cronin seconded and the motion PASSED UNANIMOUSLY.**

At approximately 7:38 p.m., the Ways and Means Committee returned to regular session, and Chairman Taylor announced that no votes or actions had taken place in Executive Session.

**MOTION: Councilman Cronin moved to deny the Weeks Marine, Inc. claim in its entirety; Councilman Bettelli seconded.**

For the record, Councilman Cronin stated,

“A contract is a contract. That the City had entered into the contract with Weeks Marine in good faith and that Weeks had entered into the contract with [the City] in good faith. They chose to change the terms of the contract with their sub-contractor; the City cannot recover for that – that’s on them. It is unfortunate that the bag count was low; if the bag count was high, we would be paying more. But the bag count was low and the contract accounts for that, so let it fall where it lies.”

**Call for the Question: The motion to deny the claim by Weeks Marine PASSED UNANIMOUSLY.**

**9. Adjourn**

**MOTION: Councilwoman Rice moved to adjourn the meeting of the Ways and Means Committee at 7:42 p.m., Councilman Buckhannon seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:  
Marie Copeland  
City Clerk