

**WAYS AND MEANS COMMITTEE  
KIAWAH ISLAND MUNICIPAL CENTER  
DOWNSTAIRS CONFERENCE ROOM  
December 2, 2008, 8:00 AM  
Minutes**

- I. Call to Order: Mr. Orban called the meeting to order at 8:00 am.**
- II. FOIA:** Notice of this meeting has been published, and posted, in accordance with the Freedom of Information Act and the requirements of the Town of Kiawah Island.
- III. Roll Call:**  
**Present:** G. Steven Orban, Chair  
William G. Wert, Mayor  
Alan L. Burnaford, Mayor Pro Tem
- Also Present:** Kenneth Gunnells, Treasurer  
Tumiko Rucker, Town Administrator  
Catherine Wilson, Town Clerk
- IV. Approval of Minutes:**  
**A. Ways and Means Meeting Minutes of November 3, 2008**
- Mr. Burnaford motioned to approve the minutes of November 3, 2008. Mayor Wert seconded the motion. Mr. Gunnells inserted the word “it” on page two. With those changes the motion passed unanimously.**
- V. Mr. Orban motioned without objection to add item I, St. Johns High School Inauguration Trip, to New Business.**
- VI. Old Business:**  
A. None
- VII. New Business:**  
**A Cost of Living Adjustment**  
Mrs. Rucker stated that staff recommended a 4% Cost of Living Adjustment (COLA) for each employee based on the October 2008 Southeastern Consumer Price Index (CPI). Mrs. Rucker explained that the information is published by the United States Department of Labor.

**Mayor Wert motioned to recommend to Council a 4% Cost of Living Adjustment for each employee effective January 1, 2009. Mr. Burnaford seconded the motion.**

Mayor Wert stated that only the CPI-W for the month of October was at 4% and the economic trend for the South Region Quarterly Data on Compensation was declining each quarter. Mayor Wert stated that the Country is in a recession and he believes the trend will continue downward. Mayor Wert stated that he feels a 4% Cost of Living Adjustment is excessive and not fiscally responsible. Mayor Wert also stated that the high CPI-W levels of May through September were due to the high cost of fuels and that the Town had provided each employee \$20.00 per week to off-set those expenses.

Mr. Gunnells explained that the monthly data is actually a 12 month rolling average and they do include months at a lower rate. Mayor Wert stated that looking at the CPI-U data there is no question that the rate is falling and will continue to lower by the end of next year. Mr. Gunnells stated that he was simply clarifying.

Mr. Orban asked what the Town had budgeted for merit and Cost of Living Adjustments per employee. Mr. Gunnells stated that the Town budgeted for a 4% Cost of Living Adjustment and a 5% merit increase per employee.

Mr. Burnaford stated that the Town is being fiscally responsible in asking Mr. Gunnells to present Council with a projected budget showing a 30% decrease in revenue and that the Council must look at the future financial environment to make these decisions. Mr. Burnaford stated salaries can be adjusted in either direction if the need were to arise. Mr. Burnaford stated that he agrees that the Town must be financially responsible because the Country is in a recession and the Town's revenues may decrease.

**Mayor Wert amended his motion to recommend to Council a 2% Cost of Living Adjustment for each employee effective January 1, 2009. Mr. Burnaford seconded the motion. The motion carried unanimously.**

#### **B. Employee Insurance Subsidy**

Mrs. Rucker stated that the Town currently provides a \$140 per employee-only subsidy for health insurance premiums. Mrs. Rucker stated that employees are responsible for any dependent or family coverage and that insurance rates will increase on January 1, 2009. Mrs. Rucker stated that based on increases to the Blue Choice and Cigna plans, it is recommended that the subsidy be increase from \$140 to \$150, not to exceed the monthly employee only health premiums.

Mr. Orban asked how many employees select each plan. Mrs. Rucker stated that around five employees select the standard and around five employees select Blue Choice. Mr. Gunnells stated that the standard plan subsidy is for the monthly premium only. Mr. Orban asked what the major difference is for the plans. Mrs. Rucker explained that for

employees with dependents, the standard plan offered more affordable healthcare and that employees with no dependents selected Blue Choice.

**Mayor Wert motioned to recommend to Town Council the approval of \$150 per employee for health insurance subsidy not to exceed the monthly premium. Mr. Orban seconded the motion. The motion carried unanimously.**

### **C. Employee Gas Subsidy**

Mr. Gunnells stated that the Town had been providing a \$20 per employee fuel subsidy to each employee, each week to help offset the rising fuel costs. Mr. Gunnells stated that the Cost of Living Adjustment would encompass the cost of fuel and the subsidy of the fuel should be discontinued.

**Mr. Orban motioned to discontinue the fuel subsidy as of January 1, 2009. Mr. Wert seconded the motion. The motion carried unanimously.**

### **D. Beach Franchise Agreement**

Mrs. Rucker stated that the Town currently has two beach franchise agreements; one with KIGR and one with Island Beach Services. Mrs. Rucker stated that the Town received letters of interest from two additional firms regarding the Beach Franchise agreement. The agreement with Island Beach Services originally expired October 31, 2008 and was extended through December 31, 2008 to allow time to develop and publish an RFP. Mrs. Rucker stated that staff prepared an RFP for the Beach Franchise Agreement and published it via the Post and Courier and mailing directly to the firms that previously expressed interest in the service. Mrs. Rucker stated that staff reviewed three proposals and evaluated each on professional experience, technical ability, references, and reasonableness of price. Mrs. Rucker stated that the Kiawah Island Golf Resort received a total of 88 points; Island Beach Services received 100 points; and Charleston Beach Chair Company received a total of 85 points. Mrs. Rucker stated that the proposed franchise fee that will be payable to the Town was also considered during the evaluation. Mrs. Rucker explained that the RFP placed a minimum franchise fee payable to the Town at 5% or 25K, whichever is greater. The following Franchise Fees were offered: KIGR offered \$35K per year fixed; Island Beach Services the greater of 8.5% or \$50K, and; Charleston Beach Chair the greater of 7% or \$32K per year. Mrs. Rucker explained that the following optional services were also considered: Food and Beverage and the rental of Kayaks and other recreational equipment. KIGR offered both services. Island Beach Services and Charleston Chair offered only one of the two optional services. Charleston Chair proposed contracting out the Food and Beverage service with possible vendors such as Italian Ice and providing kayaks and other recreation equipment in-house. Mrs. Rucker stated that based on the review staff recommends awarding of the Beach Franchise Agreement to Island Beach Service, Inc.

**Mr. Orban motioned to recommend to Town Council the awarding of the Beach Franchise Agreement to Island Beach Service, INC to begin January 1, 2009. Mr. Burnaford seconded the motion.**

Mr. Burnaford asked what the difference is, under Food and Beverage, where the Resort is listed as “Yes” and Island Beach Service is listed as “Existing”. Mrs. Rucker stated that it implies that Island Beach Service would propose to continue providing the service. Mr. Burnaford stated that if the Town requested kayaks and other recreational equipment then the bidder that did not offer is not a viable bid. Mr. Orban stated that the Resort and Tidal Trails currently provide kayaks on the beach. Mr. Orban stated that it was his personal feeling that the Town does not want kayaks up and down the beach and that there are currently two locations that offer kayaks and that is enough. Mr. Burnaford asked if you could compare the bids even though Island Beach Services did not bid on kayaks. Mrs. Rucker stated they are comparable because the kayaks were not required, but an optional part of the RFP.

Mayor Wert asked the franchise fees offered were for the whole beach or certain sections. Mr. Orban, pointing to the exhibit, stated it is for the blue area highlighted on the beach. Mr. Orban stated that the area in front of the Sanctuary and in front of the West Beach area out of the contract and that will remain operated by the Resort if they so choose. Mr. Orban stated that this is a reasonable thing to do because it is their properties bordering the beach. Mr. Orban also stated that Beachwalker County Park was not in the contract. Mayor Wert asked if everyone bid on the entire beach. Mr. Orban stated that all bids were on the entire beach, or the blue area on the map. Mayor Wert stated that if the weight came in with the highest and the fee was the highest, there is nothing wrong with recommending Island Beach Services. Mrs. Rucker stated that is correct. Island Beach Services had the highest points and the highest franchise fee.

**After discussion, the motion carried unanimously.**

#### **E. Authorization to Expend Funds for the Proposed Garage Expansion**

Mr. Rusty Lameo stated that he realized the item was not budgeted for this year but that the Town is facing a need for more garage space due to uses beyond the Town’s control. Mr. Lameo stated that the Town currently has a four bay garage and that staff is looking to add two additional bays. Mr. Lameo stated that presently, the Wildlife Department, Turtle Patrol, Kiawah-Seabrook Exchange Club, and Beach Patrol use the garage for storage. Mr. Lameo stated that staff approached the Ways and Means Committee during the budgeting process and Council approved a budget of \$7,500 for architectural drawing preparation. Town Staff advertised an RFP to have the drawings completed and no bids were submitted. Staff then approached the ARB and discovered that no drawings were necessary to approve an addition to the garage. The Town then advertised an RFP that included the complete cost to build the addition. The Town received 12 proposals ranging in price from \$37,850 to \$107,298. Mr. Lameo stated that the three lowest

bidders were: Charles Blanchard Construction, Tim Landrum, INC, and Ashley River Builders.

Mr. Orban asked if the area will be used to store items that are now stored behind the garage in the open. Mr. Lameo stated that there are approximately 50 cages that the wildlife department uses that will be stored inside and out of the elements.

Mrs. Rucker stated that the request is for authorization to expend funds.

**Mr. Orban motioned to recommend to Town Council the appropriation of funds to cover the cost of the proposed garage addition. Mr. Burnaford seconded the motion.**

Mr. Burnaford asked where the access will be for the new section of the garage. Mr. Lameo stated that there will be an access door through the existing garage and bay doors.

Mayor Wert stated that he has always felt that if you build more closets in a home, they will soon be filled up. Mayor Wert asked how the Turtle Patrol has changed so much in 15 years that the Town needs an extension to increase the size of the garage. Mayor Wert also asked if the funding would be coming from the General Fund contingency line and stated that this was dealt with previously during the budget cycle. Mayor Wert stated that during the budget review process, Council had enough concern with this item to only approve funding of an architectural drawing. Mayor Wert stated that it seems to have leapt from an architectural drawing to spending \$40,000 on additions to the garage. Mr. Gunnells stated that the Town budgeted \$7,500 in the Permit Fund and there is approximately \$16,500 in contingency. However, the Town has already hit the contingency fund heavily this budget year by replacing the air conditioning units in the building and moving funds to restricted funds. Mr. Lameo noted that the contingency will be reimbursed \$40,000 from the SC State grant the Town received earlier in 2008.

Mr. Burnaford asked if a lean-to over the back would accomplish the same thing as the garage. Mr. Lameo stated that the equipment would still be open to the elements.

Mr. Gunnells stated that this expenditure would be an additional cost to the Town when the Town is looking to cut expenses this year.

Mr. Orban stated the Committee had two choices; one, defer until next budget year or two, approve around \$40,000 to build the garage. Mr. Orban stated that the bids seem reasonable but the question is, do we want to spend the money at this time.

Mayor Wert stated that the Council decided during the budgeting process to not expend funds and that he believes that this is another attempt for funding presented in a different way. Mayor Wert stated from his view point, the Committee has considered this before

and said no and that the time to bring it up again would be during the next budget hearings.

Mr. Burnaford stated that he agrees that now is not the time to do it.

**After much discussion, the motion failed unanimously.**

#### **F. Coastal Hydropower Contract Renewal**

Mrs. Rucker stated that the Town has a current contract with Coastal Hydropower for the purpose of cleaning the exterior of the Municipal Center. Mrs. Rucker stated that they have performed their duties as prescribed in the contract and the contract allows for an additional one year extension.

**Mayor Wert motioned to extend the agreement with Coastal Hydropower, Inc for the exterior cleaning of the Municipal Center through December 31, 2009. Mr. Burnaford seconded the motion. The motion carried unanimously.**

#### **G. Solid Waste Consultant**

Mrs. Rucker stated that during the October 2008 Ways and Means Meeting, Mr. Gunnells raised concerns over the escalating price for solid waste services and the subsidy from the general fund to the enterprise fund. At that time the Committee recommended Town staff examine the cost of hiring a professional solid waste consultant to conduct a feasibility study for reducing costs and implementing program changes. Mrs. Rucker stated that staff has spoken with one consultant and recommends approving up to \$20,000 for the purpose of conducting a solid waste study. Mrs. Rucker noted that staff will need to prepare an RFP and seek competitive bids. Mrs. Rucker explained that the reason for seeking funding up front is other firms staff spoke with had questions as to the breadth of scope and stated they would need to know the budget they had to work with.

**Mr. Orban motioned to approve up to \$20,000 for the purpose of conducting a solid waste study to examine the feasibility of the Town providing the Solid Waste Service to its constituents internally and/or to reexamine the current service distribution on the Island. Mayor Wert seconded the motion.**

Mayor Wert asked why the Town would not first go out with an RFP, get the prices from the consultants, and then decide if we want to award a contract. Mayor Wert asked if by approving this amount, staff would have the authority to expend the funds without coming back to the Committee. Mrs. Rucker stated that staff would have to come back to the Committee for authorization to expend any funds over \$5,000. Mayor Wert stated he did not understand why the Committee would appropriate any funding before bids were reviewed.

Mr. Orban asked if the Town was interested in going into the garbage business.

Mr. Burnaford stated that he recalled that during the last meeting the Committee did not have much interest in pursuing the item.

Mrs. Rucker stated that the Ways and Means Committee instructed staff to obtain a professional opinion in regards to the Solid Waste enterprise fund. Mrs. Rucker stated that staff needs to prepare an in-depth scope and that when the Town hired a recycling consultant with a narrow scope of work, they received a report based on that scope and received heavy criticism from Council on the end result. Mrs. Rucker stated that the report was simply a feasibility study and not an implementation plan.

Mayor Wert stated that he recalled the Committee asking staff to seek the advice of a professional. Mayor Wert explained that he does not believe it is the desire of the current Council to start a garbage department but that in order for them to act in a fiscally responsible way, they must examine a way to reduce the cost of providing the service before it reaches \$1 Million per year.

Mayor Wert suggested going out for bid with a developed scope in order to see if consultants respond.

Mr. Orban stated that he feels it is a waste of time to seek the advice of a consultant if most members of Council do not want to go into the garbage service internally. Mayor Wert stated that the Town should research possible cost savings. Mr. Orban stated that the garbage contract is up in 2011 and at that time the Town will seek additional bids. Mr. Orban stated that this process had worked well in the past and he has heard no complaints to date. Mr. Orban also stated that he has no objection to researching a savings.

Mr. Gunnells stated that he only brought it to the Committee's attention because three years ago the cost was around \$300,000, two years ago the cost was around \$500,000 and this year it is around \$700,000. Mr. Gunnells stated that the Town is jumping significant costs each year because under the contract terms, the price escalates based on the CPI rate for that year and the Town is adding additional home sites. Mr. Gunnells stated that it will be \$1Million next year if the rates continue to escalate.

**Mayor Wert motioned to amend Mr. Orban's motion in order to authorize staff to prepare an RFP for a feasibility study to research if the Town should provide garbage services internally. Mr. Orban seconded the motion. The motion carried unanimously.**

#### **H. Analysis of 30% Reduction in Budgeted Revenues for 2008-09 Fiscal Year**

Mr. Orban stated that during the last Ways and Means Committee meeting, the Committee requested that Mr. Gunnells prepare a hypothetical budget showing the

reduction of revenues by 30%. Mr. Gunnells stated that the Town would be looking at a \$655,807 reduction should revenues reduce by 30%. Mr. Gunnells stated that he does not think the Town will experience a reduction of this magnitude and the state is looking at a loss of 15%.

Mayor Wert asked what amount the 08/09 budget would be short. Mr. Gunnells answered \$2,374,657 short. Mr. Gunnells stated that the Town has a significant fund balance that could absorb the \$1.7 Million. Mr. Gunnells asked if that variance reflected the Town paying for the Parkway project out of the fund balance. Mr. Gunnells stated yes at \$4.5 Million. Mayor Wert stated that that the funds will not be spent during this budget year because the project is yet to begin.

Mayor Wert asked how the Town's investment portfolio has fared during the falling economy. Mr. Gunnells stated that the Town's current economic situation is probably enviable to many other Towns in South Carolina and he has a majority of the investments gaining greater than 5% interest in bonds. When the bonds mature and the Town renews, they are getting a rate that more closely resembles the market. Mr. Gunnells stated that the money for the parkway is gaining 3.25% to 3.5% rates and long term bonds are gaining 5% on 90% of the funds.

Mayor Wert asked Mr. Gunnells to submit a memo to Council summarizing the Town fund position as of July 1, 2008 compared to the current.

Mr. Gunnells stated that the report shows reduction in revenue and not reduction in expenditures. Mr. Gunnells also stated that he is monitoring state ATAX funding monthly and there currently have been no alarming changes.

This item was presented for information only and required no further action.

#### **I. St. Johns High School Inauguration Trip**

Mr. Orban stated that the Town is in receipt of a letter from Mr. John Olson requesting funding for the Presidential Inauguration in January. The trip costs \$495 per student and the letter is requesting a donation of \$5000 to subsidize the costs.

**Mr. Orban motioned to recommend to Town Council the expenditure of \$5,000 for the St. Johns High School Inauguration trip. Mr. Burnaford seconded the motion.**

Mr. Orban stated that he did not feel the Town could contribute out of the Charitable Contribution Fund because of the requirement of being a 501(c) (3) charitable organization.

Mr. Burnaford stated that the Committee considers very closely the groups and programs they fund and that 90% goes to Johns Island. Mr. Burnaford stated that there is an issue

with the 501 (c) (3) status and the argument that it will be a once in a lifetime experience for the kids. Mr. Burnaford stated that a lot of groups submit once in a lifetime proposals and that he would rather keep the funding on Johns Island for groups that help people on the Island.

Mayor Wert stated that he is concerned about the precedent this would set. Mayor Wert explained that a citizen approached the committee earlier in the year seeking funding for a science trip to Columbia for a group of elementary students and this request was denied. Mayor Wert stated that he did not see this request as any different and if the Town did fund it, it would need to come from the general fund instead of the Charitable Contributions Fund.

Mr. Orban asked who the money would go to. Mr. Olson stated that the students have been fundraising throughout the year and this money, if donated, would be in addition to that balance.

Mr. Olson stated that the school is a charitable organization and that they can issue a W9. Mr. Gunnells stated that as a member of the Charleston County School District that it does fall under the charitable organization category.

**After discussion, the motion failed 2-1 with Mr. Orban voting yes.**

#### **VIII. Chairman's Report**

Mr. Orban discussed proposed Ways and Means Committee dates for 2009. After discussion, it was decided that the Committee would meet on the last Tuesday of each month at 3:00pm.

#### **IX. Treasurer's Report**

Mrs. Rucker stated that the Town is constantly reviewing the way it does business in order to operate at higher levels of efficiency. Mrs. Rucker stated that the Town just recently reviewed its contract with Xerox and will be receiving a new machine that produces higher quality print documents for around \$30 less each month. Town Notes along with certain Arts Council documents will now be produced in house with the printers "print shop quality."

Mayor Wert asked Mr. Gunnells to provide a total of all costs for the Arts Council.

#### **X. Citizen's Comments**

##### **Robert Wilkes, Charleston Beach Chair Company,**

Mr. Wilkes stated that he felt he did not have enough time to get a complete proposal into the Town. Mr. Wilkes stated that he did the best he could with the time he had. Mr. Wilkes asked if the Town is requiring new equipment as stated in the RFP. Mr. Wilkes

stated that he has around 800 used KIGR chairs that he buys back and he was not planning on returning them to the beach.

Mrs. Rucker stated that there is not anything that specifically all new equipment in the RFP. Mrs. Rucker explained that the Town does not dictate how vendors provide their service.

Mr. Wilkes stated that he will look over the pdf. documents again because he believes the general guidelines do specify “new” equipment.

Mr. Wilkes also stated that he bid his franchise fee near the Resorts and that they are bidding based on the current economic situation. Mr. Wilkes stated that is a number that most business people would look at and be comfortable paying. Mr. Wilkes stated that his proposal was for high quality equipment and service and that he does not feel the Resort is getting that right now.

**B. John C. Olson, Jr, 4985 Green Dolphin Way**

Mr. Olson stated that he is requesting funding publicly for the first time in his life. Mr. Olson stated that he is doing this on behalf of the Johns Island High School group that has been planning a trip to Washington, D.C. in order to witness the Presidential Inauguration. Mr. Olson stated that he is giving advance notice to Council on his application to the Town’s Charitable Contribution Fund for \$5,000. Mr. Olson stated that St. Johns High School is a 501 (B) (3) entity. He asked the Committee members to view the inauguration as something that can never be replicated because the nation is inaugurating our first African – American President and therefore it will not set a precedent for future funding requests. Mr. Olson thanked the Council for their advanced consideration of this item.

**Butch Neal, Island Beach Services, Inc.**

Mr. Neal stated that Island Beach Services, Inc., is not a chair manufacturer nor a recreation department. Mr. Neal stated that he is, and has been, a dedicated beach service attendant for 35 years. Mr. Neal stated that he is passionate about the beach service on Kiawah and that it is his livelihood, life, love, and baby. Mr. Neal stated that he does not take the service lightly and cares for all that pertains it, down to the last piece of equipment.

**XI. Adjournment**

**Mayor Wert motioned to adjourn the meeting at 9:30am. Mr. Burnaford seconded the motion. The motion carried unanimously.**

Submitted by,

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Catherine Wilson, Town Clerk

Approved by,

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G. Steven Orban, Chairman

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Date