

**Ways and Means Committee Meeting
Kiawah Island Municipal Center
January 26, 2010; 9:00am**

Minutes

- I. **Call to Order:** Mayor Wert called the meeting to order at 9:00am.
- 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: William G. Wert, Mayor
Alan L. Burnaford, Mayor Pro Tem
Charles R. Lipuma
Harry M. McHugh

Also Present: Tumiko Rucker, Town Administrator
Ken Gunnells, Town Treasurer
Cathy Wilson, Town Clerk

Absent: G. Steven Orban, Chairman
- IV. **Approval of Minutes:**
A. Ways and Means Minutes of January 5, 2010
Mr. Burnaford motioned to approve the minutes of January 5, 2010. Mr. McHugh seconded the motion. Mr. Lipuma asked for the correct spelling of “Marilyn Olson” under citizen comments. Mrs. Olson stated that her name is spelled “Marilyn.” Ms. Wilson stated that the first sentence under Old Business, Item A, that reads, “Mr. Gunnells stated that” can be deleted. With those changes, the motion carried unanimously.
- V. **Old Business:**

None
- VI. **New Business**
A. Quarterly Investment Presentation
Mr. Robert Vinji, Wells Fargo, stated that this presentation meets the reporting guidelines and requirements of the Town of Kiawah Island Investment Policy. The investment portfolio consists entirely of Federal Farm Credit or Federal Home Loan Bank discount notes. The average maturity is 6.49 years and corresponds with Town’s Investment Policy guideline that limits the maximum average maturity to 7 years. He stated that the Town is currently in compliance

with the Investment Policy. The total monthly coupon payments in 2010 was \$416,050. The Investment Policy requires that the performance be measured in accordance to a benchmark. The benchmark is the 90-day Treasury Bill (TBILL). The Town's rate of return for the last quarter, ending December 31, 2009 was -.11% base points; the calendar year was 2.24% base points. The annualized rate of return since January 2006 (inception) is 4.24%; a gain of \$696,334.98. The cumulative calendar year-to-date return is \$241,421.16. Compared to the TBILL benchmark, the Town's portfolio was -.11 base points with the TBILL at .03 basis points. The year-to-date comparison shows the Town's portfolio at 2.24 and the TBILL at .16.

Mr. McHugh asked Mr. Vinji his strategy of dealing with the possibility of rising interest rates. Mr. Vinji stated that the first priority, defined by the Town's Investment Policy, is to maintain safety of principal. He explained that as long as the bonds can be held until maturity, there is no principal risk. He explained the following dilemma: if they can hold the bonds to maturity, they feel that the only risk of rising interest rates over the next five years, is that the portfolio would be earning less than it otherwise could. The current rates are locked in and funds cannot be reinvested until they mature. Conversely, if the Town held the money short, near 0% interest rates, the portfolio would experience the downside of the worst case scenario where the funds are not earning as much as they could. He stated that as you can see from the "accumulation account" the Town has been earning more than they otherwise could over the last couple of years and hopefully the accumulated funds will be a bonus pool that the Town can draw upon if the rates rise and the Town becomes trapped in lower yielding securities. Mr. Vingi stated that it is a personal opinion but he feels that "everyone knows that rates are going higher and soon" but, in his experience, the things that "everyone knows", most times, do not come to pass. He stated that it is possible that rates can stay lower much longer than anticipated. Mr. Vingi stated that short rates must go higher but the question is how long can they stay low. He thinks it will be longer than most expect.

Mr. Vinji stated that the second benchmark shown on the report is the CPI. Last calendar year, the CPI rate was 3.0 and in reference, the portfolio was 2.24. In 2008 the Town's portfolio earned 4.6% and the CPI was .09 base points. Since inception, with the exception of 2009, the portfolio has a positive margin above the inflation rate.

Mr. Gunnells stated that over 50% of the Town's portfolio is callable in the first quarter of 2010. Mr. McHugh stated that although the funds are callable, the Town does not do the calling. Mr. McHugh stated that he does not have an issue with the portfolio but he just wants to make a point that if the interest rates do go up short of the 6 year period, it would appear the Town's assets are being depleted in financial reports. Mr. Gunnells stated that he understands but that during discussions with Mr. Vinji it has been discussed that if the funds are held to maturity, the Town will still make 4%. Mr. Vinji stated that Mr. McHugh has a very good point and that the last quarter of the year showed a negative financial return of .11% and that is an

example of what Mr. McHugh is referencing. Mr. Vinji explained that during that quarter, the prices of the bonds slipped below the coupons they were receiving and produced a negative return. He went on to say that it is not hypothetical but highly likely that there will be periods in the 6 year time frame that will show a negative return due to price fluctuation. If the bonds are held to maturity, the Town will collect the coupon and principal but he stressed that everyone needs to understand that some statements may show negative returns during the holding period of the bonds. Mr. Gunnells concluded by explaining that the negative shown is from a purely mechanical accounting function and not because the Town actually lost money.

B. Greenbelt Funds

Mrs. Rucker stated that Charleston County has Greenbelt Funds for urban and rural communities to create natural roadways, trails, or enhancement projects. There is \$125,000 set aside at the County for the Town of Kiawah Island as an urban group. The project must be open to the public and be a natural, unpaved project. Mrs. Rucker requested authorization to present a proposal to the Greenbelt Advisory Committee. Mr. Burnaford stated that it does require that the public have access to the project. Mayor Wert authorized Mrs. Rucker to develop a proposal and asked that the proposal be submitted to the Committee upon completion.

C. Greenery Parkway Maintenance Agreement

Mayor Wert stated that the existing Parkway landscaping is maintained by the Community Association. He explained that to be compliant with the one-year landscaping warranty included as part of The Greenery's Parkway Project Landscaping Contract and to prevent any associated maintenance claims that may void the warranty, Town Staff, the Parkway Project Manager, and Councilman Steve Orban have recommended a landscape maintenance contract with The Greenery.

Mayor Wert motioned to recommend to Town Council the authorization for the Town to negotiate a contract, not to exceed \$25,000, with The Greenery of Charleston for the Kiawah Island Parkway Landscaping. Mr. McHugh seconded the motion.

Mr. Lipuma asked what savings the Town will receive. Mrs. Rucker stated that Shannon White, KICA, is prepared to explain changes with the KICA Landscape Agreement. Mrs. Rucker also clarified that the contract warranty period is for 18 months and the newly updated numbers are for the contract to be \$32,000 to include the mulch on the Parkway. The contract will carry a warranty for all the plantings. The original quote of \$25,000 did not include mulch. Mrs. Rucker explained that the newly updated figures were emailed to her the morning of the meeting.

Mr. Burnaford asked if this contract includes the Roundabout. Mrs. Rucker stated that KICA would maintain the Roundabout and the Greenery would maintain the remainder of the Town's portion of the Parkway.

Mr. McHugh asked the value of the project being warranted with the \$32,000 contract. Mr. Lipuma explained that it is nearly \$550,000. Mr. Lipuma stated that the contract with The Greenery makes eminent sense.

Mrs. Shannon White stated that the Community Association would maintain Beachwalker Drive, the flag pole median, the traffic circle, and the Roundabout. Mr. Gunnells stated that the Greenery will be doing a lot of work in the traffic circle pertaining to the irrigation controls and pumping stations. Mr. Lipuma asked where the controls are physically located because he thought they are closer to Freshfields. Mr. Burnaford suggested that The Greenery also assume maintenance of the Roundabout if, they in fact, are going to be doing work in that area. After discussion, Mayor Wert requested that the exact location be specified before any decisions are made.

Mayor Wert requested a contract quote be received from The Greenery for 18 months and to find out exactly what parts of the Roundabout The Greenery will be in before the next Town Council meeting. Mr. Burnaford asked to verify how long the Greenery will maintain the warranty if they provide the maintenance. Mr. Gunnells stated that the warranty would remain as long as The Greenery does the maintenance and that has been received in writing.

After discussion, Mayor Wert called for a vote on the motion. The motion failed unanimously.

Mrs. Rucker noted that the current contract with The Greenery allows the warranty to begin when substantial completion has been granted. She explained that substantial completion may begin as soon as after today's inspection. Mrs. Rucker asked if this item will be considered during the next Town Council Meeting. Mayor Wert responded that Town Council will act on this item during the next meeting.

Mrs. Shannon White stated that she spoke with Joe Bunting and he is agreeable to allowing the Greenery to take over maintenance on the Parkway and she stated that she wants to clarify that the current Landscaping Contract covers Christmas Decorations and that if The Greenery takes over Roundabout maintenance, the Town would have to ask The Greenery to cover those items on the Roundabout. Mrs. White explained that KICA would maintain the Town Hall, flag pole median, Beachwalker Drive and the traffic circle for a price of \$42,180.00 per year, including materials.

D. Parkway Project Change Orders

Mr. Lipuma stated that Change Orders 11 and 12 have been carefully considered and are both under \$50,000. The total cost of the paving and bike path project is up to \$1,525,000 and the total cost, including landscaping, is near \$2.5 Million. Mayor Wert noted that the original projected budget was \$4.5 Million compared to the

actual \$2.5 Million. These items were approved by Mr. Orban and do not require further action.

Mr. McHugh asked if the drainage issue remains outstanding. Mr. Lipuma responded yes.

E. Resurfacing Parkway Curb Cuts

Mr. Lipuma stated that he met with Roger Warren, KIGR, to discuss the curb cuts at the Resort property and Mr. Warren stated that he would like to work with the Town on this issue. Mr. Lipuma stated that the Town needs to do more landscaping in that area because it is too open. Mr. Lipuma is meeting with Spencer Nash, KDP, and Charlie Arrington, KDP, to discuss landscaping options.

F. Budget Calendar

Mayor Wert motioned to approve the FY 2010/2011 Budget Calendar. Mr. Burnaford seconded the motion. The motion carried unanimously.

G. ATAX Committee Appointment

Mayor Wert stated that this item is for information only and that one at-large representative seat remains unfilled. He noted that the Kiawah Island Golf Resort has only one member as the Town's ATAX committee was audited by the State Audit Committee and the KIGR double membership was questioned.

H. Legislative Action Day

Mayor Wert stated that the next Hometown, SC Legislative Action Day will be February 17, 2010 and to contact Mrs. Rucker if interested in attending.

Mrs. Rucker stated that there has been a lot of legislation within the past year that has negatively affected local governments.

Mayor Wert stated that he would like to schedule a dinner meeting with Representative Leon Stavrinakis and the Council members to get possible dates.

VI. Treasurer's Report

Mr. Gunnells stated that generally, the Town is where they are supposed to be. Business license is \$20,000 below this time last year but the Town has not begun getting those in yet. Solid waste funds are comparable to this time last year. Expenses are less than they were this time last year by \$60,000. All State Accommodations funds have not been received. The Local Accommodation's December check was just received the day before the meeting and is relatively consistent with last year. Hospitality Taxes are down \$20,000 from last year and expenditures are higher because of a budgetary placement. This year, all utilities and some landscaping fees are paid from the Hospitality Tax fund. Mr. Gunnells stated that significant funds were spent in January including a \$500,000 to Gulfstream Construction Company and a \$200,000 to The Greenery. The

additional \$50,000 anticipated from the County has been received. There are no further funds available from the County for the Parkway project. Mr. Burnaford asked how the \$200,000 that the Town did not take from the County is reflected. Mr. Gunnells explained that it is not reflected in the budget as it was not claimed by the Town.

VII. Citizens Comments:

None

VIII. Committee Comments

None

IX. Adjournment:

Mr. Lipuma motioned to adjourn the meeting. Mr. Burnaford seconded the motion. The meeting adjourned at 9:57am.

Submitted by,

Catherine Wilson, Town Clerk

Approved by,

G. Steven Orban, Chairman

Date