

**WAYS AND MEANS COMMITTEE
KIAWAH ISLAND MUNICIPAL CENTER
DOWNSTAIRS CONFERENCE ROOM
June 30, 2009, 9:00 AM
Minutes**

- I. Call to Order: Mr. Orban called the meeting to order at 9:00 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
Alan L. Burnaford, Mayor Pro Tem
Charles R. Lipuma
William G. Wert, Mayor
Harry McHugh
- Also Present:** Kenneth Gunnells, Treasurer
Tumiko Rucker, Town Administrator
Catherine Wilson, Town Clerk
- IV. Approval of Minutes:**
A. Ways and Means Meeting Minutes of May 26, 2009
- Mr. Burnaford motioned to approve the minutes of May 26, 2009. Mayor Wert seconded the motion. Mr. Orban replaced the word “changes” with the word “charges” on page 9 of the minutes. With that change, the minutes were approved unanimously.**
- V. Mr. Orban motioned to amend the agenda to hear New Business, Item B, “FY 2009-2010 Pre-Audit Meeting” immediately.**
- New Business:**
B. FY 2009-2010 Pre-Audit Meeting
Charlotte Allen, Webster Rogers LLP
- Mrs. Charlotte Allen presented the Ways and Means Committee with the audit arrangement letter from Webster Rogers, CPA. She explained that the audit will be conducted by professional standards to express opinions about the financial statements of the Town.

The Town does not have federal funding and does not require a “yellow book” audit. The audit is planned to begin approximately August 15 and end September 30.

Mr. Gunnells stated that if there is a concern about financial practices, it should be communicated directly to Mrs. Allen or someone in her firm.

Mayor Wert stated that for the past eight years the audits have passed with flying colors and he looks forward to the audit findings.

VI. Old Business:

A. Recycling Initiative Container Purchase

Mr. McHugh stated that the Ways and Means Committee will need to consider three separate expenditures pertaining to the recycling initiative. The regimes need to know the types of containers that will be available and how much it is going to cost. The regimes total 328 units and they all need receptacles. Mr. McHugh stated that it was originally hoped that the County would provide the recycling receptacles but that is not going to happen. He stated that if the Town is to proceed in a timely manner they must deal with the cost of providing the receptacles.

The proposed 500 containers will be charcoal gray and have been approved by the ARB. They also meet the requirements of the hauler for once a week pickup and co-mingle binning. Mr. McHugh explained that Mrs. Rucker met with Fennell Container and negotiated the costs from \$56 each to \$45. The total is \$22,500 for 500, 35 gallon containers and covered by funding in the FY 2008-2009 budget. The bins must be purchased by the truckload and ordered in 500 quantities.

Mr. Orban asked if all property owners will be able to select the 35 gallon roll out rather than the regular blue bin. Mrs. Rucker responded that all property owners including the regimes will be allowed to select the 35 gallon roll out. Mr. Lipuma asked if all 328 regime owners had requested the 35 gallon roll out. Mrs. Rucker responded that not all individual owners had requested the 35 gallon roll out but that in her meetings with the regime representatives they are ready to begin service with that container. She stated that some regimes will have space available for recycling dumpsters while others may not have adequate space and will have to use the roll outs for all recycling.

Mayor Wert stated that this item is only a part of a much bigger issue. He stated that as a Council they must decide if they want to supply solid waste pickup for every property owner on Kiawah; no matter their home type. He explained that recycling is just a piece of the entire program and this issue has morphed into recycling being the forefront of conversation without discussion on providing solid waste. He stated that initially, before the Town was incorporated, the regimes were responsible for contracting solid waste disposal. When the Town took over the service provision, it was never offered to the regimes because their haulers did not have capability to service the large dumpsters. He

explained that now, the Town has an entire menu of services and the increased knowledge of recycling has brought the regime groups requesting the same type of solid waste service as offered to other properties on the island. Mayor Wert stated that they see the single family homes with free curbside service and the regimes want the same option. Mayor Wert stated that the Committee must first develop a philosophical standing on whether the Town will provide solid waste service to all property owners. He stated that if the regimes choose the Town for service, they must supply it, and must be prepared to put together a service menu with associated costs for all properties.

Mr. McHugh stated that the regime communities are acutely aware that single family homes receive a subsidy of \$250 for their solid waste, recycling, and yard debris. Mrs. Rucker stated that the properties receive an \$85 subsidy for recycling services.

Mr. Lipuma stated that everyone must have the service and that the big question is figuring out who pays for it. He explained that from an equity point of view, any regime should have the right to participate and those that prefer to stay on their own should retain that option. Mr. Lipuma stated that the Town must determine what the cost is if everyone is included and then perhaps divide the subsidy between the new regimes and current participants.

Mayor Wert stated that the Town's costs will increase if there are more participants and agreed that perhaps the subsidy should be divided amongst all participants.

Mr. Orban asked if yard debris will be included in the new service. Mrs. Rucker stated that the request has been to consider the regimes for the same services that all single family homes have.

Mayor Wert stated that the Committee must also consider the fact that if they allow regimes to join the Town's solid waste program, they must also join the Town's recycling program.

Mr. Orban stated that the entire point was to foster more recycling and he feels that if they want to do it fairly, the Town must treat regimes as single family homes and if the Town is going to provide a subsidy, the participants must recycle if they are in the solid waste program.

Mayor Wert asked what the estimated costs are for the service provision. Mr. McHugh stated that the total estimated cost is \$320,000.

Mayor Wert stated that he has a problem with the additional \$320,000. He does not feel that the Town should not pick up the total costs for the regimes.

Mr. Burnaford stated that if this is going to cost the Town an additional \$320,000 that he is not sure if they should undertake it.

Mr. Lipuma stated that some of the regimes are much akin to businesses and the Town is not in the business of subsidizing businesses. Mr. Burnaford stated that some single family homes are also rentals. Mrs. Rucker stated that those single family homes that are rentals have to pay for a different level of service. Mr. McHugh added that they still receive a \$255 subsidy.

Mrs. Rucker stated that she does not feel that the Town is ready to provide complete garbage collection for all regimes at this point. She stated that there is a considerable amount of cost studies that need to take place before the Town can offer a price for the service to each unit.

Mr. Lipuma stated that the philosophy is very clear to him and that everyone must participate in solid waste, yard debris, and recycling. He stated that now, the Town must decide who pays.

Mayor Wert stated that the Ways and Means Committee should recommend to Town Council if participation should be mandatory to all.

Mr. McHugh stated that at this time, there has been no identified space for recycling dumpsters at the Tennis Club Villas. He stated that there are some condominiums that are going to argue that they have no space for the service. Mr. McHugh stated that as far as the subsidy is concerned, it either has to be equally offered to everyone or not offered at all.

Mr. Burnaford motioned to recommend to Town Council that the Town's solid waste service, including trash, recycling, and yard debris, become mandatory for all property owners. Mr. McHugh seconded the motion.

Mr. Orban asked if this will allow the option of non-participation. Mayor Wert responded that it will be mandatory for all.

Mr. Burnaford asked if regimes will be allowed to contract their own hauler. Mayor Wert responded that they must participate in the Town's program and not contract with a separate hauler.

Mr. Orban stated that he has no objection if the regimes want to contract their own hauler.

Mayor Wert stated that if the Town allows the option of picking and choosing participation then it becomes an administrative nightmare to control. He stated that the billing and contracting would be very difficult. Mrs. Rucker agreed and stated that is

why they have attempted to bring as many on board for recycling as possible. She stated that the hodgepodge of service participation has been very difficult to manage.

Mr. McHugh stated that it makes it mandatory to participate in the Town's Solid Waste system to include recycling and yard debris. Mr. Orban asked if it will require regimes to find a location for a recycling container whether they like it or not. Mr. Lipuma stated that either the regimes pick the location for the container or the Town will do it for them.

Mrs. Rucker stated that at the last meeting, it was stated that recycling would be optional and is not mandatory. Mayor Wert stated that this will be clarified at the next meeting.

Mr. Gunnells asked if language could be added to make it effective July 1, 2010. Mayor Wert stated that he does not want to tie a date to the ordinance until costs have been figured. He stated that this recommendation is philosophical and does not deal with the costs.

Mrs. Rucker stated that the current Ordinance requires mandatory participation for regimes except for "recycling and yard debris."

Mr. Lipuma asked if the Resort is considered a property owner. Mrs. Rucker stated yes but that she recommends that the language be changed in the current Ordinance that prohibits commercial participation. She suggested that it be changed to read "commercial entities may participate." She stated that she does not think the subsidy should be applied to commercial properties. Mr. Lipuma suggested that the Resort, KICA, and KDP be excluded from mandatory participation. Mrs. Rucker stated that from a fundamental standpoint, the Resort and KDP have been some of the first to say that they do want to participate in the recycling aspect and they are willing to pay for it. Mr. McHugh stated that he suggests that specific entities not be named in the Ordinance.

Mayor Wert stated that this motion says that everyone has to participate.

Mayor Wert motioned to amend the motion to exclude KIGR, KICA and KDP.

Mayor Wert stated that Mr. Rhoad will review the Ordinance before it is passed by Council. Mr. Lipuma stated that you could finesse it by saying "all residential properties" and not naming specific companies.

Mayor Wert withdrew his amendment.

Mr. Lipuma amended the motion to read "all residential" property owners.

Mr. Orban called for a vote on the amended motion and the motion passed unanimously.

Mayor Wert stated that this shows the Town has taken a major philosophical stance to provide the solid waste service to all residential property owners.

Mr. McHugh stated that there is still business on the table. The Committee must vote to fund the containers.

Mr. Burnaford asked if the numbers are accurate for recycling estimates. Mr. McHugh and Mrs. Rucker responded that they are correct in regards to recycling at the condominium level. Mrs. Rucker clarified that there is nothing in the upcoming year's budget that would allow the Town to take on the estimated \$330,000 in expenditures for providing fully inclusive solid waste. She stated that any decision that is made today on recycling has no bearing on the previous motion. Mr. McHugh stated that it will have the effect of increasing the momentum of the condominiums that come on board.

Mayor Wert asked if the Town buys the bins now and then decides that they cannot afford to underwrite the \$320,000, why would the Town buy bins that will not be used. Mr. McHugh stated that the bins are from when they were dealing with recycling as isolated from the solid waste. He also stated that if the bins are not funded, that lack of funding will place a hold on the expansion of the recycling program. Mr. Burnaford stated that the Ordinance requires two readings for passing and that allows more time to review all of the costs associated with the program. Mr. McHugh asked Mr. Gunnells if the Town waits until the next day, July 1, if the Town will have the money to buy the bins. Mrs. Rucker responded that the containers must be purchased by today to come out of the current year budget and there are no budgeted funds for the purchase in the upcoming budget. Mayor Wert asked if this expenditure can be accrued. Mr. Gunnells stated that if the Committee votes to approve the expenditure, that he can accrue it but without the vote, he does not have the authority to accrue it. Mr. Lipuma stated that the Town Council does not meet until next week. Mr. Gunnells stated that effectively, this Committee is Town Council. Mayor Wert stated that legally the Ways and Means cannot approve the expenditure today because the Town Council does not meet until next week which is after July 1. He stated that Town Council has to approve any expenditure over \$10,000 whether the item is budgeted or not. Mayor Wert stated that it is also too late to hold a special Town Council meeting later in the afternoon because they do not have 24 hours to publish and notice the meeting.

Mr. Orban stated that financially, this program cannot start until July 2010. Mr. McHugh stated that if the Committee acts and views it as an isolated recycling program, the funds are available to purchase the containers from the FY 08/09 budget. The service is budgeted for in the FY 09/10 budget. Mr. Lipuma stated that you can state that full implementation will not take place until the 2010 budget year but in the meantime, the Town will work through the transition. Mr. McHugh stated that the recycling program is fully funded. Mr. Gunnells stated that instead of exploited whether it was approved or not approved this year the Council can amend the budget for \$22,000. He explained that this would be a simple way of doing it. Mayor Wert stated that tomorrow morning, the FY 08/09 budget has ended and the money for the bins is in that budget. If the Town cannot accrue the purchase, then he does not know of funds in the FY09/10 budget that

are available. Mrs. Rucker stated the accrual can take place with the vote today. Mayor Wert stated that it is not a Town Council vote. Mr. McHugh stated that the Committee must decide that going forward with the regime program connects irreversibly to the full scale program down the road. He stated that the recycling program at the regime level is fully funded through the FY 09/10 budget. Mr. Gunnells stated that it does not include the purchase of the bins in 2009. Mrs. Rucker clarified that the service is budgeted in FY 09/10, not the cans.

Mayor Wert stated that the Committee legally cannot take the money and spend it because the money's availability ends at midnight. Mr. Gunnells stated that if the Committee desires to authorize him to create a purchase order for the item, he will do it. Mr. Gunnells stated that it would have to be then ratified by Council. Mr. Gunnells added that is not the preferable methodology for purchasing.

Mr. Burnaford stated that the budget is a guideline and Council can change it.

Mr. Orban stated that the Town has been talking about recycling services and he feels they should not postpone the purchase of the containers any longer if the funds are ready. He stated during the process of budget preparation for next year, they can then talk about the full scale of solid waste service provision and associated costs.

Mr. Gunnells stated that everything the Mayor has said has been correct. Mr. McHugh stated that if the Committee authorizes Mr. Gunnells to make the purchase, he can do it.

Mr. McHugh motioned to authorize Mr. Gunnells to write a purchase order for 500, 35 gallon containers in the sum of \$22,500. Mr. Burnaford seconded the motion.

Mr. Gunnells stated that from an accounting standpoint, the rules in Generally Accepted Accounting Principles state that to be accruable, in any particular time frame, the item typically has to have been ordered and/or received. He stated that in this case neither have been done. Mrs. Rucker stated that when the PO is created it automatically creates the encumbrance. Mr. Burnaford asked if Mr. Gunnells was worried if it is legally correct to purchase in this manner. Mr. McHugh stated that if it is illegal then the Committee does not want to do it. Mr. Lipuma stated that to him it would be at best, highly questionable, if not totally illegal. Mr. Orban stated that if it is not legal they will not do it. Mr. Gunnells stated that auditors typically do not question if an expense is accrued. Mr. Burnaford asked why they cannot take \$22,000 from contingency.

After discussion, Mr. Orban called the question and the motion failed 3-2. Mr. Orban and Mr. McHugh voted yes. Mr. Burnaford, Mayor Wert, and Mr. Lipuma voted no.

Mayor Wert asked the amount of funds that are budgeted as contingency. Mr. Gunnells stated \$25,000. Mayor Wert stated that this would use most of the funds. Mr. McHugh stated that if it is budgeted for in FY08/09 and not spent it must remain somewhere. Mrs. Rucker stated that it would go into fund balance and be available.

Mr. Gunnells stated that it could be voted to pay for it out of contingency in the FY 09/10 budget.

Mayor Wert asked if these containers are needed immediately to begin recycling. Mrs. Rucker stated that they are needed within the next 60 days but if they are going to defer the start of recycling then more time can be spent on the purchase. She stated that after the purchase is authorized it will take at least 3-4 weeks to get the containers delivered to each home.

Mayor Wert motioned to recommend to Town Council the expenditure of \$22,500 of contingency funds in the FY 2009/2010 budget for the purchase of the recycling containers. Mr. Lipuma seconded the motion. The motioned carried unanimously.

Mayor Wert stated that Council can always alter the current budget by vote.

VI. New Business:

A. Authorization to Expend SATAX funds for Recycling Print Materials

Mrs. Rucker stated that there is \$10,000 budgeted in FY 2009 SATAX funds for the recycling initiative. Staff requested the use of up to \$10,000 to prepare printed materials for the public information campaign associated with the recycling initiative. Mrs. Rucker presented estimates from the Printing Group that totaled roughly \$9,000 for production of tri-fold brochures, door hangers, and magnets. This information will be distributed to all property owners as an insert via Town Notes or mailed directly to them. Mrs. Rucker stated that if it is approved today, staff can prepare a purchase order which creates a financial encumbrance. She stated that the Mayor has the authority to approve up to \$10,000 in purchases.

Mayor Wert motioned that the purchase order be written for \$9,999. Mr. Orban seconded the motion.

Mr. Orban asked what the start date is for the recycling program. Mr. McHugh stated that other than the actual people that have signed onto the program there is no one right now that can say they want the services tomorrow (July 1). He stated that there are additional groups that are waiting for pricing information to decide on whether to join the program. He stated he would be surprised if in the remainder of 2009 if more than half of the regimes join. Mr. Burnaford stated that there needs to be a date that allows the Town to adjust for pricing. Mayor Wert stated that the Town must be strict on enforcement and stick to the date once it is fixed. Mr. McHugh stated that they must also be very specific on the costs. Mr. Orban agreed and stated that there needs to be a date attached so when the public information goes out everything is clear. Mr. Orban asked if January 1, 2010 should be announced as the start date. Mr. Rucker stated that there are no budgeted funds for the project in FY 09-10 and if a date is set, it should apply to the recycling portion only. She stated that the mandatory garbage program should not begin until July 1, 2010. Mr. Burnaford suggested that it can be phased in until that time. Mr. Gunnells stated that July 1 would work because that is when bills go out for garbage service.

Mr. Lipuma stated that the tri-fold brochure should go out in Town Notes and there will be no need for a separate mailing.

After discussion, Mr. Orban called for a vote. The motion carried unanimously.

C. Contract Amendment for Residential Solid Waste

Mrs. Rucker stated that this is an amendment to the current contract for the collection of residential solid waste. This amendment would carry through for two years and support the cost of expansion. The \$50 fee for pickup for recycling containers at the regime location is not included in the projected price for the contract. This is for dumpsters located at Town Hall, Sora Rail, and Kestrel Court and includes the cost for a cardboard recycling dumpster. Mrs. Rucker stated that both she and Mr. Rhoad have reviewed the amendment. Mrs. Rucker stated that the only fee not included is the \$50 fee for recycling dumpster pickup at the regimes. Mrs. Rucker stated that she preferred that the \$50 fee also be agreed upon at this time to lock in the price for a two year period.

Mayor Wert motioned to approve the contract amendment between the Town and Republic Services of South Carolina d/b/a Fennell Container/Suburban Disposal. Mr. Orban seconded the motion. The motion carried unanimously.

Mr. Orban motioned to lock in the \$50 quoted price for pickup for the regime recycling dumpster. Mr. Burnaford seconded the motion.

Mr. McHugh stated that will govern the price for pickup at the regimes for two years.

The motion carried unanimously.

D. Recycling Initiative Cost Projections

Mr. McHugh stated that he asked for the report to be presented in detail because he does not think it can be successfully implemented without seeing when each regime is joining and what their specific issues are. He stated that this shows the best estimate of when the regimes will come on board and the estimated full participation cost is \$28,600. Mr. Lipuma stated that the number to keep in mind is the \$330,800 annual costs. Mr. McHugh stated that if the Town continues with the recycling initiative, they can expect to incur an estimated cost of \$21,240.90 within the next 12 months for regime collection costs. Mayor Wert stated that it will be roughly \$350,000 in additional costs to the Town once fully implemented. Mrs. Rucker stated that the \$330,180 is not the Town's cost and that the Town's cost of the subsidy is estimated to be \$182,580. Mayor Wert requested a spreadsheet showing that show the total cost for the Town for the next Ways and Means meeting.

Mr. Burnaford suggested January 1 for implementation. Mayor Wert agreed with January 1.

Mrs. Rucker stated that the numbers provided are estimates only. Mayor Wert asked Mr. McHugh to discuss the item at the Regime Mangers meeting on July 9.

Mr. Burnaford requested that Mrs. Rucker ask Joe Bunting, KICA, for a list of property owners for the regimes.

VII. Chairman's Report:

No Report.

VIII. Treasurer's Report:

Mr. Gunnells stated that business license collections went well and collections will meet this year's budget. The budget projected revenues of \$1.5 Million. The Town made a conscious effort to obtain a business license from all businesses.

State, Local, and County Accommodations will not be received until August.

Books will close for FY 2008/2009 June 30 and open into FY 2009/2010 tomorrow, July 1.

Mr. Gunnells stated that the Town will receive a software upgrade from Logics taking it from a DOS based system to a Windows based system. Mrs. Rucker stated that this upgrade is of no cost. Mr. Gunnells and Mrs. Truesdale will be traveling to Raleigh, NC for training on the program next week.

IX. Citizen Comments:
None

X. Adjournment
Mr. Orban motioned to adjourn the meeting at 10:50am. Mr. McHugh seconded the motion. The motion was approved unanimously.

Submitted by,

Catherine Wilson, Town Clerk

Approved by,

G. Steven Orban, Chairman

Date

**cc: Town Council
Dennis Rhoad, Town Attorney
Kenneth Gunnells, Town Treasurer
Tumiko Rucker, Town Administrator**