

# WAYS & MEANS COMMITTEE MEETING

Kiawah Island Municipal Center

Council Chambers

February 26, 2023, 3:00 pm

## Minutes

I. **Call to Order:** *Chairman Moffitt called the meeting to order at 3:00 pm.*

II. **Pledge of Allegiance**

III. **Roll Call:**

**Present at Meeting:** John Moffitt, *Chairman*  
John D. Labriola, *Mayor*  
Brad Belt, *Committee Member*  
Russell Berner, *Committee Member*  
Michael Heidingsfelder, *Committee Member*

**Also Present:** Stephanie Tillerson, *Town Administrator*  
Dorota Szubert, *Finance Director*  
Lee Bundrick, Sr. *Conservation Coordinator, Kiawah Conservancy*  
Collie Farrah, *Land Preservation Specialist, Kiawah Conservancy*

IV. **Approval of Minutes:**

A. Ways and Means Committee Meeting of January 23, 2023

*Mayor Labriola made a motion to approve the minutes of the January 23, 2023, Ways and Means Committee meeting. Committee Member Heidingsfelder seconded the motion, and it was approved.*

V. **Citizens' Comments: (Agenda Items only)**

**Maura McIlveen – 156 Blue Heron Pond Road**

Ms. McIlveen commented on the approval of the proposal for the auditors by stating that it was not evident in the materials provided if the contract was negotiated by the Mayor as required by Town Ordinance. Ordinance 4-415(c) states that all contracts for professional services provided to the Town must be negotiated by the Mayor and cannot be delegated. She pointed out the requirement to make members aware before making a recommendation to Town Council.

Ms. McIlveen expressed her concern about the Conservancy proposal and the expenditure of \$75,000.00 to fund the purchase of property outside the Town's boundaries and the hope that a discussion would include why the purchase was appropriate. Committee Member Belt's questioned if Town's interests and expenditures should generally be within Town's boundaries. Ms. McIlveen felt that there should be a discussion of if there are projects within the borders of the Town, which she felt should be a priority.

VI. **Old Business:**

None

**VII. New Business:**

- A. Review and Recommendation to the Town Council for Approval of the Proposal from Mauldin and Jenkins for Audit Services**

***Committee Member Heidingsfelder made a motion to recommend to Town Council the approval of the proposal from Mauldin and Jenkins for audit services. Committee Member Belt seconded the motion.***

Ms. Szubert stated that State status requires a municipality to solicit audit services through an RFP (Request for Proposals). The four-year engagement with the current auditors, Mauldin & Jenkin, LLC, ended with the FY2022 audit. An RFP for the fiscal year 2023 audit services with the option for annual renewal for the next three years was sent out and advertised in December 2022. The Town received two bids from CPA firms: Mauldin and Jenkins, LLC and Greene, Finney, Cauley, LLP, both of which had conducted audits for the Town. The Audit Committee reviewed the proposals. They were evaluated on the depth of the firm's governmental auditing experience, qualifications, and experience of the proposed audit team assigned to the Town, firm size and organizational culture, and service cost. After reviewing both proposals, the Audit Committee recommended continuing with the current auditors, Mauldin and Jenkins, LLC.

Ms. Szubert requested that the Ways and Means Committee recommend to Town Council the approval of Mauldin and Jenkins, LLC to provide auditing services to the Town for the fiscal year ending June 30, 2023, with the option to renew for the three subsequent years through June 30, 2026. Ms. Szubert noted that the Mayor would approve and sign the contract to comply with Town Ordinance.

Committee members discussed the auditors attending the Town Council meeting, rotation of auditing firms or rotation of firm partners and staff, automatic vs. active renewal of the contract, not to exceed contract pricing, and if the Mayor is required to negotiate the contract pricing, would the Ways and Means Committee would be recommending the only the auditor selection.

***Committee Member Belt motion to add the provision that upon recommendation to Town Council, the Mayor negotiate the final pricing prior to Town Council approval. Committee Member Heidingsfelder seconded the motion.***

***The motion to recommend to Town Council the approval of the proposal from Mauldin and Jenkins for audit service with the provision was unanimously approved.***

- B. Review and Recommendation to the Town Council for Approval of \$75,000 to the Kiawah Island Natural Habitat Conservancy Towards the Purchase of Properties Located at 4434 (TMI 2040000005) & 4438 (TMI 2040000328) Betsy Kerrison Parkway**

Ms. Tillerson stated that prior to the meeting, Committee members received an overview of the request, a map of the properties, and a copy of the Greenbelt funding application submitted by the Conservancy.

Mr. Bundrick provided a presentation that gave an overview of the Kiawah Conservancy, a non-profit land trust focused on the active preservation and stewardship of barrier island habitats. As an accredited Land Trust, the Conservancy currently preserves 2308 acres through conservation easements and owned properties, most of which are located on Kiawah Island. Conservancy's new strategic plan is to slowly expand its conservation efforts in the Kiawah River watersheds, the southern portion of Johns Island, Seabrook, and Kiawah to preserve water quality and corridors for wildlife.

Mr. Bundrick reviewed the location of the properties, indicating several other properties in the immediate vicinity are being considered for preservation.

Mr. Farrah stated that as a wildlife conservancy, the focus is on wildlife and its travels throughout the area. The subject properties, two undeveloped lots just under six acres, were watched because of their close proximity to the island, along the Betsy Kerrison Parkway, and are adjacent to land with conservation easements which would add to an area of contiguous preservation of a wildlife corridor.

Mr. Farrah stated that the property has multiple natural habitat types, is undisturbed, provides habitat for travel, resting, and feeding for wildlife, and protects natural infrastructure and the view shed entering Kiawah. There is the historical and cultural significance of the battle of Haulover Creek having taken place nearby. Mr. Farrah provided conceptual drawings showing the incorporation of a public nature trail on the property, including boardwalks, signage on the different native vegetation, an area for an outdoor classroom-type setting, along with other restoration enhancements.

Mr. Farrah indicated the acquisition cost was \$550,000, with improvements of \$39,500, the surveys, appraisals, and closing costs, and the grand total for the project is \$629,200. The Greenbelt application has been submitted requesting \$345,000 for the acquisition cost and has received positive feedback. The Conservancy will contribute \$205,000 and is asking the Town to consider funding \$75,000 to the acquisition cost.

Committee Member Heidingsfelder questioned how parking for the nature trail would be handled, expressing concern with the traffic that passed on Betsy Kerrison. Mr. Farrah stated that currently, there would be no parking on the property but would open discussion with the nearby businesses about using their unused parking areas. With five years to complete the project, other options could be considered.

Committee Members engaged in an in-depth discussion of the safety of visitors to the property, potential properties the Conservancy may consider for conservation acquisition and the process by which they are sought out and negotiated. Also discussed were the Greenbelt funding process, a detail of the property purchase funding, Town funding being contingent on approval of Greenbelt funding, and a portion of the Town's funding being designated to the nature trail and enhancements.

***Committee Member Heidingsfelder made a motion to recommend to Town Council the approval of \$75,000 to the Kiawah Island Natural Habitat Conservancy towards the purchase of properties Located at 4434 & 4438 Betsy Kerrison Parkway, with a portion of the funding being designated to the natural trail and with the conditions that the Greenbelt funding application is approved and the closing on the properties has taken place. Committee Member Belt seconded the motion, and it was unanimously approved.***

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

Chairman Moffitt stated that as members consider spending money and look at revenue opportunities, they have to be very mindful that the numbers can get big fast and never lose focus on the fact that the community's money is being spent. During the review of revenue projections and then the expenses, a small change of three or five percent can still be a large number. He reiterated that members are sensitive to the fact that big mistakes could be made if they are not careful.

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

### **A. Budget Report for the First Six Months Ended 12/31/2022**

Ms. Szubert presented the Town's Balance Sheet as of December 30, 2022, and Budget to Actual Report for the first six months. The Budget to Actual Report is compiled on a cash basis, and all the funds are consolidated.

As of December 31, 2022, the Town's governmental funds combined have an ending fund balance of approximately \$29.4 million, an increase of approximately \$1.1 million from June 30, 2022. Of this amount, approximately 54%, or \$16 million, is available for spending at the Town's discretion (unassigned fund balance). \$6.6 million is the Special Fund balance, required to be spent on tourism, and \$6.8 million is the Capital Fund balance, designated to be spent on Capital Projects or emergency funds.

Overall, for the first six months, the Town's consolidated revenues of \$5.7 million are higher, \$1.2 million, or 27%, than budgeted. Due to continuous economic uncertainties, the Town Council adopted the FY2023 budget with conservative revenue projections based on pre-pandemic levels from FY 2019. However, all revenues generated by tourist activity, high level of construction, and interest revenue exceeded the budget, and these positive variances are projected to carry throughout the year.

With 50% of the year lapsed at the end of December, expenditures to date are approximately \$4.7 million, or 48% of total budgeted expenditures, and approximately \$310,000 less than budgeted. The majority of expenses are reasonable and in line with the budget. The positive variances relate mostly to timing in billing by the vendors. The negative variances are expected to carry throughout the year and are attributable to the following items:

- Professional services are higher than budgeted due to the Town's attorney engagements outside the contract and legal assistance from other attorneys.
- Consultant cost shows a negative variance related mostly to Lou Hammond Group, communication, and media relation consultant, the Town Council approved engagement after the budget adoption.
- Capital Outlay - Building line item shows a \$48,000 negative variance related to higher-than-budgeted improvements at the Kestrel Court recycling center.
- Capital Outlay - Vehicles are \$35,000 higher than budget as one of the three vehicles purchased this year was budgeted in the last fiscal year but was not purchased until FY2023.

Committee Members discussed the variances in the presented budget report and comparisons of revenues and expenses to the fiscal year 2022. For the next quarterly report, Ms. Szubert offered to provide an explanation of items with more than a 10% variance compared to the previous year.

### **B. Fiscal Year 2023-2024 Budget Discussion - Revenues**

Mr. Szubert began the review of revenues by stating that the Town does not have a property tax as a set income source and relies heavily on tourism and the economy. She presented some of the economic factors of FY 2021 and 2022, including visitors to Kiawah, business license and permit collections, and top spending categories.

Since the beginning of the Covid-19 pandemic, the Town has continuously analyzed its impacts on revenues. The Town temporarily experienced a sharp drop in revenues at the end of fiscal year FY2020; however, revenues returned to normal in early fiscal year FY2021 and continued to rise to the point of record-high revenue collection in fiscal year FY2022. The Town remains well-positioned to enter the next fiscal year to provide the highest level of services for the residents and customers

while simultaneously continuing to build reserve balances for any future events that may require emergency funds.

Overall, the total FY 2024 budgeted revenues of \$14.5 million are 4%, or \$607,000 lower than current year projections. The comparisons below are made to FY2023 projected revenues.

Ms. Szubert reviewed the revenue line items:

- ✓ **Building Permits revenue** is estimated to decrease by 20%, or \$300,000, primarily due to an estimated slowdown in new construction activity on the Island. The five-year average for new construction permits is approximately \$10,000, and for renovation projects is \$750. Based on the same averages, the Town anticipates about 80 permits for new homes and 480 renovation projects. Also expected is a one-time permit revenue from the Beachwalker Commons, Beachwalker Lot 1, and Night Heron Phase 2.
- ✓ **Business Licenses revenue** is budgeted to increase by 3%, or \$100,000. The increase is primarily attributable to the higher cost of goods and services. The license fee is based on the type of business and its gross receipts.

Based on the historical averages, we are budgeting to issue 1,800 standard business licenses with an average cost of \$1,100 per license and about 1,400 short-term rental licenses with an average cost of \$350 per license, collect approximately \$400,000 in short-term rental application fees and \$500,000 from Municipal Association of SC Collection Program for insurance companies.

- ✓ **Franchise Fees** with Berkley Electric Company, Beach Services, and Other Franchise fees are anticipated with no change.
- ✓ **Local Option Sales Tax revenue** is budgeted 2%, or \$14,000 higher than current year projections based on the recent years' averages and the inflation on goods sold.
- ✓ **State Accommodation Tax revenue** is anticipated to increase by 2%, or \$58,000. The predicted volume of tourists on the Island is comparable to the current year; however, the higher accommodation prices should increase tourism-generated revenues.
- ✓ **Local Accommodation Tax revenue** is budgeted with a 2%, or a \$25,000 increase.
- ✓ **County Accommodation Tax revenue** is budgeted to increase by 7%, or \$30,000.
- ✓ **Hospitality Tax revenue** is budgeted to increase by 2%, or \$13,000.
- ✓ **Solid Waste revenue** is budgeted with no change.
- ✓ **Interest Revenue** is budgeted to increase by 10%, or \$106,000, based on the assumption of a 4% rate of return on the Town's investments.
- ✓ Other revenues include the following sources:
  1. Aid to Subdivision – \$50,000, an increase of 5%, or \$2,000.
  2. Planning Fees - \$10,000, no change.
  3. Court Fees & Fines - \$30,000, no change.
  4. Beverage Permits revenue - \$45,000, no change.
  5. Victim's Assistance Fees - \$10,000, no change.
  6. Miscellaneous revenue - \$35,000, 30%, or \$15,000 decrease due to one-time restitution payment in the current year.

Committee Members engaged in an in-depth discussion of the calculation of Building Permits revenue and Business Licenses revenue projections, providing a projection point of reference, and Ms. Szubert providing a budget report on a month-to-month basis.


X. **Citizen Comments:**  
None

XI. **Committee Member's Comments:**  
None

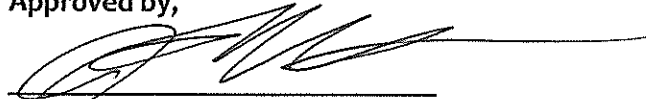
XII. **Adjournment:**

*Mayor Labriola made a motion to adjourn the meeting at 4:17 pm. Committee Member Heidingsfelder seconded the motion, and it was unanimously approved.*

Submitted by,

  
\_\_\_\_\_  
Petra S. Reynolds, Town Clerk

Approved by,

  
\_\_\_\_\_  
John Moffitt, Chairman

6-2-2023  
Date