

A work session of the Beaufort City Council was held May 20, 2014 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling and Council members Donnie Beer, Mike Sutton, Mike McFee, and George O'Kelley, and City Manager Scott Dadson.

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80(d) as amended, all local media were duly notified of the time, date, place, and agenda of this meeting.

CALL TO ORDER

Mayor Keyserling called the work session to order at 5:00 p.m.

PRESENTATIONS: PUBLIC WORKS DEPARTMENTAL BUDGET

Mr. Smalls read the Public Works mission statement. He said that people don't pay a lot of attention to what they do, until they don't do it, which sums up Public Works.

Public Works administers a \$2.3 million budget, initiated 613 purchase orders, and received an average of 11,460 calls last year. They monitor the solid waste service computerized reporting system. They put up 70 banners a year and addressed 75 tree concerns; they also follow up on drainage complaints. Mr. Smalls listed some of the collaborations in the past year: BIG for the mooring field and the BIG II for the transient dock upfit, Alison Road improvements, thanks to a grant, as well as CDBGs for Bladen Street Phase 2, Duke Street, and Duke Street Phase 2 projects. They have done a downtown lighting project, the Charles Street mast arm project, the Bay/Charles/North Streets resurfacing, and waterfront sinkhole repair.

Mr. Smalls showed various Public Works department's requests and the budget amount that was recommended by the city manager. For example, he had asked for \$9350 for maintenance, and the recommended amount was \$7850. He showed a photo of a restroom that needs upgrading. The fiscal year 2014 request was for \$436,387, and the difference in the recommended amount was about \$45,000 less than that. Mr. Smalls went on to discuss the service calls Public Works had made, the requests they received, and when the recommended amount was less, for example for the cost of a piece of equipment to do repair on the Spanish Moss Trail.

Councilman O'Kelley asked Mr. Smalls about the capital improvements and a reference in his presentation to electricity. Mr. Smalls said they pay for all the streetlights, lights in the Waterfront Park, etc.

The first mile of the Spanish Moss Trail from the Depot to Alison Road costs \$24,000 a year to maintain, Mr. Smalls said. When there is an additional mile to maintain, it will cost \$40,000 for those two miles. They requested a piece for a Bobcat, "which can mount the trail without damaging it," and give it a 42" cut to keep the brush away from the trail, which is the most economical way to do it.

Mr. Smalls said that they had requested \$10,000 for the generic street signs in the Historic

District, which would cover the first phase of putting up historic designation signs. In the Streets department, the recommendation was for \$19,000, which is due to the signs and the equipment for the Bobcat.

Budget cuts will have serious impact on the Parks Department, Mr. Smalls said. The maintenance facility, which includes all contracts, is \$384,678, and it's being funded at \$354,000; capital requested was for \$162,000 but recommended was \$94,000; "Maintenance Materials/Facilities" submitted a \$50,000 request but was recommended \$10,000. He went on to show various pictures of parks and to share what the impact of the funding reduction would be.

Edie Rodgers said someone had mentioned the stormwater fee, and she asked if it covered what the city spends; Mayor Keyserling said it covers maintenance but doesn't replace what's old or damaged. Councilman Sutton said it's a new program for the city. When the stormwater referendum was done, it was for new stormwater needs, "but the state didn't step up." Mr. Dadson said Mr. Smalls would try to maximize city dollars and DOT dollars. The city has ongoing projects, and did projects, and is solving some issues with the county on Battery Creek. Mayor Keyserling said the city spends a lot more on stormwater than the fee generates.

The cost of the fire suppression system has been recommended, Mr. Smalls said. The improvements to the West Street entrance to Waterfront Park will help prevent more "trip and falls"; it's about \$60,000 to repair, and that's been approved in the budget. Parks is about \$20,000.

In regard to Traffic Control, there's no significant change except for a project on Prince Street, which the city has made other plans for. The budget for signs on the other, non-Historic District streets have been cut by \$4,500, which Mr. Smalls said is a "savings." Traffic Control is \$43,707 less, primarily, he said, because last year they requested funds for a new aerial lift truck, and they received a used one (2008) the previous day; it "will last us awhile," Mr. Smalls said.

The City of Beaufort gets \$58,000 from the state, and \$20,000 goes to Beaufort County Engineering Services, which is paid for out of that amount, Mr. Smalls explained.

Mr. Smalls said one man maintains 16 pieces of equipment and 12 vehicles - all the Public Works rolling stock. That man has been there 10 years, so there was an uptick in the Personnel request. There is also an uptick for "shop upgrades." He reviewed the Stormwater department's requests and recommendation. They are designing a piping system at Hancock and Pinckney in a joint venture with SCDOT. There's a \$83,000 capital project at 2535 Azalea Street. Stormwater is down \$380,000 from FY2014, Mr. Smalls said; Mr. Dadson said there are carryovers on some projects from FY2014 to FY2015.

In regard to solid waste, Mr. Smalls said, they plan to negotiate with the current contractor for another year, and then they will come back to council with some ideas, such as for different collection methods for residential and commercial sites.

Mayor Keyserling said in regard to the sinkholes, straightening bricks, and the playground at Waterfront Park, he finds about \$150,000 was requested for Waterfront Park, and that's outside of the amount budgeted for The Greenery. Mr. Smalls said \$60,000 is for the West Street entrance; \$162,000 is for hard surface maintenance: such as painting exposed metal that has rusted on the swing poles and pavilion.

Mayor Keyserling said they can't predict the sinkholes; Mr. Smalls said even the cameras can't show anything. Mayor Keyserling said that last year they talked about coming up with a maintenance program that would extend the park by years before they have to go back to it, but the sinkholes come up from the bottom. He asked what the cost is of not spending the \$162,000, in terms of the life of the park. They were going to sandblast and paint the pavilion, Mr. Smalls said, and there are rusting swing posts. The other money was to replace the tabby pavers along the Promenade. There is rebar coming through the pavers, which are trip hazards. Councilman O'Kelley asked how thick the pavers are, and Mr. Smalls said they are 2". Councilman O'Kelley said the originals were 4", and he thinks corners were cut, and the 2" cover is the problem. Mr. Smalls agreed.

Councilman O'Kelley asked Mr. Smalls if the original tabby pavers could be re-used on the West Street Extension that runs into Waterfront Park. **Lamar Taylor** said there's no structural integrity: they have no fiber or wire in them. Councilman Sutton said there's a process that is labor-intensive. Councilman Sutton said it should be brick in there. Mr. Smalls said they are planning to remove the river birches and replace them with something else because of their massive root structures.

Councilman Sutton asked, in regard to capital acquisitions, what the \$162,000 would buy. Mr. Smalls said the fire suppression equipment, paving stone replacement, pavilion and swing post painting, and lighting upgrades. Councilman Sutton said some of the things are inadequate and failing already, and they have no capital plan to fund it in the future. The infrastructure will always be problematic, and they continue not to have the budget for the "icing on the cake," i.e., the things the public can see. He said the lights have failed from the beginning. He asked if being forced to accept low bids was the problem, or if they were using sub-par companies who were giving them sub-par materials. Councilman Sutton said he hopes they have learned something from these steps on every project they have done. Councilman O'Kelley said, "And Boundary Street is looming," which led Councilman Sutton to ask hypothetically what they will find out they did wrong on Boundary Street in 10 years. They cut out \$70,000 in capital acquisitions, a lot of which is maintenance. He said painting the pavilion should be on the maintenance schedule. Capital acquisition, he thinks, should be something NEW going into the park; Mr. Smalls said there's no maintenance budget.

Council has said for years that they should put aside money for maintenance of the Waterfront Park, Councilman Sutton said. Many years ago, a council had the vision for a beautiful park, but no one ever set up a funding mechanism to pay for it.

Councilman Sutton asked what Maintenance Facilities is, and Mr. Smalls said it's The Greenery contract (\$296,484), there's a problem with wharf rats in Waterfront Park, so there's a contract for that, \$18,000 is for underwater seawall integrity inspection, and there's money for anticipated sinkholes. Mayor Keyserling said he believed they had cut the painting last year, as well as Christmas lights, irrigation checks, and extended restroom operation, he said.

Mayor Keyserling asked how they could catch up and know that it can be maintained. Mr. Dadson said they have discussed additional revenue sources - BIDs and MIDs - twice. To create one, they need to capitalize - so it's not just O&M - and then maintain what they capitalize. They have to find something that creates enough revenue to balance the expenditure side. They did analysis on the infrastructure in the 3-block area known as "downtown," Mr. Dadson said, but they couldn't develop dollars in that area. So they went down the commercial corridors, because they can't use residential property, and still couldn't make it work; even including all of Sector One that was commercial, it still wouldn't work. The concentrated areas of commercialism that can generate revenue are small, Mr. Dadson said; there are 28 parks plus open spaces, not just Waterfront Park, and they are obligated to maintain them. It all gets taken care of in that Parks budget. "It's difficult," Mr. Dadson said; council has tried to explore how to do it in the last 8 years. They looked at a countywide parks fee to be redistributed per capita for parks after it's collected, but others weren't willing to "play ball." Council has rejected the other revenue schemes developed to create dollars. All council has been able to do is cut expenses. Councilman Sutton said the schemes proposed were all imposed on the 12,000 city residents - for parks that are used in the majority by non-residents.

Mayor Keyserling said the municipal mayors have said to look at the regional assets, and the county wants to hire a consultant; the primary park is a regional park, and the Spanish Moss Trail is now, too, but there's no plan for maintenance on the trail, so the City of Beaufort is doing it. Councilman Sutton said the 5 members of this council are not able to solve that problem. Councilman Sutton said the problem is the corridor is too small to do a BID, and a TIF won't work because the school district and the county won't play ball anymore. The only way he can see it working is for the Parks dollars to be based on revenue streams. Ms. Todd said that's what they do right now, and they are earmarked. Ms. Todd said it's all earmarked for Parks, but it supports other services as well. The Hospitality Tax and Accommodations Tax have to be used a certain way, so it also supports other allowed expenses.

Mr. Dadson said all of the debt is in the Parks budget. Council took a costly and unwieldy contract and restructured the debt service. Councilman Sutton asked if they could pay off the debt service early. Mr. Dadson said they could, but with what would they pay it? Ms. Todd said it's \$3.5 million, and Mr. Dadson said they don't pay that much down. Councilman Sutton said cutting debt would help make payments smaller. Ms. Todd said the outstanding balance is a principle of \$3 million as of 2013 June and goes to term in 2028. The principle will be reduced for FY2015, but the re-financing was to reduce the interest payment and to get a better rate and debt structure than what was there before.

Kathy Lindsay said she was struck by the fact that they are paying for something from 2006

until 2028, and she doesn't believe that the repairs have that lifespan of 20 years. They may well need another huge renovation in Waterfront Park and are still paying on the 2006 renovation. Mr. Dadson said it was 30 years the last time, and that's how they "value the life expectancy of the asset; the terms were favorable and the interest rate was low at the time." Mr. Dadson said every time they brought in a new revenue source, they lowered mill rates and kept maximizing every other revenue source, then the state capped the ability to raise the mill, and the value has devalued drastically. So what they are left with is business licenses. There's not another revenue source to make up for a third of the budget. They looked at the BID and MID for the district to pay for its own improvements, but they couldn't find one that could produce enough dollars in the Historic District to pay for the capitalization of that district. TIFs were good mechanisms to capitalize, but there has to be a strategy on the other side to maintain it. Mr. Dadson said the last reassessment "tanked that last value set."

Ms. Lindsay said she "can't wrap my mind around anyone wanting renovations that will last 30 years," and if they're looking at another huge renovation in 2021, "you have a huge obligation that you can't meet." Ms. Todd said they have a Committed Fund Balance if something were to happen in Waterfront Park, so that's why they are trying to protect Fund Balance. Every year, if there's an excess of revenues, it goes into Committed Fund Balance as a reserve for unknown contingencies that may happen in the city. Mr. Dadson said quarterly they make adjustments against the contingencies.

Conway Ivy said the Accommodations Tax and Hospitality Tax is about \$2 million a year and \$300,000 supports the revenue bond that is supporting that. He asked how the remaining portion is allocated. He said that's a source of funding. Mr. Dadson said it's committed to police, fire and other services; Ms. Todd said it's also committed to the Parks budget. Mr. Dadson said the other revenue line item of property taxes was lowered when Accommodations and Hospitality were added. Expenses never were added; the expenses specific to downtown, when they capped the value position on property taxes and the mill rate that could be done, left no place to go to balance revenue streams out if they wanted to move it around. They had a complicated and unwieldy debt structure, Mr. Dadson and Ms. Todd both said. So those revenues grow, but not enough to keep up with the overall expenses. Council has nowhere to go in its property tax, and it can't raise the two fees more than where they are, nor its franchise fees, and the business licenses "are reflective of a flat economy, so there's a no growth perspective over there," Mr. Dadson said. Unless they add layers and come up with fee structures, then council has no place in its current revenue portfolio to handle expenses. Mr. Dadson said they got rid of year-over-year expenses and replaced them with contracts. They took \$485,000 to \$285,000 the previous year, but council is tapped in its current revenue position, so all they can do is control expenditures.

Councilman Sutton said in regard to the millage rate, "people get elected by lowering taxes." It was 70 mills 10 years ago; they have since improved the city and are just over 60 mills. They are as lean as they can get, and in the meantime, he said, the state has tied the city's hands in regard to property taxes. The fire and police departments are half the budget, and the Parks Department is an eighth of the budget. The City of Beaufort is going to have to learn to give up

something, and right now, it's the plantings. They have to do sinkholes instead, and the citizens need to understand and embrace that. Councilman Sutton said **Henry Chambers** didn't know how they were going to pay for the park when they built it, "and every 30 years the city buys a new one." Councilman Sutton said they are doing assessments; "the bridge is underwater," and they spent \$8 million on the last repair. The problems in construction are the sinkholes that are seen today. The recurring sinkholes will be bridged over, and people will probably never see them, thanks to engineering. But he feels they need a plan to fix the "icing" on the park, not the sinkholes.

Mr. Ivy asked, in regard to the sinkholes, if anything preventative could be done. Mr. Taylor said 80% of the piles are submerged, and they can't really repair them until they show up, without major costs. It's a concrete platform, Councilman Sutton said. Mr. Ivy asked if the sinkholes are failures in the concrete. Mr. Taylor explained to him how a sinkhole happens. Councilman McFee said the soil washes out, but the plates are still there. Mr. Ivy joked that there are paints with "coatings for underwater." Mr. Dadson said they built a cantilevered park over water, and "what Nature giveth, it taketh away." He called Mr. Taylor the "ultimate expert on that park," and they will inspect and repair as they can. There's no way to estimate what will happen except to extrapolate.

Mr. Dadson said council has to find a revenue source, or give up part of what they have now. Councilman Sutton said that the LOST would have allowed the council to have a fund not tied directly to the real property tax, but the public has to make LOST happen. Mr. Dadson said that capital funds don't fund year-over-year expenses. Ms. Rodgers said they "need to stop building things that require future maintenance." She asked if they have considered cutting the amount of Accommodations Tax and Hospitality Tax given to 501c3s and use it to establish a fund for the parks.

Councilman Sutton said the money she is talking about is just \$200,000 a year and is mandated by the state for specific purposes, and the city in the last cycle applied for an elevator for the Arsenal. He wants ALL of the money in ATAX to go to tourism-related city projects. Ms. Rodgers said, "the charitable groups will raise the money if it's not given to them." Mayor Keyserling said those groups that apply for and receive the Accommodations Tax money would say it's the money that was created to market Beaufort. Ms. Rodgers said, "The beauty of Beaufort markets Beaufort."

Mr. Ivy said neighborhood groups and garden clubs could contribute to the maintenance of the parks. Mayor Keyserling suggested that they need to consider if they should have 28 parks, or if they "should focus on the important ones." Ms. Rodgers asked if they would "tell the new Parks and Trees Commission to take a long hard look at the parks." Mayor Keyserling said priorities have been set, and rough estimates were made. Mr. Dadson said the PATC should have a long-term conversation, but the city includes more than just the Historic District: it's also Mossy Oaks, Battery Point, Hermitage, and other neighborhoods. The majority of revenue is not created downtown, but is on Boundary Street and in other places. In the Civic Master Plan, Mr. Dadson said, they tried to be careful about planning and when the city would do investments

on its side along with other investments. The city is leveraging a million dollars against around \$33 million in federal grants. Council went to debt mill and went to the voters to build the new City Hall (for which they also used TIF 2 funds); they are lowering debt exposure on a daily basis.

Mayor Keyserling said the state took away a lot of control over funding, “and it’s strangled everyone.” When values were rising like mad, they cut the mill (for maybe 20 years and had no tax increases). As the values went up, the state came in and took the city’s legs out from under it, he said. The values went down, and the mill lost value. It doesn't answer the problem, but this problem is one of poor planning by everyone.

Ms. Lindsay said the problem is that the city is being strangled by its debts, and Ms. Todd and Mr. Dadson said that’s not true. Ms. Todd said they are legally bound to a debt margin of 8%, and the city’s debt margin is less than 1%. The city can issue debt up to 8% and is at .25%, so they “aren’t debt-heavy.” Ms. Lindsay responded that “it’s not working,” and she was asked what she meant isn’t working; if they didn’t have the debt burden, Ms. Lindsay believes, they “would not be having this debate.” Ms. Todd said, “the debt mill would go away, and that’s all.” It wouldn’t solve the revenue issues for maintenance, parks, etc., Mr. Dadson said. The debt obligation decreases, and the debt mill decreases. Mayor Keyserling said that doesn't relate to Waterfront Park because it’s a revenue pledge.

Mr. Dadson said he proposed the budget, and the county assessor developed a value of what a mill is now worth for the city’s taxable value. All the numbers weren’t in, so when they set the mill, by law, they rolled up because the City of Beaufort de-valued. South of the Broad they devalued more, and north of the Broad devalued less, but in the aggregate, they will pay less in taxes and north of the Broad will pay more. When the debt mill was set, they rolled up to what they thought was the break-even point, Mr. Dadson said. They weren’t allowed to make more with the devaluation, but they also didn’t have to suffer by bringing in less. Since then, 1) collections are down to 92%, which will eventually come in; 2) it devalued 5.68% more than they expected to come in. The mill value at the “Even Steven” mark on the operations and debt mill is what they had prior to the reassessment. The City of Beaufort from a total market value is worth about \$2.2 billion, and it’s been decreasing since 2008. \$313 million of that is non-taxable: churches, schools, open space, etc. Also, “people have been converting 6’s to 4’s,” Mr. Dadson said; the county and school district have the same problem. The estimated value is short. He’s recommending a mill that is an “Even Steven” value with what they had prior to reassessment. He can create a reserve or a temporary (deficit) mill to put it at the Even Steven value, 5.68%. Ms. Todd said they have to now calculate the mill to cover the debt mill, which is impacted by the debt and charges year-to-year.

Mr. Dadson said \$19 million in new growth was added fairly consistently, but the year-to-year growth of market value is at less than 1%. In the last 6-8 years, they have had positive growth: going from 2 building permits to around 50 this year. They never exceeded much over 80 single-family dwellings. People are renovating homes in the Mossy Oaks area. But even with that, the recent devaluation of the reassessment can’t be made up for. No tax increase has been

proposed, only putting the mill at the value it was at prior to the reassessment, to ensure that the revenues are “Even Steven”: not too much or too little.

Mayor Keyserling said the debt has been decreased by \$2 million. Ms. Lindsay said if the revenue bonds were different, the Waterfront Park could be paid for: if the city had no debt and had capitalized 30 years out on the fund. They have to think long-term for the Waterfront Park because it will be “a fiscal albatross for a long time.” Ms. Lindsay asked when the BB&T lease purchase was set to expire for ending the liability. Mayor Keyserling said it was going to expire before it was paid off; Ms. Todd said May of 2022. Both payments on the lease were refinanced at a lower interest rate. They saved money by doing that, she said.

Councilman Sutton said in regard to Southside Park, they set up a small budget for the park, and the committee was told they had a budget line item, but now there’s no budget at all for Southside Park. Mayor Keyserling said it was in there in previous years and was never used because the committee didn’t know about it. Mr. Dadson said it was used in-house, and some work was done. Mr. Smalls said he’s never requested it, and Councilman Sutton said he’d like to see it in the budget so council can either vote for it or vote it out. Mr. Dadson said they are matching the dollars in this fiscal year. Ms. Todd said it’s being utilized and matched. Mr. Dadson said if council wants to put it back in, they can, “but it will be at the expense of something else.”

Mayor Keyserling said he’d like to create a group of experts to work with Public Works to get a handle on the long-term future of the Waterfront Park. Mayor Keyserling thinks the capital sales tax won’t pass, but they “may end up with another 2 acres as part of that,” and they need a long-range plan. Maybe they should go back to the feds, he speculated, so that the council can leave for the next generation “something that everyone loves ... even though it’s a pain in the neck.”

Mr. Dadson said they need a revenue analysis. Councilman Sutton said until they identify funding streams to pay for what’s not paid for, they can’t start. Ms. Lindsay said they need a State of the Park report. Mayor Keyserling said they need to put the Spanish Moss Trail in the mix, too. Mr. Smalls is mowing it, and in the last budget, it wasn’t budgeted to maintain it, but Mr. Smalls is doing it. Those are two assets that define the community and that are shared by a “growing part of the universe.” They are 2 huge assets “given to ourselves and the larger world that we need a long-range plan on.” The City of Beaufort has done a good job of juggling and cutting, Mayor Keyserling added.

Councilman Sutton asked about the \$340,000 request for Streets and the \$40,000 shortfall in the recommendation. Mr. Smalls said \$248,000 was for the contract with The Greenery, for right-of-way, cemeteries, etc.; sweeping in the downtown; \$30,000 for urban forestry maintenance to raise the canopy of street trees; street easement maintenance because private people are claiming public property as their own; maintaining all the parking spaces, even though they’re DOT’s and need thermal paint; and a tree consultant. Councilman Sutton said the \$248,000 for The Greenery is citywide. Councilman Sutton said it’s mostly on lane miles that

the state is responsible for. Councilman Sutton said the reality is that they should drop that part out of the budget and no longer fund the maintenance of things that the city doesn't own.

DISCUSSION ITEM: 3RD QUARTER FINANCIAL REPORT

Ms. Todd summarized the assumptions; the amount of the year-to-date budget represents 75% of the adopted annual budget. Most major revenue sources, Ms. Todd said, (i.e., business license revenue) won't be truly reflected in this presentation because a lot will be received in the last quarter. They will get a large utility franchise payment, and a MAIC payment will be coming in in the next quarter as well. Ms. Todd showed the City of Beaufort balance sheet.

In regard to the expenditures, Ms. Todd compared actual and budgeted; police are 32% actual and 25% budgeted, but they have bought their new vehicles, and the expenditures are driving the actual up, but it's nothing of concern. The fire department is relatively the same. Public Works is 11% actual compared to 22% because they have placed orders that haven't come in yet. All other departments are on-target, she said.

Ms. Todd showed all of the revenues of General Fund Balance compared to actual for the quarter and compared this period last year to this year. Licenses and permits show a decrease because not all business licenses are paid yet. Current and delinquent property tax appears favorable, she said, but as of March 31, all current taxes have been collected. The deadline for taxes has passed, so in comparison between what was received and what was budgeted for, there's a decrease on the debt mill side from where they had hoped/anticipated they would be at this time, she said. Collections on property taxes are slower than in prior years. A majority of delinquent property taxes come in in the last quarter. Even the delinquencies are slow, she said, possibly because of appeals. When it's processed, it decreases distribution because the refunds net against the collections that have already been made.

Ms. Todd went on to explain the brokers' tax collection and said it's suffered a decrease in relation to the city. They have utilized a new collection method to analyze from whom it's been collected and to whom it goes: the City of Beaufort, the county, and the municipalities. She said she has been told the City of Beaufort is "a loser." The business license rates are based on a "class" rate that has to be adjusted, and placing that rate classification incurred a \$250,000 decrease in license collection. Councilman O'Kelley said a lot of businesses had been lost in the city "because business is down."

Ms. Todd said SCE&G's franchise payment will come in July and "will play a part." Hospitality Tax fees and Accommodations Tax fees are growing, and stormwater had a 54% increase, largely owing to an increase in the stormwater fee approved last budget.

Ms. Todd said the variance in debt service is because the debt payments are due at different periods, so this is the bulk of the debt payment that has actually been made. They have another payment before the end of the fiscal year. Department heads are monitoring their expenditures and pay attention to their budgets, which is atypical in most governmental organizations, she added. In the FY2014 budget, a support staff position was built in, but it was determined not to

be needed, which saved the city \$80,000 in salaries and benefits.

Councilman O’Kelley said in regard to Other Significant Revenues, business licenses show the deficit. Ms. Todd said he was indicating the period-to-date budget, and they are down a bit compared to FY2013. They are down about \$300,000.

Ms. Todd showed a summary of salaries and benefits. She said, “positions are maintaining as they were budgeted.” She showed a graph of the comparison to last year and said they “are pretty close.” In regard to capital projects, Ms. Todd showed a summary. During the third quarter, there were budget amendments based on new grants and charges to grant budgets, so some numbers have changed slightly since December; what has been expended and the relation to the budget were shown. Ms. Todd indicated how much comes from where for capital projects, e.g., federal, state, stormwater, Committed Fund Balance, TIF 1 and TIF 2, county sales tax, county partnership, a private partnership, and the general obligation bonds, which are part of the debt on the new City Hall and the fire station.

Ms. Todd said salaries and benefits are less than 50% of the general operating funds and “some entities” at the Capital Fund meeting the previous night are at “60-65%.” Beaufort is below the average on personnel costs.

Mayor Keyserling said the LOST is the only source of revenue that they would have any sort of flexibility with. Councilwoman Beer said the responsibility for the city being in as good of a position as it’s in belongs to its employees. She said the public ought to realize that what they can do is because of the employees the city has.

Councilman O’Kelley asked where the “access through Quality Inn” project and land swap is at this time; Mr. Dadson said the swap is agreed to and signed. Councilman O’Kelley said the \$100,000 hasn’t been spent, and he asked if it would carry over to the next fiscal year. Ms. Todd said it would.

Ms. Rodgers asked who the partners are in the county and private partnerships, and Ms. Todd explained the partners and the amounts of their contributions. The private partnership is with Rick Griffin and Griffin Enterprises toward the mooring field.

Ms. Todd then showed the status of various active capital projects. She said the mast arm project has more mast arms because DOT is participating at a level that wasn’t anticipated. The Duke Street West drainage project was completed. The fire station is moving forward, and the target date for groundbreaking is August. The Arsenal HVAC replacement is installed, and Alison Road is moving forward; the grant agreement has been signed. Basil Green Park Phase 1, using a small PARD grant matched by the city, is moving forward, and the Duke Street Streetscape is in the final design stage. Ms. Todd believes they are about to issue the RFQ for construction. The day dock awaits additional state funding; \$111,000 has been received so far. They hope for more federal funding to capture the scope of what needs to be done, etc.

Ms. Todd said the city is well beyond the average for solvency, and according to the General Fund fund balance, as compared to the General Fund expenditures, the city has more than 3 months in Fund Balance to cover General Fund expenditures, which again is good; the Fund Balance is there as a safety net. The threshold for Fund Balance is being met. The City of Beaufort is below what is budgeted per resident by about \$400.

Mr. Ivy asked the match by the city on the fire station. Ms. Todd said it's on page 17. Ms. Todd said the city portions are the stormwater and the committed Fund Balance amount. She said \$1.694 million of the \$9 million budget is the city's contribution.

SPECIAL MEETING

Mayor Keyserling called the Special Meeting to order.

ORDINANCE APPROVING THE LEASE TO GOVERNMENT SERVICES ADMINISTRATION (GSA) OF 1,648 SQUARE FEET OF OFFICE AND RELATED SPACE IN THE POLICE AND MUNICIPAL COURT BUILDING

Councilwoman Beer made a motion, second by Councilman McFee, to approve the ordinance on second reading. Mayor Keyserling said the improvements are all included in the first five years, and Ms. Todd said only the first floor is included. The GSA is not obligated to pay for the city's upfit on the second floor. Mayor Keyserling asked "what the city will make on this deal." Ms. Todd said they would have a more finalized budget in a week or two. Mayor Keyserling said he thought it covered both floors. He has concerns that the city is "giving away the space."

Ms. Todd said the GSA rental payment consists of a base around \$29 per square foot, plus their upfit for the first floor. Mayor Keyserling said their upfit is modest because it's in existing space, whereas the city's – for the second floor – "is complete construction." Ms. Todd said the amortization would be available. Mayor Keyserling said this rent "could cost the city money." Mr. Dadson said the upfit upstairs is "white boxed." Ms. Todd said when the redesign was done for the HR office, that was \$30,000, and where HR currently is "was a shell."

Mr. Dadson said with TIF 2, one of the specific projects was to rent out and upfit this building, and they will use the TIF 2 dollars for the second floor upfit. Councilman McFee said the lease would reimburse the TIF 2, if that were how council designates it. Councilman McFee said it could be O&M or TIF 2 reimbursement. Councilman Sutton said that question hasn't been answered yet. Any rental goes into the General Fund unless it's directed to go elsewhere.

Mayor Keyserling said he's concerned about operations costs for the buildings; Councilman Sutton said they "should specifically direct it to stay in the building." Mr. Dadson said that's his recommendation. Councilman Sutton said if it went to the debt mill, that would be great, but it should be targeted to the building. Mr. Dadson said they would show that to council as soon as they can. \$49,000 per year for 10 years is the base for the rental. Preliminary guesses on the upfit are significantly below that. Ms. Rodgers said if they are paying \$400,000 for O&M on the building – Mr. Dadson said the budget is \$250,000 – Ms. Rodgers said they should designate that income for the debt service on the buildings. Mayor Keyserling said, "Bonds don't let you

pre-pay, or only certain ones do.” Mr. Ivy said they could de-fee the payment in a trust fund to offset the payments and earn interest. Councilman McFee said they pay .25% on the debt as opposed to paying for operations. **The motion to approve the lease passed unanimously.**

MOTION AUTHORIZING CITY MANAGER TO ENTER INTO CONTRACT WITH ARCHITECT ON THE RETROFIT/UPFIT OF THE POLICE AND MUNICIPAL COURT BUILDING RELATED TO THE LEASE WITH THE GOVERNMENT SERVICES ADMINISTRATION

Councilman McFee made a motion to authorize the city manager to enter into a contract for the upfit, second by Councilman O’Kelley. Mr. Dadson said it’s a local architect, AAG. The motion passed unanimously.

Councilman O’Kelley said they are taking up old streetlights on Scott Street, and “it’s moving along.”

Councilman O’Kelley made a motion, second by Councilwoman Beer to adjourn the meeting. The motion passed unanimously.

Mayor Keyserling reminded council that there would be a special meeting of council at 6 PM on May 22, 2014.

There being no further business to come before City Council, the meeting was adjourned at 7:50 p.m.

ATTEST: _____
IVETTE BURGESS, CITY CLERK