



**SURFSIDE BEACH TOWN COUNCIL
FY 2016-2017 BUDGET WORKSHOP MINUTES
APRIL 21 AND APRIL 22, 2016 - 9:00 A.M.
TOWN COUNCIL CHAMBERS**

THURSDAY, APRIL 21, 2016 – DAY 1

CALL TO ORDER.

Mayor Samples called the budget workshop to order at 9:00 a.m. on Thursday, April 21, 2016. Mayor Samples, Mayor-Elect Childs, Mayor Pro Tempore Pellegrino, and Councilmembers Johnson, Mabry (arrived at 9:45 a.m. and left at 11:11 a.m.), and Stevens were in attendance. One seat is vacant. A quorum was present. Others present: Councilmembers-Elect: Courtney and Ott. Staff: Administrator Fellner; Town Clerk Herrmann; Finance Director King; Planning Director Morris; Public Works Director Adair; Fire Chief Cimini; Police Chief Keziah, and Recreation Supervisor Ellis.

Ms. Fellner presented a PowerPoint presentation of the Budget Narrative that covered the first 25 pages of the budget workbook, a copy of which is on file. Multiple scenarios were covered along with discussion and questions answered during the session. Ms. Fellner said the upcoming fiscal year will be challenging and noted these points:

- Staff presented a balanced budget
- The budget was barebones to accommodate early beach renourishment
- Cash flow would be limited for the next nine months, if the grant for the fire department radios is awarded
- Cash flow would be limited for the next 18 months, if the grant for the fire department radios is not awarded
- Revenues are flat and fixed overhead costs over which we have no control keep inching upward
- We have approximately \$3.6-million in the bank, which will leave us with approximately \$2.4-million after beach renourishment
- Beach renourishment was moved up a year
- The town must comply with the unfunded Federal mandate for public safety digital radios
- Fixed overhead costs continue to increase for workers compensation, retirement, utility services and healthcare benefits
- A majority of the factors attributable to the escalation are beyond the control of the town
- The tax millage in Surfside Beach is 46.2 mils. One mil equals approximately \$63,700
- Anticipated Revenue in the general fund -
 - Taxes on real estate, personal property and vehicles
 - Business licenses, building permits, and franchise fees
 - Transfer of revenue from other funds (pier, sanitation, Hospitality, accommodations taxes, capital projects)
- The town is essentially debt free, except for the fire truck lease with an outstanding balance of \$311,283 (includes interest) that is due June 30, 2020
- Services and property taxes – Maintain current level of services for residents

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48	➤ 24-hour police protection	56	➤ Town planning and zoning
49	➤ 24-hour fire protection	57	➤ Local elections
50	➤ Street cleaning and	58	➤ Municipal court
51	maintenance	59	➤ Free Spectator pier passes (residents)
52	➤ Drainage maintenance	60	➤ Half price fishing passes (residents)
53	➤ Beach cleaning	61	➤ Free parking (residents)
54	➤ Parks and facilities cleaning	62	➤ Parking decal sales to non-resident

- 63
- 64 • Maintain current staffing level
- 65 • Cost of Living increase of 3-percent for staff
- 66 • Organizational Committee recommendation to adjust police officers' salaries, total cost \$57,000

67 Ms. Fellner addressed the revenue sources and specific funds, explaining where funds were
68 derived and how they were used.
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- 70
- 71 • General Fund – the majority of the general fund revenue is derived from property taxes, business
72 licenses, franchise fees, and permits. Expenditures from the general fund are for salaries and
73 benefits; operating cost for all town departments; events; non-departmental, and debt service.
74
- 75 • Aid to Subdivisions – is administered by the State and is subject to State Legislature budgeting
76 each year. Funds are derived from seven tax sources (banks, beer, wine, gasoline, motor
77 transport, alcohol, and income taxes.) A percentage is returned to the town based on collections
78 in the area and the population based on the latest census. The town expects \$84,000 in FY16-17.
79
- 80 • Parking Revenue – the town's parking function is managed through a contract with Lanier
81 Parking Solutions. The proposed revenue for FY16-17 is \$313,800 in the general fund and
82 \$169,000 in the pier fund.
83
- 84 • Land & Parking Reserve – excess funds received from meters and pay stations (except at the pier
85 parking lot) are set aside for land purchases and parking equipment upgrades. Estimated
86 reserves as of June 30, 2017 is \$320,670.
87
- 88 • Vehicle & Capital Item Replacement Reserve – each year three mils are transferred to this reserve
89 fund to be used for vehicle and other capital item replacement. The anticipated balance on June
90 30, 2017 is \$618,728.
91
- 92 • Hospitality Funds – this is a one percent tax adopted May 28, 1996. The tax is levied on gross
93 proceeds from sales of prepared meals and beverages sold in establishments and on short-term
94 rental property. Total proposed for FY16-17, including fire radios is \$894,300. Hospitality funds
95 can be used for taking care of the town's beach front, beach accesses, facilities associated with the
96 beach (bathrooms, walkovers, etc.); transportation improvements, streets, stormwater drainage;
97 sidewalks, bikeways, landscaping and other costs associated with rights-of-way, including
98 engineering design; purchasing land and facilities for parks, sports facilities, and recreation
99 buildings; property for public safety services, purchasing capital equipment for public safety;
100 paying bond indebtedness used to fund any of these approved uses, and administrative cost
101 associated with collections, accounting for and applying the Hospitality fee.
102
- 103 • Local Accommodations Fund – this is a 0.5-percent tax adopted July 1, 1997 that is levied on
104 gross proceeds from rental or charges for accommodations furnished to transients (30 days
105 rental or less.) Revenue must be kept in a separate fund and is used for tourism-related
106 purposes. The total proposed for FY16-17 is \$165,100.
107

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- 108 • State Accommodations Fund – A 2-percent local accommodations tax (A-tax) on transient rental
109 property (less than 90 days continuous rental). The first \$25,000 goes to general fund;
110 remaining balance is split: 5-percent general fund; 30-percent to Myrtle Beach Area Chamber of
111 Commerce, and 65-percent to the town’s A-tax fund. Projected revenue for FY16-17 is \$600,300.
112 The 65-percent projection for the A-tax fund is \$390,000. Major uses for A-tax funds are police
113 services due to tourism industry, including BikeFest; raking the beach; upkeep of beach
114 restrooms; cleaning the beach; beach renourishment, and special events cost that attract tourist
115 from more than 100 miles away.
116
- 117 • Enterprise Funds – are used to account for operations that are financed and operated in a
118 manner similar to private industry. The intent is that the cost of providing goods or services to
119 the general public will be recouped primarily through user charges. The town has two enterprise
120 funds: the pier fund and the sanitation fund for which annual budgets are prepared.
121
- 122 ➤ Sanitation fund – services provided for all residents include trash, recycle and yard debris
123 pickup
 - 124 ➤ Commercial dumpster service is provided to all town businesses
 - 125 ➤ Charges for these services are billed on the monthly Grand Strand Water & Sewer Authority
126 (GSWSA) bills
 - 127 ➤ Sanitation fund pays GSWSA \$1.25 per account for billing and collection services. This
128 process has alleviated the need for the town to be involved in the associated processes
129 and minimizes billing and collection questions and problems. GSWSA allows the town to
130 utilize its records to help track new owners for sanitation service billing purposes and for
131 local business license follow-up.
 - 132 ➤ Net position anticipated as of June 30, 2017 is \$1,642,167. A minimum of 50-percent of
133 the net position is earmarked for capital equipment.
 - 134 ➤ FY16-17 revenues are estimated at \$1,389,600; expenditures at \$1,199,705.
 - 135 ➤ FY16-17 budget proposes that the sanitation fund transfer \$80,000 to the general fund to
136 cover rent and salaries for support services paid by the general fund.
 - 137 ➤ The town currently is not billed for its sanitation services, which would be consistent with
138 standard accounting practices for an enterprise fund. A flat fee of \$50,000 would
139 represent the approximate value of its services, which includes a volume discount.
 - 140
 - 141 ➤ Pier fund was established in 2008 when the pier was purchased by the town.
 - 142 ➤ Fund collects spectator admissions and fishing licenses in addition to rent from the
143 businesses located on the pier and parking fees in the pier lot.
 - 144 ➤ Residents are issued a free walking pass to the pier, which entitles them to a 50-percent
145 discount on fishing license fees.
 - 146 ➤ The net position for the pier fund includes \$2.1-million in real property value as it is
147 calculated as an asset in an enterprise fund. Estimated net position on June 30, 2016 is
148 \$2,826,320.
 - 149 ➤ Pier fund owes the general fund \$244,500 as of April 1, 2017. Quarterly payments of
150 \$40,750 are made to the general fund from all revenue sources, except A-tax revenue.
151 The next payment is due July 1, 2016; the fund currently has sufficient monies to pay.
152 The last payment should be made on October 1, 2018.
 - 153 ➤ Discussions were held regarding additional attractions to the pier so it would become
154 self-sustaining and self-insuring moving forward. The pier is only insured for liability,
155 because the cost for full coverage is prohibitive. Expanding the pier’s businesses would
156 allow it to be self-insured.
 - 157 ➤ A pier expansion initiative for the existing pier restaurant area is still awaiting clearance
158 of some title search issues.
 - 159 ➤ DDC Engineers was commissioned to write an amendment to our existing South Carolina
160 Department of Health and Environmental Services – Department of Ocean and Coastal
161 Resource Management (OCRM) permit that is required to move forward with any project
162 that expands the pier footprint. The permit is currently being reviewed by OCRM.

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- Escalating pier expenditures include anticipated engineering costs associated with a possible expansion of \$45,000; beach renourishment contribution of \$30,000; increase pier contribution for Lanier expenses by 5-percent for a total of 35-percent, \$17,000, and new event costs \$7,000.
 - Fund Balances – each fund balance history was reviewed, copies of which are on file. Fund balances show the relative strength of the spending constraints placed upon each fund when it is used for the intended purposes. Fund balances are comprised of four components:
 - Non-spendable: inventory (e.g., diesel fuel)
 - Restricted: usually mandated by law (A-tax and Hospitality)
 - Assigned: set aside by Town Council for a specific purpose
 - Unassigned: may be used for any purpose and are almost always found in the general fund
 - Beach Renourishment Funding: The proposed balance on June 30, 2017 is zero (-0-), because beach renourishment will begin ahead of schedule. Ms. Fellner reiterated the proposal made at the visioning workshop to place \$100,000 from A-tax funds and \$100,000 from Hospitality funds each year to place in the Capital Projects Fund for beach renourishment.

182 Ms. Fellner's Closing Remarks and Conclusions:

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- The initiatives used in developing the FY16-17 budget were aimed at
 - Developing a balanced budget
 - Improving efficiency and effectiveness by optimizing utilization of employees
 - Researching and evaluating alternate funding sources including grants, fees, and expansion of businesses in the commercial district
 - Minimizing negative impact to the general fund reserve balance
 - Many items were deferred this year using input from the last two visioning meetings. Many of those items will return in the ensuing year's budget.
 - Compliance with the town's fund balance ordinance that includes a goal of 4 months reserve of general fund expenditures
 - Maintaining levels of service
 - If costs beyond the town's control continue to rise, revenues plateau or decline, or an emergency situation arises, the balance could be significantly skewed
 - Good news – the town is one of the few municipalities in the country that is not significantly encumbered with debt service
 - Sustainable or Not?
 - Some hard choices are not far away. When revenue is flat, but salaries, benefits, utilities, insurance and infrastructure costs escalate, it is not sustainable. What is the solution?
 - Taking on debt (bonds) is one possible solution, but not a long term strategy
 - Continual tax increases, which is not desirable because at some point property ownership becomes undesirable and eventually unaffordable
 - Annexation; choosing not to grow when the tax base is so limited may ultimately be a choice to unincorporated
 - Slow dismantling of town departments and reductions in services is not a solution, unless un-incorporation is the goal
 - The smart solution is to begin with the end in mind. If the town wants to remain incorporated and able to sustain all of its services at the current level then revenue must keep pace with expenditures

214 Ms. Fellner thanked staff for their diligent work throughout the budget process. She thanked
215 Director King and her staff particularly for their tireless work to meet her innumerable requests for data and
216 statistical information. Town Council and the town citizens were also thanked for their support during the
217 past year and she hoped everyone could continue to work together to successfully manage growth and
218 services within the Family Beach.

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Comments & Questions.

Mayor Samples said it was important for council to set priorities and to plan for known expenditures like beach renourishment. This fiscal year the town purchased the historical property; the county issued the radio mandate; beach renourishment was moved up and the town had to pay now. The town is done with catching up, and now plans need to be implemented for future expenses. No one wants to hear tax increases. It is important to maintain priorities and to make decisions to defer expenditures when necessary. It is up to Town Council to maintain the citizens' quality of life and safety.

Ms. Mabry apologized for being late and said the reason she came was to implore Town Council to do something to increase the police officers' salaries. The town is going to end up not having a police department, if something was not done. By the time taxes and retirement are taken out of gross, the officers are receiving \$6.73 per hour [sic.] We spend \$40,000 training every police officer and then they leave to go to another agency or private business where they can make a living to feed their family. Officers are working second full time jobs; you cannot do that and give your best to your first time job. She begged council to put in numbers that were sustainable for the police department. If you can find a way to put \$1.2 million in beach renourishment in four years, you can find way to do all the improvements we've done, you can find a way to have a sustainable police department that isn't costing us so much money in training and in overtime. She said \$63,000 in overtime, because we don't have a policeman; they're coming and going like revolving doors. Get on board, do the right thing. If you don't do anything else, do the right thing for these for these policemen. You might always want to consider the fire department, too, because [the Chief] is staring me down (*laughter.*) People move to town, because it is clean and safe. It's a community in which they feel comfortable. Take that away, and it won't matter how many plants are planted or roads paved, if the community does not feel like it's safe, you will lose the businesses and residents. That's a fact.

Mr. Pellegrino said the numbers show the town is spending more than it is receiving, which is bad. A true balanced budget is when the revenues and expenditures are equal. He thanked staff, because he thinks they did a good job on the budget. Beach renourishment is \$1.2 million, and the radios were expenses that were not anticipated. In 2015, \$400,000 funds were put in the disaster fund; nothing has been done since. We need to focus on that. He explained that the first thing he did when he received the finance reports was to look the balances for beach renourishment, unassigned funds, and disaster funds. If those balances are increasing, we are in good shape. The town does have an advantage, because we don't have any debt. We were in crisis mode this year because of beach renourishment. Next year we need to build up unassigned and disaster funds, and to make sure funds are saved for beach renourishment.

Lunch Recess at 11:11 a.m. Reconvene at 1:01 p.m.

Ms. Fellner said the organizational committee had reviewed the salaries for the police officers, light equipment operators, and laborers. The narrative included \$57,000 in this budget (*see line 66*) for adjustments to salaries for these employees. Certified and uncertified police are increasing from \$30,151 base to \$33,000 uncertified base and \$35,370 certified base.

Mayor Samples said Ms. Mabry mentioned earlier that take home pay was \$6 and change per hour. The rate is \$17 per hour based on 2,080 hours annually. Ms. King said police is based on 2,223 hours annually and fire is based on 2,756 hours annually, because their schedules are different. The hourly rates are between \$14 and \$15 per hour; overtime occurs after the employee works a certain number of hours.

Mr. Courtney asked if there was night shift differentials. Chief Keziah said no.

Mr. Pellegrino asked what percentage was taken out of gross pay. Ms. King said probably 35-percent. Mr. Pellegrino said the employees were basically \$10 an hour now. Ms. King said the pay was not great. She reminded council that the retirement board requires the town to pay 13.5-percent to match the employees' pay 11-percent contribution based on gross pay. This was true for most government employees.

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Ms. Fellner thought Ms. Mabry was talking about some of the laborers and light equipment operators when she mentioned the \$6 per hour rate. Mayor Samples said the amount was used in context with the police officers. Ms. Fellner said it was not the police officers. She recognized the \$6 and change amount, and it was from a grounds position. Mr. Adair said laborers started at \$21,000; light equipment operators started at \$25,000. Once deductions were taken out, that resulted in the \$7 per hour figure.

Mr. Pellegrino said in spite of the take home pay, the employees were receiving benefits. A waiter could make more than \$10 per hour, but he would not get any benefits. Mr. Adair said the titles in his department were identified, because they were compared with other towns. Those two positions were glaringly out of line. Other positions pay in the department were comparable.

Ms. Fellner said the salary information was vetted through the organizational committee. All the salaries and supporting documentation was presented. Some of the comparison data included that the City of Myrtle Beach pays 100-percent of the employee's insurance; but, the employee is responsible for 100-percent of any insurance cost for a spouse, child, or family. Mayor Samples said the town pays a significant portion for families. Ms. Fellner said that was a big benefit.

Mayor Samples said the organizational committee unanimously recorded approval of the proposal.

Mr. Stevens asked what the total dollar value was when insurance was included for an employee. Ms. Fellner said 20- to 21-percent. Ms. King said the total cost of the town is \$48,131 for a base pay police officer making \$31,151. She explained that included unemployment, medical, and everything.

Chief Keziah said everyone, including the officers, understands that the town takes care of its employees. The problem is you have 20 – 22 year old kids that are not looking long range. They can work for the town a year and then go to another department for \$10,000 more a year to start. For three years of experience with any law enforcement agency, the South Carolina Highway Patrol is starting officers at \$43,000 with state benefits and a take home patrol car that can be used for personal business. Myrtle Beach will start officers as high as \$47,000 if they have experience. The officer leaving the town now has three years with the town. He lives in Little River, and is going to work for Horry County. He will get a \$4,000 pay raise and a take home patrol car. He believes this assessment will fill the gap between supervisors and officers. Saying that, salaries had to be adjusted so the officers would not match the supervisor salaries.

Mr. Courtney asked how much officers started at in North Myrtle Beach. Chief Keziah said North Myrtle Beach is public safety. They start uncertified at \$41,000 and change. They have separate police and fire departments, but all officers are cross trained and keep up with mandated training.

Mr. Stevens asked what the rate was for grounds employees. Ms. King said a grounds employee starting at \$21,500 would cost the town \$32,130. The medical amount would change depending on whether the employee chose single, spouse, child, or family.

Mr. Ott asked if the majority of officers hired had any training. Chief Keziah said trained officers are hired, if they can be attracted. There have not been any trained officers hired recently. There are usually three levels:

- Uncertified, which requires 12 weeks at the South Carolina Police Academy for full training
- Certified between 1 year and 3 years, that is they were in police work, but have been out more than one year, but not more than 3 years, or the certification is from a different state, which requires 6 weeks at the Academy
- Currently certified or certified within the last year, in house training on legal updates and town methods is done and they officer can go to work immediately

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331 Mr. Ott said training cost was almost much as what they would earn elsewhere. He said officers
332 were paid while at academy. Chief Keziah said if an officer was hired today with no certification, it would
333 be at least six or seven months before he was on the road.
334

335 Mr. Courtney asked if the police department used classified officers. Chief Keziah said the
336 department uses Class 1 officers; detention and dispatch officers were Class 2. Mr. Courtney asked if
337 uncertified individuals were hired. Chief Keziah said he preferred to hire certified officers. Lately, that
338 had not been successful. Candidates choose other agencies that pay better, but sometimes the changes
339 were based on logistics. An officer recently transferred to Georgetown, because he lives in Litchfield and
340 his wife works in Georgetown. Mr. Courtney said there was very limited opportunity for promotion.
341

342 Mr. Johnson said on an optimistic note, the town has some good officers that have served the
343 town for quite a while. Chief Keziah thought the officers that had long tenure understand that the town
344 takes care of its employees. Christmas bonuses and longevity pay are good benefits. Some officers have
345 15-years and some working on 20-years. The attitude towards police officers has an impact, especially
346 when young officers are starting their families. If a change in department or job will increase his pay
347 significantly, they have a lot of pressure to take care of his family.
348

349 Mayor Samples knew that the town cannot get out of the South Carolina Retirement System, but
350 he asked if there was some way to establish a 401K savings for Millennials and match up to a certain
351 amount, that would increase the take home pay and have a portable retirement that could transfer with
352 them. It was unusual for someone to stay in the same department. Chief Keziah did not know the
353 answer. The Pawleys Island police department did not participate in the retirement plan. Ms. Fellner
354 said they would have to look into this very carefully. Mayor Samples thought this would provide another
355 option for younger employees. A former chief tried to maintain a balance on staff by hiring retired
356 officers and young officers.
357

358 Ms. Fellner reiterated that the \$57,030 is already included in the budget to adjust salaries for the
359 police officers, light equipment operators, and grounds laborers.
360

361 Mr. Johnson asked why \$7,500 was proposed for the oak trees. Mr. Adair said the arborist
362 assessed the historical trees. The preliminary finds were that the trees are between 220 and 275 years old.
363 They will require pruning, and injections to control pests and bugs, and fertilizer.
364

365 Mr. Pellegrino said that expenditure was the one thing in the budget that he totally disagreed
366 with. God has taken care of that tree for 275 years. In his opinion, the tree will die quicker when
367 chemicals are put on it.
368

369 Mr. Adair said the trees were declining. Critters and varmints were stressing the trees. Best
370 practices in the industry dictate this action. It was council's decision whether to treat the trees.
371

372 Neither Mr. Courtney nor Mr. Ott had never heard of this type treatment. Mr. Adair would share
373 the literature.
374

375 Mr. Ott asked if the town knew this expense would be incurred when the property was bought.
376 Mayor Samples said absolutely.
377

378 Ms. Fellner said if there were no other questions or comments, the council should comment on
379 the budget preparation and presentation.
380

381 Mayor Samples: I think we're in good shape. We're doing what we need to do. It's definitely
382 lean. It needs to be lean, and it was very well done.
383

384 Mr. Childs: I agree with Mayor Samples, and I think you did a great job. I think staff did a great
385 job. I read it last night, and I think anything you want to know about the town expenditures is there. It's
386 about as lean as you can possible be.
387

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388 Mr. Pellegrino: I'm very concerned with the \$800,000 higher expenditures than revenue. But, I
389 understand that beach renourishment is the major reason for that. So, that means we will be challenged,
390 the challenge next year will be much more difficult as we work to build up reserves. Good job, staff.
391 When we first found out that we were gonna have to pay beach renourishment, we thought it was gonna
392 be September. Then it was early summer. I honestly thought the overage would be a lot higher. So, good
393 job managing those numbers. Ms. King said pray for a good summer...no, April and May is when we need
394 the money.

395
396 Ms. Fellner said business licensing was doing well so far. Mayor Samples said that was an
397 important point for the new members. There are two times a year that the town gets "real money."
398 Property tax time and business license time. The rest of the year is "nickel and dime chump change."
399

400 Mr. Stevens: I'll tell you what I'd like to see. How do we get our expenses and revenue the same?
401 It seems like we've been transferring money every year. How do we get our expenses and revenue to
402 balance without transferring money, because we've been transferring money since 2007? Ms. Fellner
403 referred Mr. Stevens to the closing remarks.

404
405 Mayor Samples: We're a beach community. We're always gonna be doing that. That is why we
406 police it at the level we do. If we did have the summers that we have...

407
408 Mr. Stevens: We did now in 2013.

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410 Ms. Fellner said to remember there were many fixed costs beyond the town's control that little to
411 nothing could be done to change that. Staff always tries to be as lean as possible. This year there were
412 pretty serious expenses with beach renourishment and the radio mandate. She understood Mr. Stevens's
413 comments from a business perspective, and it would be great to have a balanced budget, but the budget
414 will always need infusions of capital from the Hospitality and A-tax funds to operate the town, and that is
415 why those taxes were adopted and are collected.

416
417 Mr. Johnson: Will, I certainly appreciate all the hard work that everyone has done. This is, like
418 everybody said, it's a very lean budget, and I like the way it is. As far as that (**) goes, I would like to see it
419 virtually the same next year, because I understand that we are going to have to have some purchases made
420 that only towns have to purchase. But, I'm good with it. Thank you very much.

421
422 Mr. Ott: Well, it's the first one I've really got to look at. I've gotta new way to look at the word
423 balanced. And, a new way to look at the word lean in my vocabulary. I can see the work that has gone
424 into it. It's magic. I'll leave it at that. I'll continue on a learning phase.

425
426 Mr. Courtney: I think a lot of work went into it. It is very lean. But, I think there is room for
427 improvement in the future. I think it's imperative that we bring in the employees' wages up a little bit, if
428 possible, in the future. It's the only way we're gonna keep employees here and we're not losing them. It's
429 costing us in the long run when we lose an employee after we train them for ten years. From the very little
430 I know and from what I read, you guys did a lot of good work on it. But, what we have coming in is the
431 best we can do right now.

432
433 Mayor Samples thanked everyone for attending and recessed the meeting until 9:00 a.m.
434 tomorrow, Friday April 22nd.

435
436 **FRIDAY, APRIL 22, 2016 – DAY 2**

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438 Mayor Samples reconvened the workshop at 9:00 a.m. on Friday, April 22, 2016. Mayor Samples,
439 Mayor-Elect Childs, Mayor Pro Tempore Pellegrino, and Councilmembers Stevens were in attendance.
440 Councilmembers Johnson and Mabry were absent. One seat is vacant. A quorum was present. Others
441 present: Councilmembers-Elect: Courtney and Ott. Staff: Administrator Fellner; Town Clerk
442 Herrmann; Finance Director King, and Public Works Director Adair.
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444 Ms. Fellner presented the town’s stormwater needs explaining that a dedicated funding source
445 was necessary to improve and maintain the town’s system. The information was presented with a goal of
446 determining whether town council would consider implementing a stormwater utility fee. To determine
447 the proper ERU (equivalent residential unit), the town’s stormwater consultant would be hired at a cost of
448 \$7,500. If an ERU was adopted, then the town could save money for these projects, and in the event of a
449 catastrophe, a loan could be taken out because an ERU was adopted. The priorities could change, based
450 on Town Council’s input. She cited:

- 451
- 452 • Maintaining and improving our infrastructure will be critical in the coming years
- 453 • The town needs to address the next phases of the north side drainage project, which has already
454 been modeled
- 455 • Weaknesses in the north side area were proven during the recent rain events
- 456 • The town’s aging bulkheads and outfalls need to be redesigned and replaced to properly safeguard
457 the future
- 458

Priority	Identified Stormwater Projects	Estimated Cost
1	Phase II North Side Drainage Project	\$700,000
2	Myrtle Swash – new bulkheads	\$357,000
3	Floral Swash – new bulkheads	\$279,000
4	Dogwood Swash – replace Ocean Boulevard Culvert Bridge	\$170,000
5	Myrtle Swash – replace Ocean Boulevard Culvert Bridge	\$200,000
6	Melody Basin – Eliminate Discharge into Garden City	\$1,000,000
	Total	\$2,706,000

459 Ms. Fellner disagreed with the priority order saying she believed that number 6, the Melody Basin
460 project should be done first, because this is a huge liability; a 90:10 share for stormwater projects in
461 Garden City downstream from Melody Basin.
462
463

464 Mr. Adair said the stormwater improvements started on the south end of town, because homes
465 were being flooded. Now, the north side of town was being more densely developed and problems are
466 being seen. The Magnolia basin and upper Myrtle basin were modeled against 25-year, 50-year, and 100-
467 year storms to see how the system would perform. The weak areas were determined based on the model.
468 The municipal standard is that systems should be designed to handle at least a 25-year rain fall event
469 without any type of flooding. The top priority jobs were done last year: 3rd Avenue North from Poplar
470 down to Myrtle, 16th Avenue North, and a small part of Cedar Drive.
471

472 #1 - The next phase, Phase II, would be 11th Avenue North, a small part of Cherry Drive, 14th
473 Avenue North from around Cedar to Dogwood, and probably 2nd Avenue North from Poplar down to
474 Myrtle.
475

476 #2 – Myrtle Swash, from Ocean Boulevard out to the beach. Those are aging wooden bulkheads
477 built around the late 1980s.
478

479 Mr. Stevens said his company bid on replacing the Myrtle Swash bulkheads at a price of about
480 \$100,000, which was much lower than the estimates given by the engineer in the budget. He reiterated
481 his believe that the prices in the budget were inflated.
482

483 Mr. Adair confirmed that the estimates were done by the engineer, who historically inflated
484 amounts between 10- to 20-percent. The theory is to allow for unknown circumstances and/or errors;
485 over estimating was preferable to underestimating. When the bids were submitted, pricing could be
486 evaluated based on the same criteria. He continued with the priority list.
487

488 Mr. Stevens asked Mr. Adair to provide the documentation that the town owns this swash,
489 because he believed it was privately owned. Mr. Adair said he would do so, as the town attorney
490 researched the title and determined the swash is owned by the town. He noted that he would never spend
491 the town’s money unless he was sure it was on the town’s property.

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#3 – Floral Swash, from Ocean Boulevard out to the beach. Same condition as #2; aging wood bulkheads that are in bad shape. Floral swash goes out to the ocean at 3rd Avenue South.

#4 – Dogwood Swash, replace the Ocean Boulevard culvert bridge, which is a wooden pile structure. Concrete box culverts should be installed.

#5 – Myrtle Swash, replace the Ocean Boulevard culvert bridge, which is a wooden pile structure. Concrete box culverts should be installed.

Mr. Pellegrino said the state owned Ocean Boulevard up until many years ago, and the town made a “stupid deal” with them and took over Ocean Boulevard. Now, when there is a hurricane, the town has to pay to rebuild it.

Mayor Samples said Town Council never voted to accept Ocean Boulevard.

Mr. Stevens asked if that would be like work done on Scipio Lane in the county. Mr. Stevens said the outfall at Floral at 3rd Avenue South is a concrete double box culvert, which is what Myrtle and Dogwood swashes should have.

#6 – Melody Basin discharge into Garden City. The county agreed to pay for 70 – percent of any major improvements in the Dogwood basin, because it is mainly county water passing through that basin. The town pays 30-percent per that agreement. When there are severe rain events, the Melody Basin discharges a small amount of water from 20 acres in town into Garden City through the Woodland weir, and out to the marsh. The area is equivalent 16th to Melody from Highway 17 to Dogwood. Mayor Samples said it was emergency overflow. Mr. Pellegrino asked if any discharge went through during the big rain event last fall. Mr. Adair said he inspected the drainage and there was nothing passing through. At Rose Real Estate on Melody Lane, the water was coming into town. Because of the 70:30 agreement, the county required the town to sign an agreement that it would be responsible inversely for 90-percent of the improvements below that channel running into the marsh.

Mayor Samples had no recollection of Town Council ever voting on that contract. Ms. Fellner said the county recently did repairs downstream of this channel and asked the town to pay its portion of \$8,000. She mitigated the request by disputing the amount of water running from the town. The county’s models show much more water passing from the town than actually is discharged. Mr. Adair said the county map shows water from the BI-LO pond, but that water actually travels towards 13th Avenue South. Ms. Fellner did not know if the cost would be \$1-million, but she did believe this was a major liability for the town. Mr. Adair said if the area was redirected to 13th Avenue South and new pipes were installed, it would be about \$1-million. Mayor Samples asked if the 13th Avenue South was where 14th and 15th Avenues channel drained. Mr. Adair said yes. The town has a NPDES (National Pollutant Discharge Elimination System) permit to discharge water into the ocean. It is required to maintain best management practices to ensure the water is clean. If there is a recurring problem over years, DHEC (South Carolina Department of Health and Environment Control) will establish a TDML or total daily maximum load, on the impaired water body. In Murrells Inlet, they were repaired for shellfish after a pollutant of concern was identified. It will cost the town money if a TDML is imposed by DHEC. The discharge going through to the marsh already has a TDML assigned. The town has not been cited as a contributor by DHEC, yet. There have been three audits over the past five years. The stormwater maps were reviewed by DHEC and Horry County, and the town has been left out of it. DHEC determined that Horry and Georgetown counties were responsible. Because the town is at the top of that drainage system, DHEC could say the town is partially responsible.

A discussion ensued regarding animal polluting the waters. Mr. Adair said this was something that councilmembers should be aware of because it could create a liability for the town. The town’s stormwater needs will never end, because pipes fail, upgrades are required, catch basins will need to be made bigger as development occurs, etc. If there is no funding source, the projects will not be done.

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548 Ms. Carol Lucas asked how the road way and the contract for the Melody Basin were approved, if
549 the councilmembers did not vote. Mayor Samples said poor administration. Mr. Pellegrino said no one
550 voted on the matters. The previous administrator did it on his own. Ms. Fellner added that any action
551 requiring over \$10,000 was required to have Town Council approval. (**several speaking at once.)
552

553 Ms. Fellner said Surfside Beach is one of the few remaining MS4s in the state that has not
554 adopted some type of stormwater utility program as a stand-alone. Options commonly used to derive a
555 stormwater fee are:
556

- A dedicated percentage of property taxes (millage)
- A flat fee for residential; possibly a different fee for commercial (land use)
- A calculated fee based on percentage of impervious surface
- A fee tied in to some other factors

561 What our neighbors are doing:
562
563

Entity	Stormwater Utility Fee	How Collected	Base ERU Fee – Single Family
City of Myrtle Beach	Yes, adopted 1990s	Monthly Water Bill	\$69.00 annually
City of North Myrtle Beach	Yes, adopted 2000	Monthly Water Bill	\$72.00 annually
Town of Mount Pleasant	Yes	Annual Property Tax Bill	\$60.00 annually
Horry County	Yes, adopted 2000	Annual Property Tax Bill	\$29.40 annually
Georgetown County	Yes, adopted 2007	Annual Property Tax Bill	\$52.00 annually

564 Mr. Adair said most communities do not base the stormwater utility on a percentage of millage,
565 because that amount would vary and be subject to use for other purposes. Most places have a stormwater
566 utility fee based on an ERU. A discussion ensued regarding the project scope, cost, time frame, taxable
567 properties, land use studies, etc. Mr. Adair explained that the stormwater consultant would consider all
568 that data based on Town Council’s priority list to determine the ERU. Mr. Adair expected the study to
569 cost about \$7,500. Town Council would have the option to adjust the ERU as it does the millage during
570 the budgeting process, depending on the upcoming projects.
571

572 Ms. Fellner reiterated that she did not want to spend the money for the stormwater consultant
573 unless Town Council was willing to consider adopting a stormwater utility fee. She explained that having
574 the consultant evaluate the town’s needs and infrastructure would limit the town’s liability. Mr. Adair
575 said stormwater utility fees were challenged in court all across the country. Generally, they are found to
576 be legal as long as the fees are charged equitably. The consultant has worked on utility fees for at least five
577 different municipalities. Ms. Fellner said he also did a great job on the town’s stormwater permits. Mr.
578 Pellegrino asked if the \$7,500 for tree maintenance could be used. Mr. Courtney said he was going to
579 suggest the money for the tree shots. (Laughter.) Mr. Adair said there are needs coming up, and the town
580 must have a way to fund them.
581

582 Mr. Stevens asked if a stormwater utility fee was adopted, if the tax millage would be reduced by 2
583 mils. Ms. Fellner said the 2 mils would be put into the general fund to fund operating cost. Mr. Stevens
584 said this would be another charge on top.
585

586 Mayor Samples said he would like to ‘draw a line in the \$1-million, too.’ [Referring to #6 Melody
587 Basin.] Having said that, if there is a future liability because of the TDML, you do not want the Federal
588 government opening shop down here watching what we do. The town will pay a lot more for it. Mr. Adair
589 said the town might be assigned its own TDML in the future.
590

591 Ms. Fellner said that was all she had to present; the projects and the expected costs. It was
592 council’s decision whether to do these projects. The first step towards completing the projects is to define
593 a funding source. She did not want the town to be sued, because we are not willing to pay \$7,500 for a
594

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595 study by a stormwater consultant who really knows what he is doing. On the other hand, she did not want
596 to pay that money unless Town Council would consider a stormwater utility fee.
597

598 Mr. Courtney did not believe there was a choice in the matter. Mr. Adair said the merits of each
599 project could be debated, and the priorities could be changed. The bottom line is that all of the projects
600 have to be done over the next 10 years or so. Mr. Courtney said it would probably cost more if the projects
601 were deferred, and asked which projects had to be done now. Mr. Adair said at least two or three of them
602 should be done in the next five years; cost would be between \$500- and \$700-thousand. The goal is to
603 make the town resilient; the stormwater system enhances all the other programs like the building codes,
604 FEMA rating, and CRS program.
605

606 Mr. Pellegrino said there may not be a choice about completing the projects, but there was a
607 choice as to how it would be funded. Mr. Adair said the town could borrow money; establish a flat fee
608 across the board, or establish an ERU. It was entirely up to Town Council.
609

610 Mayor Samples asked which project would be most catastrophic. Mr. Adair said in his opinion,
611 the most catastrophic event would be an Ocean Boulevard culvert failure, which would not only cut off
612 discharge, but also close a road. Mayor Samples suggested that council prioritize based on impact, if there
613 was a failure.
614

615 Mr. Childs agreed with Mayor Samples; Ocean Boulevard was the most important.
616

617 Mr. Stevens extrapolated the total cost for all six projects saying that over a 10-year period, the
618 cost would be \$58.86 per property. Mr. Adair said projects would continually be added to the list; these
619 six were the one identified that need to be done over the next five to 10 years.
620

621 Mr. Pellegrino asked what the balance is in the stormwater account. Ms. King said at the end of
622 this year the balance is projected at \$168,000; projections for next year's revenue and expenditures were
623 flat. There is generally about \$100 difference from year-to-year. Ms. King explained that the extra two
624 mils were needed in the general fund for operations. She said nobody wants a tax increase, but every year
625 the two mils are taken out of general fund, it weakens the fund. Mr. Pellegrino said that was a tax
626 increase. Ms. King said yes, it was. It cost the average homeowner \$600 to live here.
627

628 Ms. Fellner added that if millage for stormwater is continually designated out of the general fund,
629 then the general fund will be drained of all excess and the general fund will be unhealthy.
630

631 Mayor Samples said if there one mild storm during the season, the businesses will shut down for
632 at least a week or two, because no tourists will come, which will significantly impact revenue from A-tax
633 and Hospitality taxes. If Town Council chose to adopt a stormwater fee, it would allow the town to issue
634 bonds for a project. Ms. King said that was correct. Mayor Samples said the fact is, when the tax increase
635 is adopted, it will not be fairly distributed as to those paying and not paying. He personally loves his low
636 tax bill. State law requires the town to hit the business harder; the businesses do not get a tax break, or a
637 refund of the school money that residents get. He argued that a more fair method would be not hitting the
638 mom and pop restaurants with multiple ERUs. Ms. Fellner said Mayor Samples was basically talking
639 about a flat fee. When the consultant does the calculations, you can tell him exactly what you want. We
640 do not want the businesses hit; we want everybody to bear the same burden. A discussion ensued about
641 charges to second home owners, residents' perks, fixed incomes, etc. and how ERUs would or could be
642 charged and collected.
643

644 Mr. Childs said the town was fortunate during the rain event last October. If another storm
645 damaged the town, the fee would be nothing compared to a resident losing everything. Many people were
646 not insured. Mr. Childs supported the study.
647

648 Mr. Courtney said the ERU would be a small price to pay. Hurricane Irene put 4-feet of water in
649 his house, and Hurricane Sandy put 6-feet of seawater in his house [in New York.] Mr. Pellegrino said
650 nothing the town could do would prevent storm surge. Mr. Courtney said having nowhere for the water to
651 drain created problems. Mr. Adair said most of these projects were maintenance. During the October

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652 rain event, King Tides with 7-foot plus high tides occurred at the same time. Getting the water out of town
653 was the biggest challenge. Staff was on the beach in the early morning hours during low tides digging out
654 the swashes so water would discharge. Ms. Fellner said the culverts were filled to the top; it was scary.
655 Mayor Samples said he had never seen that much water in the culverts. Mr. Adair said a storm surge on
656 top of a high tide would put Ocean Boulevard under water. (**several people speaking at once.)
657

658 Mr. Pellegrino asked if Ms. Fellner needed consensus to move forward with the stormwater
659 consultant study. Ms. Fellner said again that she did not want to spend money, if the council was going to
660 dismiss the proposal. She asked if council would allow her to bring a proposal back for consideration of
661 implementing a stormwater utility fee during this fiscal year. The price would be negotiated, if possible.
662

663 Mr. Pellegrino, Mr. Childs, Mr. Courtney, Mr. Stevens, and Mr. Ott supported the study. Town
664 Council **CONCURRED** to move forward with the stormwater consultant study this fiscal year and to
665 consider a stormwater utility fee ordinance.
666

667 Ms. Wanda Spannuth said as a resident she did not mind the study or the implementation of a
668 stormwater utility fee. She was impressed during the big rain that the town did not flood, while
669 neighboring areas flood.
670

671 Ms. Carol Lucas thought it would be beneficial to have articles in the town newsletter about the
672 stormwater system, the proposed fee, and definitions for terminology, i.e. pervious versus impervious.
673 She said that councilmembers should be more vocal about the work they do.
674

675 Mr. Childs agreed that articles in the newsletter would be beneficial. Mr. Adair said signage is
676 placed throughout town to help maintain stormwater quality, i.e. don't feed the animals.
677

678 **ADJOURNMENT.**

679 Mayor Samples adjourn the meeting at 10:15 a.m.
680

681 Prepared and submitted by,
682

683 _____
684 Debra E. Herrmann, CMC, Town Clerk
685

686 Approved: May 10, 2016
687

688 _____
689 Douglas F. Samples, Mayor
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691 _____
692 David L. Pellegrino, Mayor Pro Tempore
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694 _____
695 Robert F. Childs, Town Council
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697 _____
698 Mark L. Johnson, Town Council
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700 _____
701 Mary Beth Mabry, Town Council
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703 _____
704 Randle M. Stevens, Town Council
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706 _____
707 Vacant Seat
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709 Clerk's Note: This document constitutes summary minutes of the meeting that was digitally recorded.
710 Appointments to hear recordings may be scheduled with the town clerk. Bring a flash drive to obtain a
711 copy. In accordance with FOIA, meeting notice and the agenda were distributed to local media and
712 interested parties. The meeting notice was posted on the town website, the entry door at Town Council
713 Chambers, and on the Town marquee.
714