

Accommodations Tax Advisory Committee

11:00 a.m., Wednesday, March 5, 2014

The regular meeting of the Accommodations Tax Advisory Committee (ATAX) was held at 11:00 a.m. on Wednesday, March 5, 2014 in the City Hall Conference Room, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Committee members Burgis, Covington, Haynie, Rice and Vice Chair Nelson, City Administrator Tucker, City Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland. Committee members Miller and Russell were absent, but a quorum was present to conduct business.

1. In the absence of the Chair, Vice Chair Nelson called the meeting to order and acknowledged that the press and public had been duly notified of the meeting in accordance with the Freedom of Information Act.

2. Approval of Previous Meeting's Minutes

MOTION: Mr. Covington moved to approve the minutes of the regular meeting of January 8, 2014 as submitted; Mr. Burgis seconded and the motion PASSED UNANIMOUSLY.

3. Citizens' Comments – None

4. Financial Statement – Treasurer Suggs

Treasurer Suggs started the financial review with the Balance Sheet showing cash in the bank totaling one million eight hundred twenty-six thousand dollars (\$1,826,000) distributed between BB&T, First Tennessee Bank and the Local Government Investment Pool (LGIP).

Since the last meeting, the City has received State ATAX for the December quarter, and the tourism-related amount of two hundred forty-three thousand six hundred dollars (\$243,600) appears on the revenue schedule along with interest earned. On the "State Accommodations Tax – Distribution of Funds Received" schedule, one can compare the receipts for the same quarter in FY13, and the December 2013 quarter is lower by approximately twenty-one thousand dollars (\$21,000) or seven percent (7%). In studying the detail, the Treasurer does not see anything awry and indicated that the receipt may be lower due to timing issues with on-line travel companies, but she was not concerned that revenue would fall short of budget.

Proceeding to the expenditures, the Treasurer highlighted activity since the last meeting; items of interest were invoices paid to Stantec toward the parking management plan, wayfinding signs, and beach access parking; expenses related to "Island Gras;" sponsorship of the 2014 Connector Run and Walk; a full-page advertisement in the Spoleto program book; body-worn digital cameras; and a Ford pickup for the Fire Department.

MOTION: Ms. Rice moved to approve \$9.63 over-budget for the body-worn digital cameras, Vice Chair Nelson seconded and the motion PASSED UNANIMOUSLY.

Noticing the payment to Hartnett Realty for an appraisal of the Front Beach restrooms, Ms. Haynie asked what was happening about the restroom, and Administrator Tucker stated that the City had issued a request for proposal (RFP) for consulting services to evaluate all the potential

sites, including the existing one, for new or renovated restroom facilities. As a result of the RFP, the City will enter into a contract with Liollio Architects, who has experience with similar structures in the same issues in the Lowcountry and with whom the City has experience as the architect for the renovations of City Hall. Liollio will be looking at whether or not it makes sense to put a new restroom in the same space because a replacement would have to be elevated to current flood standards and meet current ADA regulations. The space is very narrow, and a new building would be a stick-building; the existing structure went in just prior to flood regulations taking effect. Efforts to improve the existing structure toggle the fifty percent (50%) rule, so maintenance is done, but nothing of significance. The options facing the City are (1) to tear down the existing structure and build to new standards or (2) look at other City properties at the Front Beach, the parking lots, as a new site. Once a decision is made on the best course of action, the City will take a regional approach to the funding; the City will reach out to Charleston County, because it is not IOP residents who are using the facilities, but the visitors to the beach. A placeholder for a new facility is included in the FY15 budget.

Ms. Rice asked if the City could give the facility a facelift for the coming season, and Administrator Tucker said that it is being regularly pressure-washed, but the City does not want to make any kind of significant investment other than regular maintenance.

Changing the topic of discussion, Mr. Covington expressed the opinion that, for the money that the City is sending to the Charleston Visitors Bureau (CVB), the City could hire an advertising firm and do its own advertising; he commented that neither Folly Beach nor Sullivan's Island contribute to the CVB, but benefit from the dollars the City is sending. He advocated that the City would "get more bang for its buck" and direct the advertising to Ohio, Pennsylvania, New Jersey, etc. where many of our visitors come from.

Ms. Rice voice disagreement; she expressed the opinion that the City would need to invest a million dollars (\$1,000,000) or more to get the same coverage that the City gets through the CVB. Mr. Nelson agreed.

Administrator Tucker stated that Sullivan's Island does not get enough in ATAX money to contribute to the CVB, and they want to eliminate short-term rentals. The Administrator opined that Folly Beach has been experimenting with their own advertising for a couple of years, but she has not heard how it is working out.

The Administrator questioned that hiring an advertising agency would be an approved use of ATAX funds since the law states the money must go to an agency whose sole purpose is the promotion of tourism. The City could create its own visitors bureau for the purpose of advertising which would involve dedicating space and hiring personnel to do the task.

Mr. Covington asked that staff investigate whether hiring an agency would be a valid use of ATAX funds and possibly have a couple of agencies make presentations describing what they could do for the island.

Administrator Tucker commented that the first step was to find out if it would be allowable. Mr. Nelson added that the City should learn how Folly Beach is doing on their own.

Assistant Dziuban noted that an expenditure of that magnitude would toggle the City's Procurement Code, meaning that the City would have some very specific steps in terms of talking to agencies and eliciting proposals.

Mr. Nelson recommended that Perrin Lawson attend the next meeting to describe the services that the CVB provides the City.

Turning attention back to the financial reports, Treasurer Suggs reviewed the revenue and expense projection for FY14. Projects approved by the Committee at the last meeting were seventy-five hundred dollars (\$7,500) for a Spoleto sponsorship which Council rejected in favor of a full-page advertisement for thirty-five hundred dollars (\$3,500); Council totally rejected participation in *The Moultrie News* fiftieth anniversary yet fully supported twenty-five hundred dollars (\$2,500) for the Dunlop Junior Tennis Championship sponsorship. With these additions, the year is projected to end with a balance of approximately one million one hundred sixty-four thousand dollars (\$1,164,000).

Noting that the ATAX Committee pays for filling holes on the beach, Ms. Rice questioned that this money could pay for filling holes at the marina; Administrator Tucker responded that the responsibility for that falls to the tenants at the marina. The Administrator remarked that the tenants are working together to address issues on the parking lot.

In addition, Ms. Rice commented that the Front Beach, in general, needs "sprucing up" and asked if that would fall under the purview of this Committee. Administrator Tucker explained that staff does a walk-through of Front Beach a couple of times a year to assess what needs to be done; the kiosks are to be replaced soon as well as some benches.

Treasurer Suggs noted that the Front Beach restrooms and the benches fall under State ATAX while the fixtures, lighting and irrigation are covered under the Municipal ATAX Fund; the landscaping costs are covered by Hospitality Taxes.

5. Old Business

Report on ATAX Collection Refinements – SCDOR Meeting

Administrator Tucker commented that, because the City has short-term rentals and the Municipal Accommodations Tax collected by the County, the City can reconcile state collections and county collections and business licensing. Over the past year, staff has perpetually uncovered errors on the part of the Department of Revenue (DOR) and errors related to where they had places located; as a result the City opened a dialogue and has made trips to Columbia to meet with representatives of DOR to show them the problems. DOR initiated an in-depth look at their systems and these problems; approximately a month ago, DOR personnel, including Director Bill Blume, held a meeting in Charleston to review what they have uncovered and their plans to fix the problems. They have generated better reporting and hired additional personnel who will focus only on ATAX and double check information, the City anticipates improvements, but there are still problems. The City plans to sponsor a training session on the island for the people who are reporting to DOR to review ATAX filings and the changes that have been initiated.

Treasurer Suggs stated the IOP has not had the level of problems that have occurred for other local governments, because the City has been reconciling its collections for some time. She explained that, when a taxpayer has rental properties in multiple jurisdictions, he/she did not realize the revenue should be reported to DOR by jurisdiction; that problem was exacerbated because DOR was not picking up on it. Education for the taxpayer is necessary to make sure they understand how the forms are to be completed. DOR is encouraging taxpayers to file on-line, but one of the required ATAX forms is not available on-line, so it has to be filed on paper and someone at DOR has to marry the on-line filing with the paper one.

Vice Chair Nelson asked whether the City's ATAX collections will be impacted by these changes; the Administrator voiced the opinion that collections will be impacted both positively and negatively. The City's goal is for the collections to be as accurate as possible.

Another complication is on-line travel companies have persons completing the South Carolina form likely in other parts of the country and no idea what jurisdiction the room or house is located for the correct jurisdiction to get the accommodation tax revenue.

6. New Business

Review of FY15 ATAX Budget

Administrator Tucker explained that the ATAX budget is a work in-process. This year, in developing the City's budget calendar, the City is taking a new approach to the budget and starting with revenues; in doing that, both Capital and Operating budgets fall in the same month. With the bunching of committee meetings, staff has been challenged to get everything done. Since the ATAX budget is not yet ready, the Administrator expressed the need for a special meeting next month to review the budget.

A Special Meeting was scheduled for 11:00 a.m., Wednesday, April 2, 2014.

The Administrator reported that, in January 2015, the City will host the South Carolina City and County Managers Association; therefore, a portion to support that meeting will be included in the ATAX budget. Approximately two hundred (200) people will be attending the meeting, and a contract has been signed with Wild Dunes.

Responding to Mr. Covington's question, Administrator Tucker recalled that around fifteen thousand dollars (\$15,000) has been earmarked for the event.

7. Miscellaneous Business

8. Adjourn

MOTION: Ms. Rice moved to adjourn the meeting at 12:02 p.m.; Mr. Covington seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:
Marie Copeland, City Clerk