

## **WAYS and MEANS COMMITTEE**

5:45 p.m., Tuesday, September 22, 2015

The regular meeting of the Ways and Means Committee was held at 5:45 p.m., Tuesday, September 22, 2015 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Bettelli, Buckhannon, Carroll, Ferencz, Harrington, Loftus and Ward, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, Assistant Administrator Fragoso and City Clerk Copeland; a quorum was present to conduct business.

1. Mayor Cronin called the meeting and acknowledged that the press and public were duly notified of the meeting in accordance with the Freedom of Information Act.

### **2. Approval of Previous Meeting's Minutes**

**MOTION:** Councilmember Carroll moved to approve the minutes of the regular meeting of August 18, 2015 as submitted; Councilmember Loftus seconded and the motion PASSED UNANIMOUSLY.

3. **Citizens' Comments** – None

4. **Financial Statements** – Treasurer Suggs

#### **A. Financial Statements**

Treasurer Suggs stated that she had concentrated her efforts on the millage and that the August financial statement would be presented at the September Council meeting; she assured Council that the statement would not include any surprises.

The Treasurer commented that an article in *The Post and Courier* in the past couple of weeks had stated that state health insurance would increase by four and four tenths percent (4.4%) effective January 1, 2016; the City's budget was built with a three and three tenths percent (3.3%) increase. Since the FY16 budget will only be impacted for six months (6 mos.) of the fiscal year, the Treasurer has calculated the impact on the FY16 budget to be less than five thousand dollars (\$5,000).

#### **B. Tourism Schedules**

The tourism schedules have changed very little.

The Municipal Accommodations Fee schedule has not changed from last month, but the City has received the August payment for "heads in beds" in July that included the County accommodations fee and the Beach Preservation Fee. The City received in excess of one hundred ninety two thousand dollars (\$192,000); the Treasurer opined that this is the largest collection the City has ever had.

State Accommodations Tax and the Charleston County Pass-through had no changes.

Hospitality Taxes were less than last year and more in-line with FY14.

The Beach Preservation Fee Fund will increase by one hundred ninety-two thousand dollars (\$192,000).

Councilmember Ward stated that he and the Treasurer had spoken last week about the amount of principle debt the City now has; in June 2011 the debt principle was just over sixteen million dollars (\$16,000,000); in June 2015 the debt principle was ten million one hundred seventy thousand dollars (\$10,170,000). The City has decreased the amount of its long-term debt by six million dollars (\$6,000,000); he indicated that his goal was to totally eliminate the City's debt.

### **C. Consideration of Distribution of FY15 Positive Net Result**

After directing attention to the cover sheet of the financial schedule noting "Preliminary Audited," Treasurer Suggs stated that she was confident that this was the end-of-year financial statement that denotes a nine hundred thousand dollar (\$900,000) positive net result in the General Fund. She then distributed another schedule that details how the City achieved that number, revenues greater than budgeted and expenditures greater or less than budgeted.

**MOTION: Mayor Cronin moved that FY15 positive net result of \$900,000 be distributed with \$75,000 being transferred to the Disaster Recovery Fund and the balance of \$825,000 being transferred to the Unassigned Capital Projects Fund; Councilmember Bettelli seconded.**

The Mayor pointed out that this action keeps the General Fund in the positive.

Councilmember Ward voiced the opinion that this discussion goes hand-in-hand with the upcoming discussion on the millage and should be discussed in conjunction with the millage rate.

Administrator Tucker referred to the revenue on the schedule that details the positive net result sources; she noted that Property Taxes revenue was not one (1) of those sources because it stayed relatively flat to budget. In the Administrator's opinion, that needs to be a factor in determining the millage rate. The revenue gain came from Business Licenses due to an increase in fees from off-island businesses and a general increase in building activity on the island; it is difficult to know whether there will be the same level of economic activity in FY16. The increased revenue from Franchise Fees came from increased fees from SCE&G and the City's receiving the benefit of that increase six (6) months earlier than anticipated. The increased receipts from Building Permits parallels the increase in building activity on the island. The Administrator concluded her comments saying that she did not think the City could anticipate the revenues generated by the adjusted millage could result in the same positive net result the City experienced in FY15.

Responding to Councilmember Ward, the Administrator stated that the assessed values on the island decreased by ten million dollars (\$10,000,000),

Councilmember Ward continued that for the City to generate the same amount of revenue, the millage must be increased. The Administrator stated that to receive the same amount of money

in FY16 would require applying the “rollback” millage, as defined in state law, the CPI and the population growth of .77% on operating mills.

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According to the Administrator, to do nothing – leave the millage at 22.9 mills – would result in a budget shortfall of approximately four hundred thirty-four thousand dollars (\$434,000).

The Administrator noted that there is a difference between raising property taxes and adjusting the millage; a residence that went down in value might pay less in taxes even with the millage adjusted upward. A residence that increased in value based on reassessment might pay higher taxes without the millage adjustment.

Councilmember Loftus stated that he did not think the City has had such a large positive net results in the years he has been on Council; he proposed that the Personnel Committee consider giving every employee a five hundred dollar (\$500) gift card to praise them for their hard work supporting tourism over the 2015 visitor season. The conditions are that the employee was full-time at January 1, 2015 and that he/she is in good standing relative to performance. He commented that he thought this was a unique opportunity for the City to share the wealth; depending on whether the City were to give gift cards or to issue a payroll check, Councilmember Loftus stated that this would cost the City less than fifty thousand dollars (\$50,000). He added that the City has people who work very hard and who are deeply committed it.

Councilmember Ward suggested that the City could avoid an increase in the millage by using the FY15 positive net result.

Mayor Cronin stated that the City could have an opportunity to pay down debt and would need funds to do that; he preferred to use “a big piece” of the positive net result to pay down debt.

The Mayor reiterated the point that the City was looking to collect the same aggregate funds from the citizens of the island, and some will pay more and others will pay less in property taxes. The Mayor also pointed out that the City’s portion of a resident’s tax bill was quite small; the property tax collected from the four percent (4%) properties barely pays to operate the Public Works Department. About half of the four percent (4%) properties increased and half decreased in value; of the six percent (6%) properties, two (2) properties went down in value to one (1) property that increased in value.

Councilmember Carroll stated that the Isle of Palms is in recovery as can easily be seen by the City’s collections from the tourism funds; he, therefore, could not understand the need for a tax increase.

The Mayor repeated that the millage needs to be increased for the City to collect the same amount of revenue in FY16 that it received in FY15. Administrator Tucker said that this was a millage adjustment based on changes in value.

The Mayor noted that his dream was to pay down the debt on Fire Station 2 using a significant portion of the FY15 positive net result and to re-finance the loan at a lower rate.

When asked about how much money the City would have to spend to get to the re-financing threshold of one and a half million dollars, the Mayor replied that the dollar amount depended on

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when the City decides to do it. He indicated that Treasurer Suggs is slowly changing his opinion that the City should re-finance in January 2016 to save a lot more interest.

The Treasurer told Councilmember Ferencz that the amount needed to pay down the loan is approximately seven hundred thirty-five thousand dollars (\$735,000); forty percent (40%), or two hundred ninety-four thousand dollars (\$294,000), would be paid by the General Fund and the remaining sixty percent (60%) would be paid from Hospitality Taxes.

If the City were to decide to increase the millage by the amount of the "rollback" millage only, the property tax budget would be approximately one hundred forty-seven thousand dollars (\$147,000) short.

**VOTE: The motion PASSED UNANIMOUSLY.**

**5. Old Business – None**

**6. New Business**

**A. Consideration of 2015 Reassessment Millage Rate to Support FY16 Budget**

Administrator Tucker thanked Councilmember Loftus for the offer of a gift for employees; she stated that it was very kind and that every employee present was happy to hear the suggestion.

In the information in meeting packets relative to the millage, the first page is a section of state law that explains the rollback millage; the name refers to the fact that a local government is not allowed to experience a windfall by levying the same level of millage that they had in a reassessment year when values increased. The law also says that a taxing authority should have the ability to collect the same amount of taxes if, in a reassessment year, values generally decrease. The goal is for property taxes to remain relatively level.

The Administrator restated that the City lost ten million dollars (\$10,000,000) in the value of real property in the reassessment. Another factor to be considered is the assessable transfer of interest (ATI) which occurs when a property sells for a value different from its assessed value; upon the sale, the sales price (market value) is adopted by the County as the assessed value.

Councilmember Loftus asked if the City could anticipate an increase in property taxes next year based on the ATI and the level of activity on the island in 2014.

Mayor Cronin noted that taxes last year were based on values from 2008, and the taxes this year will reflect values as of 2013.

Administrator Tucker opined that it would be three or four (3 or 4) years before the City would see a leveling off since over half of the City's real property lost value.

Attention was then drawn to page 4 of the handout. On this page are four (4) scenarios where it takes the millage, applies it to the real property values from the County and shows what that

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millage is generating. That number is then compared to the FY16 budget, and the numbers at the bottom are the critical ones.

The scenarios presented are as follows:

Taking no action and staying with the existing millage	22.9 mills	(433,795) deficit
Adding the rollback millage only	24.4 mills	(147,335) deficit
Adding rollback millage and CPI of 1.62%	24.7 mills	(90,043) deficit
Adding rollback millage, CPI and population growth of 0.77% on operating mills	24.9 mills	(51,849) deficit

The subsequent pages take eight (8) property values and computes the tax dollar change based on the three (3) options for increasing the millage above.

The final page of the handout is a history of the millage rates over the past eleven (11) years.

**MOTION: Councilmember Bettelli moved to increase the millage rate by the rollback millage of 1.5 mills and by the CPI of 1.62% for a total of 24.7 mills; Councilmember Harrington seconded.**

Councilmember Buckhannon asked the Mayor if he thought any of the reassessment values could be equated to the Biggest-Waters Act.

Responding to Councilmember Ferencz' request for one (1) statement to say to a senior resident of the island who lives on a fixed income to explain how the City had a positive net result of nine hundred thousand dollars (\$900,000) and still raise her taxes.

Councilmember Bergwerf stated that, in her opinion, her taxes are very low for the services she receives as a resident of the island

Mayor Cronin replied to tell the resident that none of the services she enjoys as a resident will be diminished.

Councilmember Bettelli stated that, according to the local daily newspaper, the property taxes on the Isle of Palms are some of the lowest in the area.

**VOTE: The motion PASSED on a vote of 5 to 4 with Councilmembers Carroll, Ferencz, Loftus and Ward cast dissenting votes.**

**B. Recommendation from the Real Property Committee to award a sole source contract to Coastal Science and Engineering in the amount of \$198,781 for planning and permitting for an off-shore dredging project for future beach restoration**

**MOTION: Councilmember Bettelli moved to award a sole source contract to Coastal Science and Engineering for planning and permitting as stated above; Councilmember Bergwerf seconded and the motion PASSED UNANIMOUSLY.**

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**C. Recommendation from the Public Safety Committee to purchase insurance in the amount of \$5,300 to cover services of the City Medical Control Physician.**

**MOTION: Councilmember Ward moved to obtain insurance for the City's Medical Control Physician; Councilmember Bettelli seconded.**

Councilmember Loftus asked where the money would come from for the insurance. Treasurer Suggs stated the premium would be paid from the Insurance line in the Fire Department as an unbudgeted expense; she typically builds in a five percent (5%) and she is confident the budget can absorb it.

Administrator Tucker explained that the Medical Control Physician is a doctor who reviews and advises the training for emergency medical technicians so that the City can save money to train in-house and this physician enables the City to keep its South Carolina Department of Health and Environmental Control license, which allows the City the ability to do more than the typical first responder can do.

Councilmember Bettelli asked the Administrator how much the City pays its Medical Control Physician, and the Administrator stated that the City does not pay her; she is an island resident and sees this service as her way of giving back to the City.

**VOTE: The motion PASSED UNANIMOUSLY.**

**7. Miscellaneous Business**

**Next Meeting Date: 5:45 p.m., Tuesday, October 20, 2015**

**8. Executive Session – unnecessary**

**9. Adjourn**

**MOTION: Mayor Cronin moved to adjourn the meeting at 6:48 p.m.; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk