The Town of Hilton Head Island
Regular Town Council Meeting

Tuesday, June 4, 2013

4:00 P.M.

‘REVISED”AGENDA

As a Courtesy to Others Please Turn Off All Mobile Devices During the Town Council Meeting

1) Call to Order

2) Pledge to the Flag

3) Invocation

4) FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

5) Proclamations and Commendations

a. Hilton Head Island High School Girls Soccer Team – AAA Champion

b. Hilton Head Island High School Boys Soccer Team – AAA Champion

6) Approval of Minutes

a. Town Council Budget Workshop – May 14, 2013

b. Town Council Special Meeting – May 15, 2013

c. Town Council Meeting – May 21, 2013

d. Town Council Budget Workshop – May 22, 2013

7) Report of the Town Manager

a. Town Manager’s Items of Interest

8) Reports from Members of Council

a. General Reports from Council

b. Report of the Intergovernmental Relations Committee – George Williams, Chairman

c. Report of the Personnel Committee – Lee Edwards, Chairman

d. Report of the Planning & Development Standards Committee – John McCann, Chairman

e. Report of the Public Facilities Committee – Kim Likins, Chairman

f. Report of the Public Safety Committee – Marc Grant, Chairman

g. Report of the LMO Rewrite Committee – Kim Likins, Ex-Officio Member

9) Appearance by Citizens

10) Unfinished Business

None

11) New Business

a. Local Option Sales Tax Proposal

b. Budget Wrap-Up

12) 5:00 P.M. Business License Appeal Hearing

a. Kigre Inc./Appeal of Final Assessment of Business License Fees

13) Executive Session

a. Land Acquisition

b. Legal Matters

c. Contractual Matters

14) Adjournment

Commendation

A Commendation of the Town of Hilton Head Island
Congratulating
All Members of the Hilton Head Island High School "Lady Seahawks" Soccer Team on Capturing the Class 3-A State Championship

WHEREAS, *Hilton Head Island High School "Lady Seahawks" Soccer Team defeated the Eastside Eagles for the second year in a row by a score of 3-2 to win their third consecutive Class 3-A State Championship on May 17, 2013; and*

WHEREAS, *the victory marked the 15th consecutive postseason win for the "Lady Seahawks," during which they remarkably outscored their opponents 78-6; and*

WHEREAS*, Head Coach Ernie Suozzi and Assistant Coaches Ray Craver and Anthony Serpe have continued the tradition of excellent coaching that is the hallmark of the Hilton Head Island High School soccer program; and*

WHEREAS*, the countless hours of practice, hard work, and sacrifice, together with a team GPA of 4.2, reflects the team's determination to be the best they can be on and off the field; and*

WHEREAS, *the Hilton Head Island Town Council recognizes and congratulates each team member: Taylor Bush, Emily Crick, Logan Danzell, Amanda Kelsey Fitzhugh, Jordan Haughton-James, Victoria Johnston, Carter Julseth, Faith Lifer, Bridgette Noonan, Nicolette Schoning, Alexandra Vinson, Elizabeth Wipper, Leighton Gray-Smith, Amanda Green, Ashley Green, Natalie Mlodzinski, Samantha Womach, Rebecca Johnston, Lauren Bush, Rebecca Parent, Jamie Danzell, Brennan O'Gorman, Claudia Murphy, and Maekenzie Poplin for the conclusion of a truly memorable season; and*

WHEREAS*, the "Lady Seahawks" have made themselves, their school, their families, and the Hilton Head Island community proud.*

NOW, THEREFORE, I, Drew A. Laughlin, Mayor, of the Town of Hilton Head Island, South Carolina, on behalf of the Town Council, *do hereby commend and congratulate Hilton Head Island High School "Lady Seahawks" Soccer Team and Head Coach, Ernie Suozzi, and Assistant Coaches, Ray Craver and Anthony Serpe, on capturing the 2013 Class 3-A State Championship.*

IN TESTIMONY WHEREOF*, I have hereunto set my hand and caused this seal of the Town of Hilton Head Island to be affixed* ***this fourth day of June*** *in the year of our Lord, two thousand and thirteen.*

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Drew A. Laughlin, Mayor

Commendation

A Commendation of the Town of Hilton Head Island
Congratulating
All Members of the Hilton Head Island High School Boys "Seahawks" Soccer Team on Capturing the Class 3-A State Championship

WHEREAS, *Hilton Head Island High School Boys "Seahawks" Soccer Team defeated the Eastside Eagles by a score of 1-0 to win the Class 3-A State Championship on May 18, 2013; and*

WHEREAS, *the victory was secured by a penalty kick in the 76th minute against the top-ranked Eagles, and marked Hilton Head Island High School Boys "Seahawks" Soccer Team's first championship in the 30-year history of the program, and the first championship in the 30-plus year coaching career for Head Coach Wayne Quinlan; and*

WHEREAS*, led by Head Coach Wayne Quinlan, and Assistant Coaches, Chris Hoaglund, Mike Ritterbeck, and Mike Olivetti, the "Seahawks" won 22 matches this year, which was more wins than any other team in the State of South Carolina, and the most matches won in school history; and*

WHEREAS*, perseverance and the countless hours of practice, hard work, and sacrifice were reflected in the team's determination to be the best they can be under the excellent coaching that is the hallmark of the Hilton Head Island High School soccer program; and*

WHEREAS, *the Hilton Head Island Town Council recognizes and congratulates each team member: Conner Goulet, Noa Pagatpatan, Koben Barrientos, Kenneth Gonzalez, Chip Tremarelli, Chase Hoffman, Josh Mousseau, Eliot McPherson, Chris MacMurray, Steven Rendon, Blake Bishop, Alvaro Cancha, Eduardo Quevedo, Josh Axtell, Kebin Lopez, Brian Ludewig, Garrett Novak, and Miguel Ceron, for the conclusion of a truly memorable season; and*

WHEREAS*, the Boys "Seahawks" Soccer Team members have made themselves, their school, their families, and the Hilton Head Island community proud.*

NOW, THEREFORE, I, Drew A. Laughlin, Mayor, of the Town of Hilton Head Island, South Carolina, on behalf of the Town Council, *do hereby commend and congratulate Hilton Head Island High School Boys "Seahawks" Soccer Team and Head Coach, Wayne Quinlan, and Assistant Coaches Chris Hoaglund, Mike Ritterbeck, and Mike Olivetti, on capturing the 2013 Class 3-A State Championship.*

IN TESTIMONY WHEREOF*, I have hereunto set my hand and caused this seal of the Town of Hilton Head Island to be affixed* ***this fourth day of June*** *in the year of our Lord, two thousand and thirteen.*

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Drew A. Laughlin, Mayor

THE TOWN OF HILTON HEAD ISLAND

TOWN COUNCIL BUDGET WORKSHOP

Date: Tuesday, May 14, 2013 **Time:** 4:00 P.M.

Present from Town Council: Drew A. Laughlin, *Mayor;* Bill Harkins, *Mayor Pro Tem*; George Williams, Kim Likins, Lee Edwards, Marc Grant, John McCann, *Council Members*

Present from Town Staff: Steve Riley, Town Manager; Greg DeLoach, *Assistant Town Manager*, Scott Liggett, *Director of Public Projects and Facilities/Chief Engineer*; Charles Cousins, *Director of Community Development*; Lavarn Lucas, *Fire Chief*; Tom Fultz, *Director of Administrative Services*; Susan Simmons, *Director of Finance*; Bret Martin, *Deputy Director of Finance*; Jeff Buckalew, *Town Engineer*; Julian Walls, *Facilities Manager*; Brad Tadlock, *Deputy Fire Chief – Operations*; Ed Boring, *Deputy Fire Chief- Support Services*; Natalie Majorkiewicz, *Systems & Reporting Administrator*; Jill Foster, *Deputy Director of Community Development*; Shawn Colin, *Deputy Director of Community Development*; Nancy Gasen, *Director of Human Resources*; Angie Stone, *Sr. Human Resources Administrator*; Lisa Stauffer, *Sr. Human Resources Administrator*; Brian Hulbert, *Staff Attorney*; Vicki Pfannenschmidt, *Executive Assistant*

Present from Media: Brian Heffernan, Island Packet

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1) CALL TO ORDER

Mayor Laughlin called the meeting to order at 4:00 p.m.

2) FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3) Review of General Operating Budget

Mr. Riley explained Susan Simmons would be reviewing the changes made in the Budget Overview distributed at the meeting on May 7. Susan Simmons pointed out there are two new programs which are the Economic Development Corporation which will be in Townwide Grants for $156,044 and the Town Owned Roads Budget which is in Engineering in the amount of $170,000. She explained the Town Owned Roads budget was originally $10,000 and with the increase to $180,000 she felt it qualified as a new program. Ms. Simmons pointed out corrections in the allocations for Fire and Rescue Equipment noting that the amount in Fire and Rescue Apparatus/Vehicles was listed as $313,000 and should be $45,000. She explained it was a clerical error. She added that since she was classifying the Town Owned Roads as a new program she felt the best classification of Capital Projects to General Fund would be $802,000.

Ms. Simmons reviewed slide changes and explained she added information for comparative purposes.

Mr. Williams asked how much the Town was leaving on the table due to Act 388. Ms. Simmons explained that this year the use it or lose it amount is zero and next year it would be .46 and most likely after that it will be .42 which equals to approximately a .88 over the next couple years. She stated that she felt the Town would not want to lose all of it and calculated what the excess revenues would generate.

Mrs. Simmons referred to the consolidated budget noting it is made up of the General Fund, Capital Projects Fund and Debt Service and that the Storm Water Utility is separate because it is an Enterprise Fund. She noted there is a 5% increase in revenues and transfers in in the General Fund and an expenditure increase of 3%. She added that the Administrative Services line at -14% is due to the one time expenditure for permitting software in FY13. She explained the 16% increase in Public Projects and Facilities is mainly due to the transfer of programs from Capital Projects to the General Fund. Ms. Simmons said the Townwide 12% increase is made up of the Economic Development Corporation budget and the Recreation Center capital moving from Capital Projects Fund to the General Fund Townwide Grants.

Mr. Edwards asked about the amount budgeted for the Economic Development Corporation and how it was derived. Mr. Riley stated staff generated some costs they knew would be incurred including salary, benefits, supplies, travel and organization dues. Ms. Simmons explained it is just a start up budget and did not include leased office space or any economic development programs and would basically just cover beginning operations. Mr. Williams added that staff support time should be included in the budget. Mr. Riley stated the budget will be reviewed in the future in order to capture the entire cost of the operation. Mr. Williams expressed his concern that all costs including additional staff are not accounted for in the proposed budget for the Economic Development Corporation. Mrs. Simmons said she could go back and add projected costs. Mayor Laughlin stated that it was assumed that by the time the Board was organized and would submit a proposed recommended budget it would be well in to the future. He added that he did not feel the $156,000 would suffice for the entire operation of the Corporation but when it is up and running, the additional costs can be incorporated in to the budget. Mr. Williams said he felt Town Council should not send a signal to the public that it is being done with a minimum budget. Ms. Simmons explained the document they are working with is just a draft and she would go back and make notes explaining the amounts are just start-up costs and do not reflect the total operating costs for the Corporation.

Ms. Simmons noted personnel expenditures are increasing .05% in total from budget with 2.5% actual which includes a 3% merit increase average and the estimated employer contributions. She noted an elimination of one position from Community Development and the transfer of one position from Public Projects and Facilities to the Storm Water Enterprise Fund.

Ms. Simmons explained the transfer of Capital Projects/Improvements from the CIP Fund to the General Fund has been a complicated task and will continue to be and the Town will be making changes in the MUNIS system to provide better tracking for the changeover.

Mr. Williams asked if the Public Art expenditure of $75,000 is ongoing. Ms. Simmons stated the Town pays $37,500 each year for an allocation of $75,000 for two years. Mr. Riley confirmed that it is an ongoing expenditure.

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Ms. Simmons explained the approximate $500,000 increase in the Operating fund that $400,000 is due to the changes from Capital Projects Fund to General Fund for Public Projects and Facilities and the start-up of the Town road program. She said the 25% increase in the Grants line is due to the Economic Development Corporation Budget of $156,000 and the $281,000 moved from the Capital Projects Fund for the Recreation Center. She explained the decrease in the Capital line is an offset due to the absence of the permitting software from FY13 with some increases in equipment and vehicles for Facilities Management and Fire and Rescue. Mr. Williams asked what the rationale was for the move of vehicles from the Capital Projects Fund. Ms. Simmons explained they are trying to make the Capital Projects Fund more of a construction fund. She added that the GASB 54 (Governmental Accounting Standards Board) standards recommended this.

Ms. Simmons reviewed the changes under the General Government which includes Town Council and the Town Manager Budgets. She explained the increase in Council personnel is due to the salary and meeting allowance increases. Ms. Simmons said the increase in operating for Town Council is due to the one-time cost increase for the 350/30th Celebration.

Ms. Simmons reviewed and explained the increases and decreases in Managerial Services. Mr. Williams noted the decline in revenues for the Municipal Court. Ms. Simmons stated it has been declining in the past couple years. She added they are monitoring it quarterly and for the most part it is reflective of fewer Sheriff Office cases coming before Municipal Court. Ms. Simmons stated they have since eliminated one half-time position and are working towards a solution to the deficit in that area.

Ms. Simmons noted the Community Development Department continues with a lean operating budget. She explained the Public Projects and Facilities and Public Safety increases are due mainly to the changes from the Capital Projects Fund to the General Operating Fund and the roads project.

Ms. Simmons invited Chief Lucas to review a breakdown of personnel assigned to Fire and Rescue. He explained the breakdown is categorized to clarify function, supervisory status and requirement to respond to emergencies. He noted as a result the individual budget divisions do not reflect true numbers as to responders to emergencies for firefighting, command and control and of the 145 employees 118 are responders in various capacities and types of support.

Ms. Simmons reviewed the anticipated timeline for the County reassessment process and implementation. She explained the Town will pass the budget now l and will come back in August to reset the millage rate. She stated the value of a mil is now at $915,147 and the early determination is that the value of a mil is going to be $837,876 with a decrease of $77,271 or 8.44%. She emphasized that the 8.44% is the average decrease. She said if Town Council chooses to do revenue neutrality, the County is estimating that the Town will go from 19.33 to 21.15 mils. She said that if the Council chooses not to have revenue neutrality, the Town's budget would need to decrease by $1.5 million.

Mr. Riley noted that millage rates have gone up and down with prior reassessments and in every case the Town has gone with revenue neutrality. He explained even a decline in the value doesn't guarantee tax bills will go down significantly and he went on to explain the determining factors and that there are individual circumstances. He explained under the Act 388 Tax Cap the ability to increase millage is based on the new tax rate so if they stay

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with the smaller rate the ability to go up is a percentage of a smaller number. Ms. Simmons said that if Council does not want to do revenue neutrality they need to address it now because the further they go in to the year the more difficult it is to cut the budget.

Mr. Williams pointed out that the Town is over $700,000 short of balancing the budget and expressed concern about using the reserve fund balance. Mr. Riley stated there is a Town policy to target 25% to 30% for the reserve and at this time they are close to 40% and he is trying to draw it back down closer to 30%.

3) Review of Debt Service

Ms. Simmons reviewed the outstanding debt that is funded by Ad Velorem and RETF. She reviewed a stacked representation of all of the Town's debt. Ms. Simmons pointed out that the Public Facilities Corporation bonds will be dropping off after FY2014. The representation also included the Storm Water Bonds and they are not reported in the Debt Service Fund. She reviewed specifics concerning bonds that have been issued and the funding type. Mr. Harkins asked if Ms. Simmons could provide a sum total of debt with a projected reduction over time. Ms. Simmons said she would provide the information to Council. Mr. Edwards asked for a breakdown of the Hospitality Bonds and how much was for Fire Stations and how much for Fire Apparatus. Ms. Simmons said she would compile the information and provide it to Council. She explained the Town is required to review outstanding debt annually but they review it semi-annually and often times quarterly.

4) Capital Improvements Program (CIP)/Storm Water Utility(SWU) Review

Mr. Liggett explained his overview presentation would cover the new projects for FY14 and at the next workshop he would cover the FY13 projects that will be brought forward for FY14. He explained that any project where funding has been removed as a result of the amendment which is scheduled for second reading on May 21, that Council will have to re-budget those funds.

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Mr. Liggett reviewed the CIP expenditures by funding source for FY14. During review of Beach Maintenance, Mr. Liggett explained within the Beach Management and Monitoring line item professional services and design developments for the large scale beach renourishment program earmarked for 2016 are included. He explained there is a special project for Ocean Point included in the budget. Mr. Riley said that since the Port Royal heel project came in under budget they were able to add the Ocean Point special project for FY14.

Mr. Liggett reviewed the existing facilities and infrastructure category pointing out the addition of Costal Discovery Museum/Honey Horn line item in the amount of $77,000. He explained this was added due to the direction of Council during the FY13 budget process. Ms. Likins asked what the $77,000 is earmarked for at Coastal Discovery Museum. Mr. Liggett replied that it is a combination of painting, restroom fixtures, roadway repair, boardwalk repair and painting of the horse barn. Mrs. Likins inquired as to what portion of repairs and improvements the Town is responsible for at Honey Horn. Mr. Liggett stated that according to the lease agreement the Town is not responsible for any repairs or improvements. He stated he would get further information from the Museum as to what expenses they are incurring for repairs or improvements and provide it to Council at the next budget meeting. Mayor Laughlin suggested the $77,000 be included in the grant requests within the affiliated agencies budget workshop. Ms. Simmons suggested the amount be removed from the CIP and have the Museum include it in their

request with an explanation as to what is being donated, what portion is being provided from Coastal Discovery Museum and what amount is requested from the Town. All were in agreement.

Mr. Harkins asked how many cameras could be purchased for the $35,000 budgeted and if the amount included support for the proposed license identification program. Tom Fultz explained this was a process of selectively reviewing the placement of the existing cameras and anticipating enhancing capability by adding cameras. He added the license identification program is a program within the Sheriff's department and is not included.

Mr. Edwards inquired about the $275,000 budgeted for Fire Station 2 Replacement. Mr. Liggett explained the Fire Station 2 Replacement line item is for architectural design services and was originally in the FY13 budget and has been brought forward for FY14. He explained that the prototype used for other fire stations would not work for the one in Sea Pines. Mr. Edwards asked if the cracks in the existing building were being addressed. Mr. Liggett replied that they were but staff still sees a need to replace the building. Mr. Riley said the plan over a period of years was to address the survivability of facilities to have something to come back to for Fire and Rescue and public support purposes.

Mr. Liggett noted an error under Park Development on page 130 of the draft budget and said that Park Upgrades should be $215,000 as opposed to the $466,000 listed.

Mr. Liggett explained the amount of $750,000 listed for Chaplin Linear Park is a placeholder until the parameters of the project are determined. Ms. Simmons reminded Council that if the TIF is not extended, the Town will have to reduce the budget by $5 million. She added there will be discussion in the fall to completely address the issue but Council may want to go ahead and discuss it now. Mr. Williams added the issue needs discussed as soon as possible. Mayor Laughlin stated Council needs to have a plan as to what they will do if the TIF gets extended or what they will do if it does not. Mr. Riley explained the County wants to get through assessment and School District wants have the new superintendent on board before discussion concerning a TIF extension.

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Mr. Liggett stated the Chaplin Community Park Boardwalk to Collier Beach, Rowing and Sailing Center, Collier Beach Park and Chaplin Tennis Park are all re-budgeted lines from FY13. Mr. Liggett noted the need for Council's guidance concerning the Recreation Center Enhancements and the Chaplin Tennis Park improvements. He noted the Council's decision to hold off on the aquatic center and inquired as to what degree Council would like to offer up the land where the facility was proposed to allow the tennis complex improvements. He stated staff is waiting for Council's guidance to proceed.

Mrs. Likins asked about the $885,000 budgeted for the Rowing and Sailing Center stating she thought it was originally budgeted at $700,000. Mr. Liggett stated pricing estimates from the consultant were revisited and adjustments made resulting in the increase. Mr. Williams asked if it included the dock and Mr. Liggett confirmed it did. Mrs. Simmons noted that this is a TIF funded project. Mayor Laughlin stated he felt it is a large amount of money to benefit relatively few people. Mrs. Likins concurred asking if there were enough citizens in support of spending close to a million dollars on a rowing and sailing center. Mr. Williams asked how much has been spent on the project to date. Mr. Liggett responded that consultant services were just over $100,000. Mr. McCann asked if the Rowing and Sailing Center could be revisited at the next workshop. Mrs. Likins added that she would like an estimate of operating costs to be included in the discussion.

Mr. Liggett stated the Coligny/Pope Avenue Area Initiative amount of $1,991,000 is also a placeholder pending finalized discussions.

Mr. Liggett proceeded to review pathway projects and road improvements. He stated the line item for Honey Horn Drive apron improvements are a result of the updated Honey Horn Master Plan. Mr. Williams stated he felt the extension of Lemoyne Road would destroy a lifestyle in that area. He stated he did not feel the improvement is necessary and suggested the community be contacted for input. Mr. Williams felt the $110,000 budgeted for the right turn in to Jenkins Island may be low and he questioned the need for it. Mr. Liggett said he would bring follow up information to the next workshop concerning the turning lane. Mrs. Likins asked for a better understanding of the Honey Horn Drive apron improvements and questioned the need. Mr. Riley suggested staff gather more detail on the proposed project and bring it back to the next workshop.

Mr. Williams requested the Stoney Secondary Road South project be reviewed at the next workshop.

Mr. Liggett reviewed the Storm Water Utility Fund noting that for FY14 the fee will remain the same. He said that they have not been able to maintain the pace of the scheduled improvements. He said the program staff is suggesting is a pay as you go system where the revenue stream is matched with the expenses from year to year. He said as of this point the Town is responsible for about 65% of the land mass of Hilton Head Island and it's Storm Water Systems. He conducted a review of the expenses and debt service. Mr. Liggett asked Council to let him know which projects or areas of interest within the program Council members would like to discuss and he would have the information available at the next workshop.

Mr. Riley stated that if Council had any more issues they would like to discuss at the next workshop that they please get them to him, Scott Liggett or Susan Simmons so they can be prepared with answers and explanations.

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5) Appearance by Citizens

None.

6) Adjournment

Mr. Williams moved to adjourn. Mr. Harkins seconded. The workshop was adjourned at 6:27 p.m. by a vote of 7-0.

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Vicki L. Pfannenschmidt
Executive Assistant

Approved:

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Drew A. Laughlin, Mayor

THE TOWN OF HILTON HEAD ISLAND

SPECIAL TOWN COUNCIL MEETING

Date: Wednesday, May 15, 2013 **Time:** 1:00 P.M.

Present from Town Council: Drew A. Laughlin, *Mayor;* Bill Harkins, *Mayor Pro Tem*; George Williams, Kim Likins, Lee Edwards, Marc Grant, John McCann, *Council Members*

Present from Town Staff: Greg DeLoach, *Assistant Town Manager*, Charles Cousins, *Director of Community Development*; Shawn Colin, *Deputy Director of Community Development*; Vicki Pfannenschmidt, *Executive Assistant*

Present from Media: Brian Heffernan, Island Packet

1) CALL TO ORDER

Mayor Laughlin called the meeting to order at 1:00 p.m.

2) PLEDGE TO THE FLAG

3) INVOCATION

4) FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

8) Executive Session

Mr. DeLoach stated he needed an Executive Session to review individual applications for the Economic Development Corporation Board.

At 1:04 p.m. Mrs. Likins moved to go into Executive Session for the reasons given by the Assistant Town Manager. Mr. Harkins seconded. The motion was approved by a vote of 7-0.

Mayor Laughlin called the meeting back to order at 2:29 p.m. and stated there was no action to be taken as a result of Executive Session.

11) Adjournment

Mr. Williams moved to adjourn. Mrs. Likins seconded. The motion was approved by a vote of 6-0. Mr. Edwards was not at the dais. The meeting was adjourned at 2:30 p.m.

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Vicki L. Pfannenschmidt
Executive Assistant

Approved:

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Drew A. Laughlin, Mayor

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THE TOWN OF HILTON HEAD ISLAND

REGULAR TOWN COUNCIL MEETING

Date: Tuesday, May 21, 2013 **Time:** 4:00 P.M.

Present from Town Council: Drew A. Laughlin, *Mayor;* Bill Harkins, *Mayor Pro Tem*; George Williams, Kim Likins, Lee Edwards, Marc Grant, John McCann, *Council Members*

Present from Town Staff: Steve Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*, Scott Liggett, *Director of Public Projects and Facilities/Chief Engineer*; Charles Cousins, *Director of Community Development*; Lavarn Lucas, *Fire Chief*; Tom Fultz, *Director of Administrative Services*; Susan Simmons, *Director of Finance*; Bret Martin, *Deputy Director of Finance*; Julian Walls, *Facilities Manager*; Natalie Majorkiewicz, *Systems & Reporting Administrator*; Nancy Gasen, *Director of Human Resources*; Brian Hulbert, *Staff Attorney*; Erica Madhere, *Finance Assistant*; Vicki Pfannenschmidt, *Executive Assistant*

Present from Media: Brian Heffernan, Island Packet

1) CALL TO ORDER

Mayor Laughlin called the meeting to order at 4:00 p.m.

2) PLEDGE TO THE FLAG

3) INVOCATION

4) FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

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5) Proclamations and Commendations

a. Emergency Medical Services Week

A number of Fire and Rescue personnel were on hand to accept the proclamation.

6) Approval of Minutes

a. Town Council Meeting – May 7, 2013

Mr. Harkins moved to approve. Mrs. Likins seconded. The minutes of the May 7, 2013 Town Council meeting were approved by a vote of 6-0. Mr. Williams abstained because he was not present at the May 7, 2013 meeting.

7) Report of the Town Manager

a. Town Manager's Items of Interest

Mr. Riley reported on some items of interest. He stated there would be a Public Hearing held on June 11, 2013 at 6:00 p.m. concerning the FY2014 Budget.

8) Reports from Members of Council

a. General Reports from Council

None.

b. Report of the Intergovernmental Relations Committee – George Williams, Chairman

Mr. Williams stated the meeting scheduled for May 20 was cancelled because the bills of interest concerning reassessment and texting while driving are not moving and will be added to the State's agenda in November when they reconvene.

c. Report of the Personnel Committee – Lee Edwards, Chairman

Mr. Edwards said a meeting has been scheduled for May 22, 2013 to begin the process of filling vacancies on boards and committees.

d. Report of the Planning & Development Standards Committee – John McCann, Chairman

No report.

e. Report of the Public Facilities Committee – Kim Likins, Chairman

No report.

f. Report of the Public Safety Committee – Marc Grant, Chairman

No report.

g. Report of the LMO Rewrite Committee – Kim Likins, Ex-Officio Member

Mrs. Likins said the Committee continues to meet weekly. They received the proposed zoning map and will be meeting on Thursday, May 23 to review.

9) Appearance by Citizens

None.

10) Unfinished Business

a. Second Reading of Proposed Ordinance 2013-03

Second Reading of Proposed Ordinance 2013-03 to amend the budget for the Town of Hilton Head Island, South Carolina, for the fiscal year ending June 30, 2013; to provide for the expenditures of certain funds; and to allocate the sources of revenue for the said funds.

Mr. McCann moved to approve. Mrs. Likins seconded. The motion was unanimously approved by a vote of 7-0.

11) New Business

a. Consideration of a Recommendation

Consideration of a Recommendation from the Accommodations Tax Advisory Committee for the Chamber of Commerce Visitor and Convention Bureau's proposed 2012-2013 "30 Percent" Budget.

Mr. Harkins moved to approve. Mrs. Williams seconded. Mr. Riley noted the motion needed amended to approve the Chamber of Commerce Visitor and Convention Bureau's proposed 2013-14 Budget. The maker and the seconder of the motion were in agreement. The amended motion was approved by a vote of 6-1. (Mr. Edwards was opposed.) After Item 11.b. was presented and voted on, Mr. Edwards explained that during the vote on Item 11.a. he referenced incorrect notes and meant to vote in favor of the proposed budget and asked that his vote be changed to an affirmative vote. Mayor Laughlin asked that the record reflect the amended motion was unanimously approved by a vote of 7-0.

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b. Consideration of a Recommendation that the Town Council of the Town of Hilton Head Island authorize the Town Manager to enter into a Memorandum of Agreement (MOA see attached) with Beaufort County to broadcast Town Council regular meetings for a one year trial period.

Mr. Harkins moved to approve. Mrs. Likins seconded the motion. Mr. Grant spoke in support of broadcasting Town Council meetings. Jocelyn Staigar thanked Council for considering the broadcasting and spoke in support of such. The motion was approved by a vote of 6-1. (Mr. Edwards was opposed.)

12) Executive Session

Mr. Riley stated he needed an Executive Session for contractual matters pertaining to land acquisition, including a request to sell a portion of town owned land and legal matters pertaining to pending and threatened litigation.

At 4:12 p.m. Mr. Harkins moved to go into Executive Session for the reasons given by the Town Manager. Mr. Williams seconded. The motion was unanimously approved by a vote of 7-0.

Mayor Laughlin called the meeting back to order at 4:48 p.m. and stated there was no action to be taken as a result of Executive Session.

11) Adjournment

Mr. Harkins moved to adjourn. Mr. Williams seconded. The motion was unanimously approved by a vote of 7-0. The meeting was adjourned at 4:49 p.m.

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Vicki L. Pfannenschmidt
Executive Assistant

Approved:

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Drew A. Laughlin, Mayor

THE TOWN OF HILTON HEAD ISLAND

TOWN COUNCIL BUDGET WORKSHOP

Date: Wednesday, May 22, 2013 **Time:** 4:30 P.M.

Present from Town Council: Drew A. Laughlin, *Mayor;* Bill Harkins, *Mayor Pro Tem*; George Williams, Kim Likins, Marc Grant, John McCann, *Council Members*

Absent from Town Council: Lee Edwards, *Council Member*

Present from Town Staff: Steve Riley, Town Manager; Greg DeLoach, *Assistant Town Manager*, Scott Liggett, *Director of Public Projects and Facilities/Chief Engineer*; Charles Cousins, *Director of Community Development*; Lavarn Lucas, *Fire Chief*; Tom Fultz, *Director of Administrative Services*; Susan Simmons, *Director of Finance*; Bret Martin, *Deputy Director of Finance*; Victoria Shanahan, *Accounting Manager*; Jeff Buckalew, *Town Engineer*; Cary Gaffney, *Storm Water Administrator*; Julian Walls, *Facilities Manager*; Ed Boring, *Deputy Fire Chief- Support Services*; Natalie Majorkiewicz, *Systems & Reporting Administrator*; Jill Foster, *Deputy Director of Community Development*; Nancy Gasen, *Director of Human Resources*; Lynn Buchman, *Administrative Assistant*

Present from Media: Brian Heffernan, Island Packet

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1) CALL TO ORDER

Mayor Laughlin called the meeting to order at 4:30 p.m.

2) FOIA Compliance – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3) Updated Information from questions raised on:

a. General Operating Budget

Susan Simmons, Director of Finance, noted that although she had no handouts, she was prepared to entertain questions. There were none.

b. Debt Service

Ms. Simmons handed out a chart showing the total outstanding principal stacked by security type for the Fiscal Years ending 2013 through 2036, which Mr. Harkins indicated was the information he was seeking on the total debt, and assuming no more debt was incurred, what the curve would be over time. Ms. Simmons confirmed for Mr. Harkins that at least once a year opportunities for refinancing are reviewed. She noted that the bond rating calls have been completed, and two of the three bond ratings have already been reaffirmed at the present rate with S&P and Fitch both at AA+, and Moody's is yet to be received, but is expected to be reaffirmed, as well.

Ms. Simmons provided a copy of Note 10 to the Financial Statements outlining the interest rates, and as an improvement next year she promised more consistent information in one place.

Mr. Riley indicated a discussion about roll-up vs. roll-back or hold steady was in order at this time or at another workshop if preferred so that adjustments could be made if needed. A brief discussion followed among the Council Members, Mr. Riley, and Ms. Simmons concerning the effects reassessment might have on tax rates and tax revenue generated to support a no increase budget. Also discussed was the need for decisions on how to proceed under the proposed budget with new capital projects, the funding for such projects, and the operating costs associated with them.

4) Capital Improvements Program (CIP)/Storm Water Utility (SWU) Review

Scott Liggett, Director of Public Projects and Facilities/Chief Engineer, continued the discussion of the proposed capital improvements program for FY2014 begun at the last meeting. The Tax Increment Financing projects identified by Council in the prior year were outlined, the likely revenues to be generated in FY2014, and the shortfall in funds to pay for the projects. Absent an extension in the TIF program or an alternate funding source, he asked for a discussion of the contingencies which included postponing, de-prioritizing, or emphasizing of the projects.

A lengthy discussion followed among the Council Members, Mr. Liggett, and Mr. Riley concerning the status of each project, the reasons for projection changes from last year, possible ways to scale back or defer projects, and the ability to interrupt or reallocate any of the funding streams.

Charles Cousins, Director of Community Development, and Mr. Riley also pointed out that more parking will be needed in Shelter Cove Park which will need to be factored in as an increased cost and a budgeting challenge to be considered.

The values and virtues of the Rowing and Sailing Center as a private/public partnership and ways to scale back the project were discussed among the Council Members. Mr. Liggett outlined the site implementation plans in detail. He was asked to review the project and return with a revised proposal to possibly scale back the project, with input from the stakeholders.

Alternate funding for the mast arm project was discussed to remove it from the TIF funding. Ms. Simmons and Mr. Riley explained that the rounded TIF revenue figures were projected based on numbers provided by Beaufort County last fall, and better estimates would not be available for several months. Ms. Simmons indicated the figures represent Plan A assuming no extension of TIF, with an alternate Plan B to be developed if TIF is extended. Mr. Riley also noted that there may be a trigger point at this time next year when a decision will need to be made about bidding out deferred projects in order to capture the TIF funds, and several are in a good position to do that. He stated there was a good possibility of obtaining a TIF extension if USC-B is part of that equation, and indicated that may happen in late July, with paperwork to follow.

Mr. Liggett recapped the discussions that indicated funding of 3 out of the 6 projects on the list – Chaplin Linear Park with the central spine pathway, scaling back of the Rowing and Sailing Center while maintaining a standard of quality, and the balance devoted to Coligny. This would constitute the contingency plan if the TIF extension does not happen.

Mr. Liggett addressed questions posed at the last meeting and discussions ensued concerning the Rowing and Sailing Center annual operating costs and funds spent to date, the cost of office space leased for Finance at the Village of Wexford, the Honey Horn

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Drive apron improvements, the LeMoyne Avenue project, Jenkins Island Road project, and the Stoney secondary road and Summit Drive projects. In response to Mr. Grant's inquiry about funds available for water and sewer along Gumtree Road, Mr. Liggett reported there is no additional money proposed for FY2014 for the continued partnership with the Public Service District, but a relationship has just been consummated with the PSD for sewer projects within Ward 1 in other areas. Ms. Likins asked for an explanation of the need for the Leamington/Fresh Market Shoppes roadway improvements, and Mr. Liggett noted the design improvements that would consolidate the entry points with a signal, negate the need for a U-turn for emergency vehicles, median closures that would occur, and improvement in efficiency of traffic moving through that area.

Mr. Liggett briefly outlined the projects constituting those that are still active and for which money needs to be available. He presented historical figures showing total funds for CIP at approximately $20M, with funds rolled over and new projects funded, noting there is less of a need in FY2014 to roll funds forward. Mr. Liggett and Mr. Grant discussed the source of beach funding, the approximate amount collected each year, what beach frontages receive the benefit of such funds, and areas that will need renourishment in the near future.

Mr. Liggett outlined the existing facilities improvements and monies that are suggested to be rolled from FY2013 to complete those projects, and a brief discussion followed among Council Members and Mr. Riley.

Mr. Liggett noted that Park Development would be revised for the Rowing and Sailing Center as discussed earlier. He reported that the Island Rec Center Enhancements Phase I (parking lot improvements) bids are in and a contract is being awarded, with the project slated for completion this summer. He asked for guidance as to what is to be included in for the next phase of Rec Center improvements, given the stance taken on the Aquatics Center, which Mr. Riley explained. A brief discussion followed as to what had been funded to date and the need to fund further improvements to the Rec Center. Mayor Laughlin noted that, consistent with earlier discussions, the boardwalk to Collier Beach and Collier Beach projects would not be funded this year. Although these funds are not available for Ward 1 water and sewer improvements, Mr. Grant asked for Council support to find funding for the Public Service District's final phase along Gumtree Road.

A discussion followed concerning placement of tennis courts in Chaplin Park or elsewhere and possibly alternate locations for the Aquatics Center, both of which were determined to be topics for future discussions.

Mr. Liggett briefly outlined the rolled money proposed from FY2013 for new facilities improvements, as well as for pathways. He explained the process followed for design development, acquisition, and construction of pathways.

The larger items for roadway improvements were outlined by Mr. Liggett, and he provided an update on the projects. He noted the budgeted funds are sufficient for private road acquisition, and he outlined the acquisitions currently being undertaken. A discussion followed concerning the problems with the County refusal to accept paved roads acquired. Mr. Liggett suggested prior agreement with the County for maintenance be obtained before dedication of dirt roads. A brief discussion followed concerning the ownership issue of private dirt roads that prevent maintenance by either County or Town except in emergency

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access situations, and Mr. Liggett outlined the arduous procedures to be followed in such special circumstance cases for a one-time scraping.

In conclusion, Mr. Liggett presented summary columns showing rolled money, new money, and what is proposed to be changed based on the comments and guidance received at the meeting. Since Storm Water Utility review had been covered at the previous workshop, Mr. Liggett had nothing further to add and indicated he would answer any questions, either now or at subsequent meetings.

Mr. Harkins confirmed that Mr. Liggett would be reviewing the plan for the Rowing and Sailing Center to determine ways to reduce the funding without diminishing quality, while seeking input from the private sector.

5) Appearance by Citizens

Lou Strayer stressed to Council that the Rowing and Sailing Center would be a community center open to all citizens and not a private club. He outlined the background of the private/public partnership undertaken, the immediate need for the Center, and cited numerous ways the project could be scaled back and the willingness of the private sector to sit down with the Town to work out a suitable plan.

Several other citizens appeared in support of the Rowing and Sailing Center, citing the benefits of such a Center.

6) Adjournment

Mr. Williams moved to adjourn. Mr. McCann seconded. The workshop was adjourned at 6:47 p.m. by a vote of 6-0.

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_____
Lynn Buchman
Administrative Assistant

Approved:

_____
Drew A. Laughlin, Mayor

Items of Interest
June 4, 2013

1. Town News

On Wednesday, May 15th, the South Carolina Department of Health and Environmental Control (SCDHEC) issued the public notice of the latest National Pollutant Discharge Elimination System (NPDES) Permit for Storm Water Discharges from Regulated Small Municipal Separate Storm Sewer Systems (MS4s). The Town of Hilton Head is identified as a municipality that will require coverage under this permit. Barring any revisions or legal challenges, the permit will be effective on September 1, 2013. In order to maintain compliance with the permit, the Town will be required to develop and implement a comprehensive Storm Water Management Plan that focuses on reducing water quality impacts from storm water discharges. Required components of this program include public education and citizen involvement campaigns, procedures for identifying and eliminating illicit discharges, construction site pollution prevention, post-construction runoff and pollution control, and pollution prevention from municipal facilities and operations. Town staff is currently reviewing the permit requirements and developing a report on the specific implications for the Town.

(Contact: Jeff Buckalew, Town Engineer – phone 341-4772)

The Parks and Recreation Commission meeting scheduled for June 13, 2013 at 6:00 p.m. will take place at the Island Recreation Center located at 20 Wilborn Road.

(Contact: Eileen Wilson – phone 341-4691)

2. Noteworthy Events

a) Some of the upcoming meetings at Town Hall:

- Planning Commission – June 5, 2013 – 9:00 a.m.
- Town Council Special Meeting – June 11, 2013, 8:00 a.m.
- Design Review Board – June 11, 201, 1:15 p.m.
- Town Council Special Meeting – June 12, 2013, 3:00 p.m.
- Town Council Public Hearing- FY14Budget – June 11, 2013, 6:00 p.m.
- LMO Rewrite Committee, June 13, 2013, 8:30 a.m.
- Intergovernmental Relations Committee - June 17, 2013, 10:00 a.m.
- Town Council Special Meeting – June 18, 2013, 1:00 p.m.
- Town Council – June 18, 2013, 4:00 p.m.

(Meetings subject to change and/or cancellation. Please visit the Town of Hilton Head Island website at www.hiltonheadislandsc.gov for meeting agendas

2013 Hilton Head Island Events

Wednesdays, thru October 30, 2013 9:00am-1:00pm	Farmers Market	Shelter Cove Community Park

MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, ICMA-CM, Town Manager

DATE: June 3, 2013

RE: **Local Option Sales Tax Proposal**

Town Council has been asked by other municipalities to discuss and formulate a position on the attached before the end of June, 2013.

Local Option Sales Tax

June 3, 2013

Various Local Sales & Use Taxes Allowed by State Law

- Title 4, Chapter 10 of the S.C. Code of Laws describes several local sales and use taxes available to Counties.
- The optional sales taxes available to Counties through a referendum voted upon by the qualified voters are:
  - Local Option Sales Tax – Article I
  - Capital Projects Sales Tax – Article 3
  - Educational Capital Improvements Sales & Use Tax – Article 4
  - Transportation Tax
  - Several others
- The uses for each of these tax options are dictated by State Law and the taxes vary in scope and length.
- Beaufort County had passed two (2) Transportation Tax referendums in the past.
  - The last one expired in October 2012.
  - The use of the tax proceeds was restricted for specific transportation related projects that were identified on the ballot.

Local Option Sales Tax (LOST)

- Local option sales tax (LOST) was established by State Law in 1990 through Act 391.
- The local option sales tax is a one-cent tax levied on sales within a county.
- The County governing body must give its approval and place the issue on the ballot for vote.
  - The Referendum can be held in any year – not restricted to a General Election year.
- The vote must occur on the Tuesday following the first Monday in November.
  - If Beaufort County approves, the earliest the referendum can be included on the ballot would be November 5, 2013.
  - If the referendum passes, the South Carolina Department of Revenue collects the funds.
    - Imposition of the 1% sales tax would begin in May 1st the following year – May 2014.
  - If the referendum fails, it cannot be placed on the ballot again for 12 months.
- SC Department of Revenue remits collections to the State Treasurer who distributes the funds to participating Counties and Municipalities each month in the form of two disbursements.
  - One check goes into the Property Tax Credit Fund that must be used as a credit against Property Taxes.
  - The other check can be used for general municipal operations or if Council chooses – additional credits against Property Taxes.

Local Option Sales Tax (LOST)

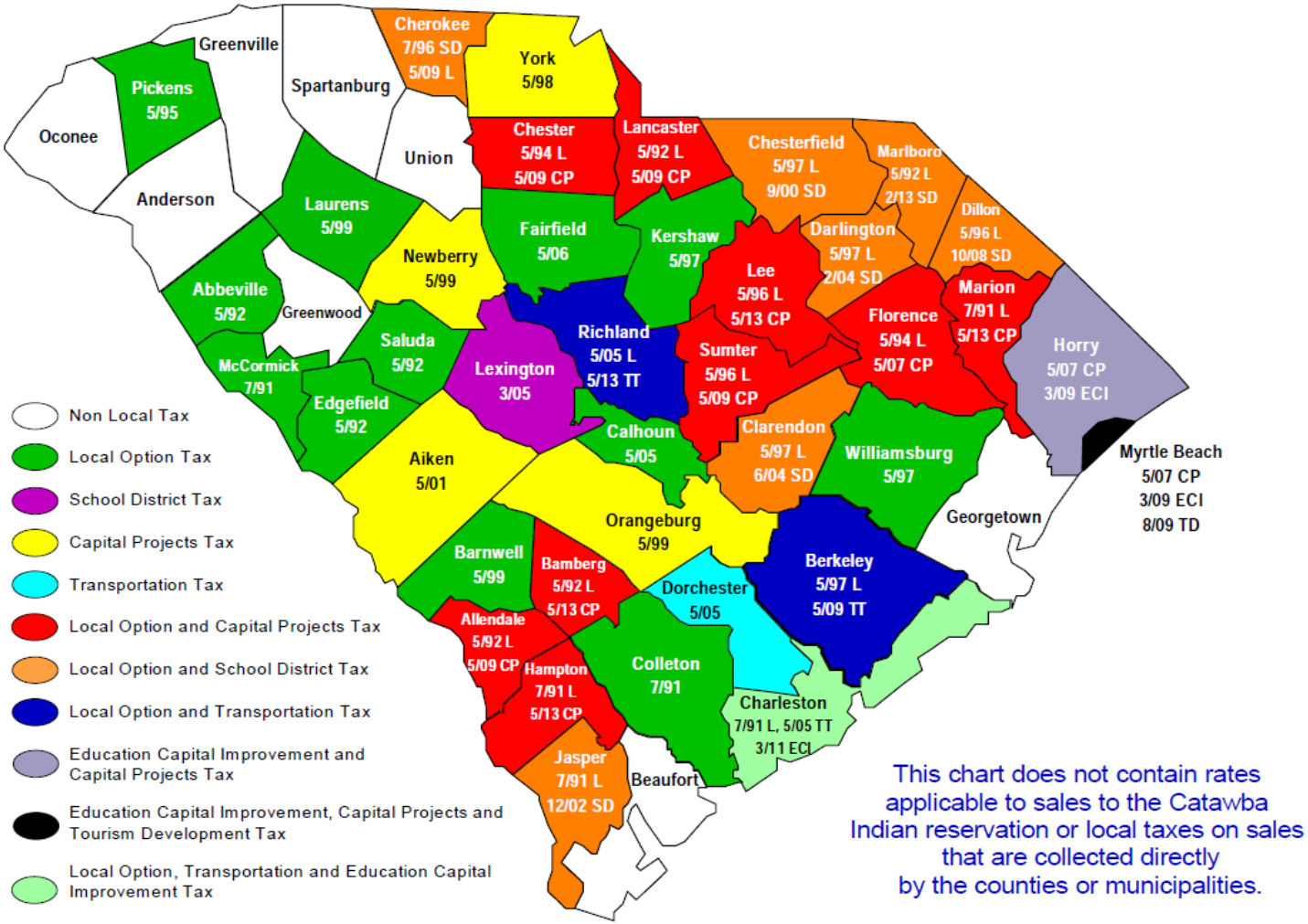
- The State Treasurer deposits the sales tax collections, less refunds, admin fees in two separate funds – the Property Tax Credit Fund and the County/Municipal Revenue Fund.
- The allocation into these two separate funds is graduated from the first year following passage of the referendum through the fifth year and each year thereafter.

	Property Tax Credit Fund	County/Municipality Revenue Fund
1st Year	63%	37%
2nd Year	65%	35%
3rd Year	67%	33%
4th Year	69%	31%
5th Year and beyond	71%	29%

- Distribution checks will start coming to each local government shortly after imposition of the law – following May 2014.
- Property Tax Credits will be applied on the TY 2014 Property Tax bills.
- How the Tax can be rescinded? A petition of 15% of qualified voters presented to the County governing body requesting the 1% sales tax be rescinded. At that time the County conducts a referendum in November, posing the question to rescind the local option sales tax within the County.
  - A referendum for rescission may not be held earlier than two (2) years after the tax has been levied in the County.

Local Option Sales Tax (Cont'd)

- In May 2013 there were 31 out of 46 Counties that have local option sales tax.



Local Option Sales Tax (Cont'd)

- Breakdown of County's by type of Sales & Use Tax effective in their jurisdictions as of May 2013.
  - Twelve (12) Counties have only Local Option Sales Tax.
  - Nine (9) Counties have **both** the Local Option Sales Tax and the Capital Projects Tax effective in their County.
  - Seven (7) Counties have **both** the Local Option Sales Tax and the School District Tax.
  - Two (2) Counties have **both** the Local Option Sales Tax and the Transportation Tax.
  - One (1) County has the Local Option Sales Tax, the Education Capital Improvement Tax and the Transportation Tax.
  - Four (4) Counties have only the Capital Project Tax.
  - One (1) County has only the School District Tax.
  - One (1) County has only the Transportation Tax.
  - One (1) County has **both** the Education Capital Improvement Tax and the Capital Projects Tax.
  - One (1) County has the Education Capital Improvement Tax, the Capital Projects Tax and the Tourism Development Tax.
- Twenty (20) out of Forty-six (46) Counties have more than one Sales & Use Tax in effect at one time.

Local Option Sales Tax (Cont'd)

- Common Misconceptions and Facts:
  - Millage Rate impact
    - ✓ Misconception – The millage rate is rolled back by the property tax credit. This rollback of the millage can never be recovered by a repeal of the tax, though there is a loss of the penny.
    - ✓ Fact – There is no impact to the millage rate. It is set by Council each year as it had been prior to the tax. A property tax credit ratio is calculated based upon the amount of property tax credit revenue received applied against the Taxable Appraised Value. That Credit is applied against the total property tax liability, thereby reducing the amount taxpayers remit.
  - Uses of the County/Municipal Revenue Fund
    - ✓ Misconception – Revenue received from the County/Municipal Revenue Fund **must** be used for an additional property tax credit.
    - ✓ Fact – Section 4-10-50 (C) states that the 'Revenue distributed to a county or municipality under this section **may be used** to provide an additional property tax credit in accordance with Section 4-10-40(B)'. Also, in a sample of 6 cities that were contacted that have the local option sales tax, 2 use the revenues received from the County/Municipal Revenue Fund for operational or capital purposes as determined by their respective governing bodies. This was confirmed with the Municipal Association of South Carolina.

Local Option Sales Tax (Cont'd)

- Common Misconceptions and Facts (Cont'd):
  - Department of Justice approval is required.
    - ✓ Misconception – Counties are required to obtain Justice Department Approval before the referendum is allowed to be placed on the ballot.
    - ✓ Fact – Department of Justice approval <u>is not</u> required for the referendum to be placed on the ballot. What is required is that each participating Municipality pass a resolution in support of the local option sales tax stating how the funds will be applied. In addition, the County must pass a resolution. Once the resolutions are obtained the referendum can be submitted to the State for inclusion on the November ballot.
  - Adequacy of the time.
    - ✓ Misconception – There is insufficient time to accomplish all that needs to be accomplished by August deadline to submit the referendum to the State.
    - ✓ Fact – One Municipality (City of Beaufort) has already passed their resolution in support of local option sales tax. The remaining Municipalities must have their resolutions passed during June. The County would have sufficient time to pass their resolution before the August deadline provided that all jurisdictions expeditiously moved forward with passage of their respective resolutions.
  - Who participates in receiving the Property Tax Credit.
    - ✓ Misconception – The Property Tax Credit does not benefit all taxpayers and in fact only benefits the 4% property owners.
    - ✓ Fact – The Property Tax Credit is provided to all property owners irrespective of 4%, 6% or 10% – all benefit from the credit being applied against their tax liability.

LOST EXAMPLE –

- Based on the Average Net Sales in the County over the past 5 years, less the Department of Revenue Admin Fee and the withholding for the 'Robin Hood' effect if a LOST had been in place is estimated at $21,858,862.

	Property Tax Credit Fund	County/Municipal Revenue Fund	Total
1st Year	$ 13,771,083	$ 8,087,779	$ 21,858,862
2nd Year	14,208,260	7,650,602	21,858,862
3rd Year	14,645,438	7,213,425	21,858,862
4th Year	15,082,615	6,776,247	21,858,862
5th Year	15,519,792	6,339,070	21,858,862

- The 33% of Property Tax Credit fund is distributed to each Municipality based on their population. The remaining 67% of the Property Tax credit fund is distributed to the County.

	Estimated Population Totals	Municipality Ratios
Hilton Head Island	37,099	51.05%
Beaufort	12,361	17.01%
Bluffton	12,530	17.24%
Port Royal	10,678	14.69%
	72,668	100.00%

LOST EXAMPLE –

- Estimated Property Tax Credit Fund distribution in the 1st Year:
  - Estimate is based on a 5 year average of gross and net sales in the County and within each Municipality as reported by the South Carolina Department of Revenue.

	Property Tax Credit Fund (estimated)
Town of Hilton Head	$ 2,320,070
City of Beaufort	772,520
Town of Bluffton	784,847
Town of Port Royal	665,031
Beaufort County	9,228,616
Total Estimated Property Tax Credit Distribution in the 1st Year	$ 13,771,083

- The calculated estimated credit based on TY 2012 Taxable Appraised Value for each Municipality, including the County Property Tax Credit is as follows, assuming a 4% Property with a Taxable Appraised Value of $200,000.

	Beaufort County	Town of Hilton Head	City of Beaufort	Town of Bluffton	Town of Port Royal
Appraised Value	$ 200,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Taxable Assessed Value - 4%	8,000	8,000	8,000	8,000	8,000
Millage	48.52	19.33	60.62	38.00	69.00
Property Tax Liability	$ 388.16	$ 154.64	$ 484.96	$ 304.00	$ 552.00
LOST Property Tax Credit	(51.78)	(26.84)	(100.44)	(58.18)	(252.40)
Net Property Tax Liability	$ 336.38	$ 127.80	$ 384.52	$ 245.82	$ 299.60

* The above illustration is not reflecting any other millage and/or fees that the property owner may be responsible for. In addition, the millage rates presented have not been adjusted based on the impact of reassessment.

LOST EXAMPLE –

- The County/Municipal Revenue Fund distribution is based partly on where the sale occurs and the other part based on total population of each local jurisdictions population. The population estimates for the County as a wholes are:

	Estimated Population Totals	Municipality Ratios
Beaufort County (Unincorporated)	89,565	55.21%
Hilton Head Island	37,099	22.87%
Beaufort	12,361	7.62%
Bluffton	12,530	7.72%
Port Royal	10,678	6.58%
	162,233	100.00%

- The estimated County/Municipal Revenue Fund distribution in the first (1st) year is as follows:

City of Beaufort	897,328
Town of Bluffton	603,356
Town of Port Royal	378,753
Beaufort County	3,810,054
Total Estimated County/Municipal Revenue Fd Distribution - 1st Year	$ 8,087,779

- As stated previously, the funds received through the County/Municipal Revenue Fund distributions **may be used** for an additional credit, but it **is not** required to be used for an additional credit.

Pro's and Con's of LOST

PROs:

- Provides a property tax credit against the tax liability for all taxpayers in the County/City, regardless of their assessment ratio.
- Commuter, transient and tourist populations bear part of the tax burden.
- Substantial revenue-raising potential.
- Seen as a "pay-as-you-go" system and the least unpopular tax.
- Impact experienced quickly, and if the economic conditions remain stable, the local government's LOST revenue will typically remain stable.

CONs:

- If not closely monitored and tax credit is miscalculated, the County/Municipalities could face liabilities.
- If the economic conditions in the City and County deteriorates and the County/City collects less than what it projected, the City would have to absorb the shortfall through other funding sources during the Fiscal Year.

Town of Hilton Head Island
Gross Retail Sales by Municipality

Year	City of Beaufort	Town of Bluffton	Town of Hilton Head Island	City of Port Royal	County Unincorporated	Beaufort County	Net Taxable Sales	Net % of Gross
2011	465,064,734	254,954,126	1,197,965,824	91,811,733	1,391,106,962	3,400,903,379	2,074,933,084	61.01%
2010	498,876,793	248,744,928	1,241,262,336	96,834,277	1,316,955,469	3,402,673,803	2,040,740,316	59.97%
2009	474,505,476	250,945,766	1,302,796,767	100,178,197	1,378,522,776	3,506,948,982	2,138,324,218	60.97%
2008	613,103,540	300,868,201	1,433,153,280	103,042,333	1,554,790,972	4,004,958,326	2,560,090,300	63.92%
2007	615,268,614	253,109,140	1,482,619,035	114,980,367	1,592,412,815	4,058,389,971	2,751,447,656	67.80%
2006	561,225,502	44,083,336	1,488,937,859	118,141,667	1,674,871,548	3,887,259,912	2,662,718,004	68.50%
2005	517,800,086	22,001,218	1,405,620,342	95,051,592	1,514,616,802	3,555,090,040	2,462,825,056	69.28%
2004	385,726,330	13,439,094	1,042,147,980	72,151,407	1,173,996,362	2,687,461,173	1,826,023,937	67.95%
2003	437,091,478	12,408,413	1,283,408,089	83,615,931	1,280,455,947	3,096,979,858	2,147,001,460	69.33%
2002	436,680,496	10,314,590	1,291,300,413	84,852,044	1,178,227,708	3,001,375,251	2,060,202,326	68.64%
	14.51%	7.12%	36.24%	2.76%	39.37%	100.00%		
Average 5 years	533,363,831	261,724,432	1,331,559,448	101,369,381	1,446,757,799	3,674,774,892	2,313,107,115	62.95%
Average Net Sales - 5 years	335,728,775	164,743,872	838,157,363	63,807,510	910,669,594		2,313,107,115	
Average LOST	3,357,288	1,647,439	8,381,574	638,075	9,106,696		23,131,071	
Admin Fee	16,786	8,237	41,908	3,190	45,533		115,655	
Robin hood	167,864	82,372	419,079	31,904	455,335		1,156,554	
Average Net Taxable Sales	3,172,637	1,556,830	7,920,587	602,981	8,605,828		21,858,862	
County/Municipal Revenue Fund								
Population	12,534	12,734	37,675	10,790	89,565		163,298	
1st Year - 37%	1,173,876	576,027	2,930,617	223,103	3,184,156		8,087,779	4,043,890
50% of 1st Year	586,938	288,013	1,465,309	111,551	1,592,078		4,043,890	
50% based on Population	310,390	315,343	932,979	267,202	2,217,976		4,043,890	
2nd Year - 35%	1,110,423	544,890	2,772,205	211,043	3,012,040		7,650,602	3,825,301
50% of 2nd Year	555,211	272,445	1,386,103	105,522	1,506,020		3,825,301	
50% based on Population	293,612	298,297	882,547	252,760	2,098,085		3,825,301	
3rd Year - 33%	1,046,970	513,754	2,613,794	198,984	2,839,923		7,213,425	3,606,712
50% of 3rd Year	523,485	256,877	1,306,897	99,492	1,419,962		3,606,712	
50% based on Population	276,835	281,252	832,116	238,315	1,978,194		3,606,712	
4th Year - 31%	983,517	482,617	2,455,382	186,924	2,667,807		6,776,247	3,388,124
50% of 4th Year	491,759	241,309	1,227,691	93,462	1,333,903		3,388,124	
50% based on Population	260,057	264,206	781,685	223,872	1,858,304		3,388,124	
29% to the Revenue Fund	920,065	451,481	2,296,970	174,864	2,495,690		6,339,070	3,169,535
50% based on location of Sale	460,032	225,740	1,148,485	87,432	1,247,845		3,169,535	
50% based on Population	243,279	247,161	731,253	209,429	1,738,413		3,169,535	

	Property Tax Credit Fund (estimated)	Total LOST Contribution	Total LOST Return less County PT CF contribution	County Contribution To All Property Owners	ADD County Property Tax Credit Fund to Municipal Property Owners	+ and - of LOST Contribution to total Return	HHI Actual net LOST contribution @ 69%	+ and - of LOST Contribution to total Return	Total Property Tax Credit	Property Tax %
Town of Hilton Head	$ 2,320,070	$ 8,381,574	$ 4,718,357	$ 4,476,059	$ 9,194,416	$ 812,843	$ 9,187,760	$ 6,656	$ 6,796,129	49.35%
City of Beaufort	772,520	3,357,288	1,669,848	398,281	2,068,129	(1,289,159)			$ 1,170,801	8.50%
Town of Bluffton	784,847	1,647,439	1,388,203	698,550	2,086,754	439,315			$ 1,483,397	10.77%
Town of Port Royal	665,031	638,075	1,043,784	136,431	1,180,215	542,140			$ 801,461	5.82%
Beaufort County	9,228,616	9,106,696	13,038,670 *	3,519,295 *	7,329,349	(1,777,347)			$ 3,519,295	25.56%
Total Distribution in the 1st Year	$ 13,771,083	$ 23,131,071	$ 21,858,863	$ 9,228,616	$ 21,858,863	$ (1,272,208) =	admin fee + Robin Hood		$ 13,771,083	100.00%

* Beaufort County Unincorporated

	Town of Hilton Head	City of Beaufort	Town of Bluffton	Town of Port Royal
Appraised Value	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Taxable Assessed Value - 4%	8,000	8,000	8,000	8,000
Town Millage	19.33	60.62	38.00	69.00
Property Tax Liability	$ 154.64	$ 484.96	$ 304.00	$ 552.00
LOST Credit- Town/City	(26.84)	(100.44)	(58.18)	(252.40)
LOST Credit - County	(51.78)	(51.78)	(51.78)	(51.78)
Net Property Tax Liability	$ 76.02	$ 332.74	$ 194.04	$ 247.82

	Revenue Fund	Property Tax Credit Fund	Total
Town of Hilton Head	$ 2,398,288	$ 6,796,129	$ 9,194,416
City of Beaufort	897,328	1,170,801	2,068,129
Town of Bluffton	603,356	1,483,397	2,086,754
Town of Port Royal	378,753	801,461	1,180,215
Beaufort County	3,810,054	3,519,295	7,329,349
Total Estimated County/Municipal Revenue Fd Distribution - 1st Year	$ 8,087,779	$ 13,771,082	$ 21,858,862

	Appraised Value	Total Tax Credit Factor
Town of Hilton Head	$ 17,288,547,558	0.0003931
City of Beaufort	1,538,338,177	0.000761082
Town of Bluffton	2,698,114,914	0.00054979
Town of Port Royal	526,956,942	0.001520924
Beaufort County Unincorporated	13,593,096,286	0.000258903
Total Beaufort County	$ 35,645,053,877	

MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, ICMA-CM, Town Manager

VIA: Susan M. Simmons, CPA, Director of Finance

DATE: May 31, 2013

RE: **Business License Assessment Appeal – Kigre, Inc.**

Recommendation:
Staff recommends Town Council confirm the Town's assessment of the business license of Kigre, Inc. If Kigre, Inc. will provide the required information to calculate the business license, staff recommends that Council refer the matter back to Finance staff to calculate the proper amounts for the business license.

Summary: The Municipal Code requires an annual business license which is based on gross income of the preceding year. For its 2012 business license renewal Kigre, Inc., as it has for many years, reported $0 gross income.

Background: Kigre, Inc. has disputed the Town's Municipal Code for business license for many years. Early in 2012, Judge Marvin H. Dukes, III, Master In Equity and Special Circuit Judge for the Court of Common Pleas Fourteenth Judicial Circuit, issued his ruling that the Town's business license ordinance is legal and valid. Kigre, Inc. is required to report its gross income as defined by the Municipal Code.

Kigre, Inc. has informed the Town that it would only cooperate with an audit by the Town on certain conditions which were not acceptable to the license inspector. Therefore, in accordance with Municipal Code Section 10-1-110, the license inspector without the benefit of information from Kigre, Inc. resorted to other available records, conducted an investigation and relied upon statistical surveys as deemed appropriate to assess the license tax and penalties. The Town issued a preliminary assessment, held a hearing on the assessment, issued a final assessment for the 2012 and past years' business license. Throughout the assessment process, Kigre, Inc. would not, and still has not, provided its gross income for any years.

Kigre, Inc. paid the assessment in protest and requested an appeal hearing before Town Council.