



The Town of Hilton Head Island Intergovernmental Relations Committee Regular Meeting

**Monday, April 20, 2015
10:00 a.m. – Conference Room 3**

AGENDA

As a Courtesy to Others Please Turn Off All Cell Phones and Pagers during the Meeting

- 1. Call to Order**
- 2. Freedom of Information Act 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. Approval of Minutes**
 - a. Regular Intergovernmental Relations Committee Meeting of March 16, 2015
- 4. Chairman's Report**
- 5. Unfinished Business**
None
- 6. New Business**
 - a. General Discussion with Invited Legislative Delegation Member, Senator Tom Davis
- 7. Adjournment**

Please note that a quorum of Town Council may result if four (4) or more of Town Council members attend this meeting.

TOWN OF HILTON HEAD ISLAND
INTERGOVERNMENTAL RELATIONS COMMITTEE
Minutes of the Monday, March 16, 2015
Regular Meeting

Members Present: John J. McCann, *Acting Chairman*, Thomas W. Lennox, *Council Member*

Members Absent: Bill Harkins, *Chairman*

Others Present: Eleanor O'Key, *Lowcountry Inside Track*; and Stu Rodman and Cynthia Bensch, *Beaufort County Council Members*

Staff Present: Greg DeLoach, *Assistant Town Manager*; Brian Hulbert, *Staff Attorney*; Faidra Smith, *Administration Manager/Public Information Coordinator*; and Lynn Buchman, *Senior Administrative Assistant*

Media Present: Zach Murdock, *The Island Packet*

1. Call to Order

The meeting was called to order at 10:00 a.m. by Acting Chairman, John McCann, who noted that Bill Harkins, Chairman, was not able to attend today's meeting.

2. Freedom of Information Act 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. Approval of Minutes

Chairman McCann noted that due to a complete turnover in Committee members for 2015, there would be no approval given for the minutes of the April 21, 2014 meeting.

4. Chairman's Report

None.

5. Unfinished Business

None.

6. New Business

a. Proposed Intergovernmental Relations Committee Meeting Dates for 2015

A motion to approve the proposed meeting dates for 2015 was made by Mr. Lennox and seconded by Chairman McCann. The motion was adopted by a vote of 2-0.

b. Presentation of S.C. General Assembly matters by Scott Slatton, Legislative and Public Policy Advocate, Municipal Association of South Carolina

A phone call was placed to Scott Slatton, who was unable to attend the meeting in person due to scheduled meetings in Columbia, but agreed to speak with the Committee via phone.

Greg DeLoach, Assistant Town Manager, introduced the Committee members and those present from the public.

Mr. Slatton explained that he would be meeting today with Rep. Quinn, members from the Homebuilders Association, the State Chamber, and the National Federation for Independent Businesses to discuss for a second time the bill that Rep. Quinn introduced as H.3490. He briefly outlined that the Bill would cap business license taxes at \$100 and would require that the State Department of Revenue be the central collection agent for local business licenses – both of which the MASC opposes.

He reviewed the groundwork laid at a previous meeting several weeks ago. Today's meeting would include an independent CPA to discuss some of the particular issues that Rep. Quinn and other interested parties had raised. This would include the challenges that changing the calculation from gross to net would create for cities that rely on 20 – 50% of their revenues from business license taxes.

Going forward, MASC will continue to speak with Rep. Quinn to try to resolve the calculation issue, and to enter into discussions with him about issues he identified with specific municipalities across the State. If this is an isolated incident, then perhaps MASC can work with those cities and towns to fix the problem. Other issues discussed have been standard practices, consistency of application of business licensing across the State - none of which would diminish the revenue, nor would it rob locals of their control over the process.

Mr. Slatton explained the history of the bill, the loss of sponsors, and the lack of enthusiasm House members have expressed for the bill, as well as a number of Senators who have predicted the bill would be DOA if House passage was obtained. Despite the bill not yet having received a sub-committee assignment, he expressed a need to be very diligent and to inform our legislators as to how important business licensing is to the Town's revenues and its ability to provide services.

Mr. Slatton noted that Rep. Quinn's stated reasons are that this is detrimental to small businesses that operate on thin margins, if they make any profit at all, so they should be taxed on what they actually make. He further noted that this then turns the license fee into an income tax, which cities and towns do not have the authority to levy at this point.

He reported that one of Rep. Quinn's associates has made a FOIA request of every city and town in the State for all of their business license contact information for political research purposes. He expects solicitations will be forthcoming from Rep. Quinn or his associate regarding business license taxes, asking for support of his efforts to reform it. Mr. Slatton confirmed for Chairman McCann that business contact information and principal owner's names is public information, but what a business pays for a business license tax or their gross receipts is specifically protected from public view with penalties assessed for disclosure of such information without a court order.

Mr. DeLoach reported that in conversations with several legislators, they had indicated the purpose of introducing H.3490 was to get attention from MASC and the rest of the municipalities, and it does not have legs this year. He questioned whether this represented a back-handed way of addressing Act 388 and the shift of taxes onto businesses. Mr. Slatton indicated that Rep. Quinn had acknowledged that Act 388 was a hindrance to our ability to generate revenue, but that Act 388 is not going to get changed. He reported that Rep. Quinn had stated in a letter to all the cities across the State that the Municipal Association had for a number of years ignored his cries for a meeting. Mr. Slatton stated this was grossly inaccurate and nothing could be further from the truth. He outlined the efforts they have made already, including the standardized business license application, in an effort to address the issues with interested parties.

Mr. Lennox asked Mr. Slatton to keep up the good work.

Mr. Slatton noted a bond section in the budget bill to fund a number of project across the state, had slowed passage. But Governor's Haley's disdain for the concept, and the unexpected revenues coming from lawsuits and unclaimed property reported by the Attorney General and State Treasurer, resulted in the bond section being taken out of the budget bill, allowing for final passage by the House on Thursday evening. With one more perfunctory vote expected tomorrow, the budget would then go to the Senate. He noted no new money is included in the budget for roads. Although there are probably 10 different road bills and proposals floating around between the House and Senate, and despite all of the rhetoric about the need to address roads, none have gained traction at this point. The Governor's veto of any increase in the gas tax is hanging over all of the discussions. However, since this is the 1st year of the 2 year session, it could always pick up late in the session and keep going next year.

He reported that H.3374 is the bill that would re-calculate the Local Government Fund (LGF) and how it is distributed to cities and counties across the state. He reviewed that 4.5% of the previous year's general fund was to fund the LGF, but that has not been fully funded for a number of years. H.3374 will add to the base of the LCF up to 5% depending upon how much the State's general fund budget is expected to grow. However, if there is no growth, then the LCG would not grow; and if there is negative growth, then the LGF would see a cut. That is up from the original proposal of 2%, which was amended on the floor to 5%. The split is then 17% - 83% to the cities and counties, respectively.

Mr. DeLoach pointed out to the Committee members that the Town has for many years opposed changing the LCF formula in support of the Municipal Association's position to fully fund the LGF as set forth in the State law. Noting that the MASC has a good working relationship with Rep. White, Mr. Slatton expressed his hope that this will pay off in some way going forward, but right now H.3374 is what it is, barring any changes made in the Senate. Mr. DeLoach confirmed with Mr. Slatton that full funding is down about \$82M state-wide, which would be the base where presumably the calculations would start. If the Senate changes the bill, and Mr. Slatton reported there is a good bit of support for full funding in the Senate, it would ultimately end up in a conference committee where any differences would be worked out between the House and Senate. Mr. DeLoach indicated that approximately \$805,000 is derived this year from the LCF, and any decrease would hit the Town hard.

Mr. Slatton reviewed the status of the Dilapidated Buildings Act, which the MASC has been working on for approximately 3 years. He encouraged everyone to contact Weston Newton on the Judiciary Committee for support, noting that Rep. Newton is a growing voice of influence in the House.

Mr. Slatton outlined the 3 Freedom of Information Bills that would change some deadlines to respond to requests. Sen. Martin's bill would require an agenda for meetings, and it would prevent an agenda from being altered without a 2/3 vote of the body present at the meeting. That bill passed the Senate very quickly early in the session, but is languishing in the House. Sen. Martin is not pleased, and any FOIA related House bills coming over to the Senate would go through his Judiciary Committee and will probably not move before his bill is considered by the House.

He reported that the FOIA bills that are being pushed in the House are the result of a FOIA study committee that was chaired by Rep. Newton, and MASC is working closely with him on his bills to make them better for cities and towns.

Mr. Slatton mentioned that mandating body cameras is a big issue in the Senate, but as the MASC has testified in sub-committees, while body cameras for police are certainly a great tool, the challenge is in funding the long-term usage with regard to storage and maintenance of the data and video produced. Small towns are already struggling with their budgets and languishing under the cuts of the LGF, so added expense of the purchase of the equipment and then the long-term maintenance of the data would be an expense they are not able to meet.

Mr. Slatton indicated there was a proviso that was in the House-passed budget dealing with the SC Office of Indigent Defense (OID). The proviso would prohibit public defenders from appearing in Municipal Courts to defend indigents unless those Municipal Courts have a contract or arrangement with the public defenders to provide those services. This is despite the fact that State Court Administration regulations require cities to direct indigents to the public defender's office. The public defenders' offices across the state do not think it is fair that locals don't fund their own public defenders. He reported that MASC has been working with OID on this, and the data provided to support their notion that Municipal Court is burdening their caseload numbers has, in his opinion, failed to do so. This is a continuing issue, but there is a question as to whether public defense for indigents should be provided by state funded or locally funded public defenders.

Stu Rodman, Beaufort County Council Member, agreed with Mr. Slatton's comments on business license fees, and they discussed briefly how this impacts auto dealers. Mr. Lennox added that the fee provides a source of revenue from which services are provided, and Mr. Slatton agreed that one of the flaws in Rep. Quinn's bill is that high volume retailers would pay the same as small businesses, but their demand for services would be totally disproportionate. He pointed out the demand for services is one of the factors in calculating current business license fees.

Brian Hulbert, Staff Attorney, and Mr. Slatton's discussed the likelihood that the OID budget proviso would survive and be forced on the Town. Mr. Slatton noted that it had stayed in the House despite the Association's efforts to kill it. However, he reported that the Association is working hard in the Senate to make as many Senators as possible aware of the issues. He suggested contacting Senators Davis and Campsen to let them know that the OID has failed so far to demonstrate the burden they are claiming, nor have they provided a resolution to the Court Administration's requirement under Rule 602 for Judges to send indigents to the public defender's office. He reported that MASC will work hard in the Senate to try if not to kill the provision, to at least make it more of a study-type proviso than a mandate. Mr. Hulbert and Mr. Slatton discussed whether it was possible to provide funds from the OID budget to provide contract services if the proviso survives. Mr. Slatton pointed out there were different budget requests made to the House than to the Senate, but he noted that MASC would support the request for additional funds made to the Senate if funds were used for Municipal Courts.

Cynthia Bensch, Beaufort County Council Member, and Mr. Slatton briefly discussed the application of the business license tax in regards to property owners associations and a recent case questioning the requirement to pay a business license tax on in-house services. Mr. Slatton indicated he was not familiar with that case, but noted that one of the complaints they have heard is the inconsistency of the application of business license taxes across the state.

Chairman McCann thanked Mr. Slatton for his update, and Mr. Slatton noted information available on the MASC website, and that he and MASC staff are available to answer questions by phone or email.

7. Adjournment

At 10:40 a.m. Mr. Lennox moved to adjourn and Chairman McCann seconded. The motion was approved by a vote of 2-0.

Respectfully submitted:

Lynn W. Buchman
Senior Administrative Assistant

Approved:

John J. McCann, Acting Chairman