



Town of Hilton Head Island
**FINANCE & ADMINISTRATIVE
COMMITTEE MEETING**
1 Town Center Court, Hilton Head Island, SC
Benjamin M. Racusin Council Chambers
Tuesday, September 19, 2023, 1:00 PM

The meeting can be viewed on the [Town's YouTube Channel](#), the [Beaufort County Channel](#), and Spectrum Channel 1304.

1. **Call to Order**
2. **FOIA Compliance:** Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act and the requirements of the Town of Hilton Head Island.
3. **Adoption of the Agenda**
4. **Approval of the Minutes**
 - a. Regular Meeting Minutes of August 15, 2023
5. **Appearance by Citizens:** Citizens who wish to address the Committee on the matters being discussed during the meeting may do so by submitting the [Request to Speak form](#) by 12:00 PM the day of the meeting.
6. **New Business**
 - a. Consideration of an Ordinance Amending the Business License Ordinance of the Town of Hilton Head Island to Update the Class Schedule as Required by Act 176 of 2020 – John Troyer, Director of Finance
7. **Adjournment**



Town of Hilton Head Island
**FINANCE & ADMINISTRATIVE
COMMITTEE MEETING**
Tuesday, August 15, 2023, 1:00 PM
Minutes

Present from the Committee: Alex Brown, Chairman; David Ames, Steve Alfred, Glenn Stanford, *Members*

Present from Town Council: Councilwomen Tamara Becker and Patsy Brison

Present from Town Staff: Marc Orlando, *Town Manager*; Josh Gruber, *Deputy Town Manager*, John Troyer; *Director of Finance*; Bob Bromage, *Public Safety Director*; Kimberly Gammon, *Town Clerk*

1. Call to Order

Mr. Brown called the meeting to order at 1:00 PM.

2. FOIA Compliance

Ms. Gammon affirmed compliance with FOIA.

3. Adoption of the Agenda

Mr. Ames moved to approve the agenda as presented. Mr. Stanford seconded. Motion carried 4-0.

4. Approval of the Minutes

a. Regular Meeting Minutes of June 20, 2023

Mr. Stanford moved to approve. Mr. Alfred seconded. Motion carried 4-0.

b. Regular Meeting Minutes of July 18, 2023

Mr. Stanford moved to approve. Mr. Alfred seconded. Motion carried 4-0.

5. Appearance by Citizens

Skip Hoagland addressed the Committee regarding David Lauderdale's article in the Island Packet. Mr. Hoagland spoke about the opportunity to recognize honest employees, while holding others accountable for corrupt behavior. He cited lack of transparency, FOIA compliance, fraudulent audits, and budgets. Mr. Hoagland asked Council to hire a forensic auditor.

Skip Hoagland stated he was speaking on behalf of Lynn Greely. Mr. Hoagland said that due to the illegal acts committed by those in our local government, there is a need for transparency with government tax dollars. He requested an outside CPA used to perform a forensic audit.

Melinda Tunner addressed the Committee regarding the Strategic Plan Workshop's discussions involving alternative revenue sources and opportunities. She spoke of pros and cons in issuing a new bond, requesting to understand the reasons and options from Town Council.

6. Unfinished Business

a. Discussion of Municipal Installment Purchase Revenue Bond – John Troyer, Finance Director

John Troyer began his presentation with an overview of the debt service fund budget highlights, current budget, the corresponding revenues and expenditures with principle interest, possible new debt structure, and any bond issues that are outstanding with the corresponding maturity dates. Mr. Troyer went on to state that the Town has made significant decreases in the outstanding debt over the last several years.

Mr. Troyer continued about an option for the Town to utilize a Beach Renourishment Bond. Council could also consider bonds for strategic land purchases or consider packaging all bonds into one. Other bond options could allow the Town the potential to take advantage of a drop in the interest rate market within the upcoming years. Mr. Troyer noted a couple CIP Budgeted Items including that the Mid-Island Park could be built in phases. And beach renourishment has had money set aside for this for several years. It will be up to Town Council to access all the CIP Budgeted items on how they will be phased to best fit with the Town's priorities.

Committee members asked questions and made comments regarding the concerns for borrowing money during the height of the interest rate market; if there was consideration to a shorter, term financing with lower interest charges; an option to use Bond Anticipation Notes; an option to combine the various series of bonds together allowing the Town to save on various costs and fees; the option to lease rather than purchase the fire engine equipment; options to remove or delay some CIP budgeted items that have been approved but not fully funded; the importance for Town Council to continue to invest in projects that benefit local businesses and tourism; and the need for further funding for workforce housing here on the island.

Chairman Brown requested a list of bond options for funding, expected costs and where each option would take the Town.

Chairman Brown asked for citizen comments.

Skip Hoagland addressed the Committee regarding his feeling that bonds and borrowing money is a scam to profit lawyers and put the Town into debt. Mr. Hoagland asked for financial transparency on previous money the Town has spent.

7. New Business

a. Presentation by the Coastal Community Development Corporation – John Troyer, Finance Director

Alan Wolf, Coastal Community Development Corporation (CCDC) Chairman of the Board, began the presentation to update the Committee. In September of 2022, the Chimney Cove residents' eviction notice prompted a look into the fragile workforce housing market here on the Island. As a result, the CCDC was formed to find a solution addressing the shortage of workforce housing on Hilton Head Island. The CCDC would utilize public and private capital, to purchase existing housing for sale, with the intent to make available to rent to local workers. The goal is to ensure growing opportunities to provide workforce housing through real investments through local and regional solutions, as referenced in the Finding Home Plan presented by Town Council in November of 2022.

Mr. Wolf went on to share an overview of the CCDC, starting with a brief list of the seven community board members. The CCDC received the approval of nonprofit status in May of 2023. The mission of CCDC seeks to increase the availability of homes for our local and regional workforce by preserving existing housing, redeveloping existing property and developing new property to meet the demand of our region while serving working residents. Mr. Wolf went on to explain the mechanisms to serve the workforce. The CCDC plans to leverage a host of cost curve bending strategies, including Property Tax Abatement; Low-Cost Capital; Grants and Donations; Local, State and Federal Programs; and Profit Interest.

The formal request submitted to the Committee is for funds, through investment or a grant, of \$600,000 to help the CCDC in Phase One. The Phase One Effort is to purchase 13 units on Hilton Head Island with a total of \$3 million for budget. For every \$1 the Municipality funds, the CCDC would find \$4 to match it.

David Wetmore addressed the Committee about solving the problem without a profit motive. Mr. Wetmore explained the type of properties the CCDC was looking at, the percentages for raising rents, hiring a property manager as well as other factors involved. He noted that this is a solution within the community that is practical and sustainable.

Mr. Wolf continued with information about what the CCDC expects to receive including matching grant money and donations received to date as well as the soft commitments from local community investors. The CCDC is following the

IRS Safe Harbor prescription by obtaining a Notes Payable Agreement, which explain the risks of investing in this as an accredited investor.

Committee members asked questions and made comments regarding what restrictions might apply to the Town directing funds to this purpose; what the appropriate legal structure to facilitate a transaction would be going forward; additional input from the Town Attorney; how much capital has been raised to date; how the CCDC can assure that the lower AMI ranges will be able to participate in this program; would this request for \$600,000 be a one-time request or a recurring request; the framework for potential issues such as bankruptcy; maintenance for purchase of old buildings, property manager fees, administration fees, increases in regime fees, insurance, and taxes; and options for the Town in the adopted FY2024 Town of Hilton Head Island Budget.

Councilman Brown asked for citizen comments.

Skip Hoagland addressed the committee that a long-term master land plan would be necessary. Mr. Hoagland indicated the use of Town tax money needs to be used legally.

Randy Brooks addressed the Committee citing a question the Kim Likins Campaign for Mayor posed to a sample of taxpayers on the Island: if they (the taxpayers) have been inconvenienced by a shortage of service staff on the Island. 80% said yes. Therefore, Mr. Brooks noted that the voters are aware of the shortage and how it is impacting their lives.

Ken Campbell addressed the Committee regarding the presentation. Although this request has been initiated by Alan Wolf of the Serg Group, the CCDC is a 501C3. There is no benefit to any specific company on the Island. All companies will have the opportunity to invest in a unit. If they invest in two units, that company will have preference for an employee to live in one of those units. Regarding a sale to a tenant, it stays in Workforce Housing Inventory and there are covenants on the ground that will last 99 years.

Chairman Brown asked Josh Gruber how to explore this as an option to understand better the legalities associated with it, including the financial commitment. Mr. Gruber explained that the F&A Committee has the ability to hear this information, but full Council will need to provide policy direction.

Mr. Ames moved to forward the request of \$600,000 from the Coastal Community Development Corporation for consideration of approval to the full Town Council. Mr. Alfred seconded. Motion carried 4-0.

- b. Consideration of a Resolution to Authorize Submittal of the Community Development Block Fund (CDBG) Entitlement Program Consolidated Annual Performance Evaluation Report (CAPER) for Program Year 2022 to the U.S.**

Department of Housing and Urban Development – Marcy Benson, Senior Grants Administrator

Ms. Benson started with a presentation to the Committee to recommend Town Council approve the resolution to authorize the submittal of the Town's 2022 Community Development Block Grant Consolidated Annual Performance Evaluation Report as required by HUD for participation in the Community Development Block Fund (CBDG) Entitlement Program. The CBDG Entitlement Program is a Federal Program that is administered by the US Department of Housing and Urban Development (HUD.) It provides annual grants on a formula basis to entitled cities and counties based on population data from the US Census Bureau. The funds are used to benefit low- and moderate-income persons based on HUD guidelines. The CAPER is a requirement of the CBDG Entitlement Program, and it reports on the expenditures, accomplishments, and progress towards achieving goals and objectives that were listed in the 2020- 2024 Five-Year consolidated plan. The presentation highlighted the 2020 CBDG Covid funds, due to a funding reallocation that the Town accepted from HUD in 2022. Town staff developed the 2022 Annual Action Plan where funds were designated to be used for public facilities and improvements using population data from the census bureau. Per program years 2020, 2021, 2022, Ms. Benson continued to explain the proposed versus actual outcomes; resources that were available and the amount expended during the program year; and the planned percentage of allocation versus the actual percentage of allocation. Ms. Benson went on to speak about the next steps in late August into September 2023. She explained that the Town has submitted a timeliness workout plan to HUD to show that by next year, the funds will have been expended and we'll be in compliance with our expenditure requirement.

Committee members asked questions and made comments regarding if the Town was at risk of losing any of these grant funds pending completion of various projects being delayed; if there is a standard period of time given for timeliness; and the opportunity to transition these monies being put forth to other infrastructures that make sense for these neighborhoods over time.

Chairman Brown asked for citizen comments, which there were none.

Mr. Ames moved to forward the recommendation from staff to Town Council for consideration of a resolution to authorize submittal of the Community Development Block Fund (CDBG) Entitlement Program Consolidated Annual Performance Evaluation Report (CAPER) for program Year 2022 to the U.S. Department of Housing and Urban Development. Mr. Sandford seconded the motion. The motion carried 4-0.

8. Adjournment

The meeting was adjourned at 2:25 PM.

APPROVED:

The recording of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov

DRAFT



TOWN OF HILTON HEAD ISLAND

Finance & Administrative Committee

TO: Finance & Administrative Committee
FROM: April Akins, Revenue Services Manager
VIA: John Troyer, Finance Director
CC: Marc Orlando, Town Manager
DATE: September 19, 2023
SUBJECT: An Ordinance amending the Business License Ordinance of the Town of Hilton Head Island to update the Business License Class Schedule as Required by Act 176 of 2020

RECOMMENDATION:

That the Finance and Administrative Committee recommend to Town Council to amend the Current Business License Ordinance Title 10, Sec. 10-1-250 of the Municipal Code of the Town of Hilton Head Island to update the Business License Class Schedule as required by Act 176 of 2020.

BACKGROUND:

SC General Assembly passed Act 176, the Business License Standardization Act, in September 2020. The law required every local government levying a business license tax to administer the tax in the same way across the state starting January 1, 2022. The Municipal Association of South Carolina (MASC) created the Business License Model Ordinance to ensure compliance with Act 176. Town Council adopted the Business License Model Ordinance in September 2021 so that the Town could administer the business license tax according to state law.

SUMMARY:

Every odd year, Act 176 requires every taxing jurisdiction levying a business license tax to adopt by ordinance the latest Standardized Business License Class Schedule as recommended by MASC and adopted by the Director of the Revenue and Fiscals Affair Office. MASC shall determine and revise the Standardized Business License Class Schedule every even year using the latest available nationwide Internal Revenue Service statistics. MASC published the latest Standardized Business Class Schedule on June 27, 2023. Town staff completed a detailed rate study analysis in July 2023 to determine the impact of the class schedule changes to the Town and to the business community.

Based on the rate study analysis, Town staff recommend no change to the rates.

A presentation will be provided at the Finance & Administrative Committee meeting.

ATTACHMENTS:

1. Amended Business License Ordinance Title 10, Sec. 10-1-50.
2. Business License Class Schedule Rate Study Analysis.
3. F & A Committee 9.19.23 Presentation.

AN ORDINANCE

**AMENDING THE BUSINESS LICENSE ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND TO
UPDATE THE CLASS SCHEDULE AS REQUIRED BY ACT 176 OF 2020.**

WHEREAS, the Town of Hilton Head Island (the "Municipality") is authorized by S.C. Code Section 5-7-30 and Title 6, Chapter 1, Article 3 to impose a business license tax on gross income;

WHEREAS, by Act No. 176 of 2020, known as the South Carolina Business License Tax Standardization Act and codified at S.C. Code Sections 6-1-400 to -420 (the "Standardization Act"), the South Carolina General Assembly imposed additional requirements and conditions on the administration of business license taxes;

WHEREAS, the Standardization Act requires that by December thirty-first of every odd year, each municipality levying a business license tax must adopt, by ordinance, the latest Standardized Business License Class Schedule as recommended by the Municipal Association of South Carolina (the "Association") and adopted by the Director of the Revenue and Fiscal Affairs Office;

WHEREAS, following the enactment of the Standardization Act, the Municipality enacted Ordinance No. 2021-16 on September 21, 2021, in order to comply with the requirements of the Standardization Act (the "Current Business License Ordinance");

WHEREAS, the Town Council of the Municipality (the "Council") now wishes to amend the Current Business License Ordinance, Title 10, Sec. 10-1-250, to adopt the latest Standardized Business License Class Schedule, as required by the Standardization Act, and to make other minor amendments as recommended by the Association;

NOW, THEREFORE, BE IT ORDAINED by the Mayor and Council of the Town of Hilton Head Island, as follows:

SECTION 1. Amendments to Appendix A. Appendix A to the Current Business License Ordinance, the "Business License Rate Schedule," is hereby amended as follows:

- (a) Class 8.3 is hereby amended by deleting the NAICS Codes and replacing them with NAICS 517111, 517112, 517122 – Telephone Companies.
- (b) Class 8.6 is hereby amended and restated in its entirety to read as follows: "**8.6 NAICS Code Varies – Billiard or Pool Tables**. A business that offers the use of billiard or pool tables shall be subject to business license taxation under its natural class for all gross income of the business excluding the gross income attributable to the billiard or pool tables. In addition, the billiard or pool tables shall require their own separate business licenses pursuant to SC Code § 12-21-2746 and shall be subject to a license tax of \$5.00 per table measuring less than 3½ feet wide and 7 feet long, and \$12.50 per table longer than that."
- (c) The NAICS codes corresponding to Classes 9.40 have been eliminated. Businesses that were previously classified into 9.40 shall be required to apply and pay for a

business license in their natural class.

SECTION 2. Amendments to Appendix B. Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” is hereby amended as follows:

- (a) Classes 1 through 8 in Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” are hereby amended and restated as set forth on the attached Exhibit A.
- (b) Class 9 in Appendix B to the Current Business License Ordinance, the “Business License Class Schedule,” shall remain in full force and effect as set forth in the Current Business License Ordinance.
- (c) The NAICS codes corresponding to Class 9.40 have been eliminated. Businesses that were previously classified into 9.40 shall be required to apply and pay for a business license in their natural class.

SECTION 3. Repealer, Effective Date. All ordinances in conflict with this ordinance are hereby repealed. This ordinance shall be effective with respect to the business license renewal year beginning on May 1, 2024.

ENACTED IN REGULAR MEETING, this ____ day of _____, 20 ____.

Mayor

ATTEST:

Clerk

First reading: _____

Final reading: _____

**Exhibit A: Amendment to Classes 1 – 8 in Appendix B of the
Current Business License Ordinance**

APPENDIX B

Classes 1 – 8: Business License Class Schedule by NAICS Codes

| NAICS Sector/Subsector | Industry Sector | Class |
|-----------------------------------|--|--------------|
| 11 | Agriculture, forestry, hunting and fishing | 1 |
| 21 | Mining | 2 |
| 22 | Utilities | 1 |
| 31 - 33 | Manufacturing | 3 |
| 42 | Wholesale trade | 1 |
| 44 - 45 | Retail trade | 1 |
| 48 - 49 | Transportation and warehousing | 1 |
| 51 | Information | 4 |
| 52 | Finance and insurance | 7 |
| 53 | Real estate and rental and leasing | 7 |
| 54 | Professional, scientific, and technical services | 5 |
| 55 | Management of companies | 7 |
| 56 | Administrative and support and waste management and remediation services | 3 |
| 61 | Educational services | 3 |
| 62 | Health care and social assistance | 4 |
| 71 | Arts, entertainment, and recreation | 3 |
| 721 | Accommodation | 1 |
| 722 | Food services and drinking places | 2 |
| 81 | Other services | 4 |
| | | |
| Class 8 | Subclasses | |
| 23 | Construction | 8.1 |
| 482 | Rail Transportation | 8.2 |
| 517111 | Wired Telecommunications Carriers | 8.3 |
| 517112 | Wireless Telecommunications Carriers (except Satellite) | 8.3 |
| 517122 | Agents for Wireless Telecommunications Services | 8.3 |
| 5241 | Insurance Carriers | 8.4 |
| 5242 | Insurance Brokers for non-admitted Insurance Carriers | 8.4 |
| 713120 | Amusement Parks and Arcades | 8.51 |
| 713290 | Nonpayout Amusement Machines | 8.52 |
| 713990 | All Other Amusement and Recreational Industries (pool tables) | 8.6 |
| | | |

2023 Class Schedule is based on a three-year average (2017 - 2019) of IRS statistical data.



TOWN OF HILTON HEAD ISLAND
Finance & Administrative Committee Meeting
September 19, 2023

Business License Class Schedule Update



BACKGROUND

- SC General Assembly passed Act 176, the Business License Standardization Act, in September 2020. The law required every local government levying a business license tax to administer the tax in the same way across the state beginning January 1, 2022.
- The Municipal Association of South Carolina (MASC) created the Business License Model Ordinance to ensure compliance with Act 176 requirements.
- Town Council adopted the new Business License Model Ordinance in September 2021. The Town currently administers business license taxes according to the standardized state law and model ordinance.



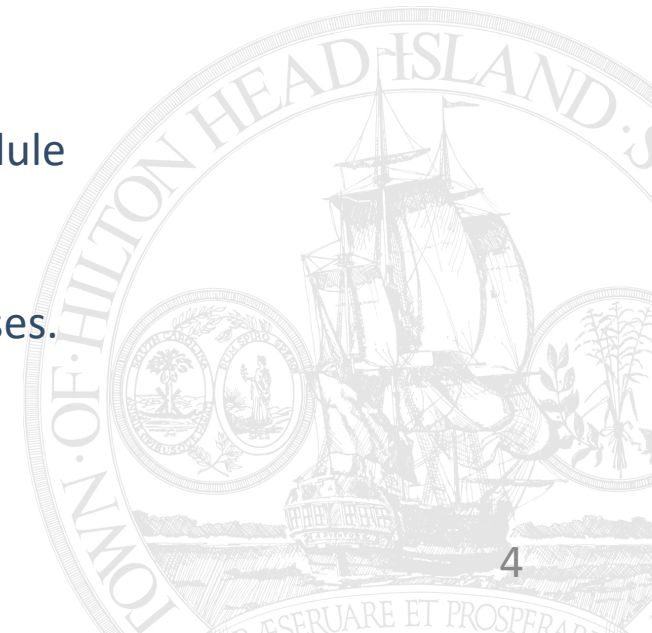
2021 Summary

- Act 176 required the Town to adopt the Standardized Business License Class Schedule.
- The Town reclassified all businesses for the 2022 business license tax year.
- The Town completed a business license tax data analysis and rate study in 2021 based on the class schedule changes (analysis of 2020 business license revenue).
- The study revealed the required reclassifications caused a shortfall of \$339,892 in business license tax revenue.
- Business license tax rates were increased by 7.2% to offset the shortfall and achieve a revenue neutral result as required by law.



2023 Overview

- Act 176 requires the Town to adopt through an ordinance the latest Standardized Business License Class Schedule as recommended by MASC and adopted by the Director of the Revenue and Fiscals Affairs Office **every odd year**.
- MASC determines and revises the Standardized Business License Class Schedule every even year using the latest available nationwide IRS statistics.
- MASC uses a three- year average of IRS profitability statistics to determine class schedule changes.
- The goal of the new process is to stabilize and limit large fluctuations in business classes.



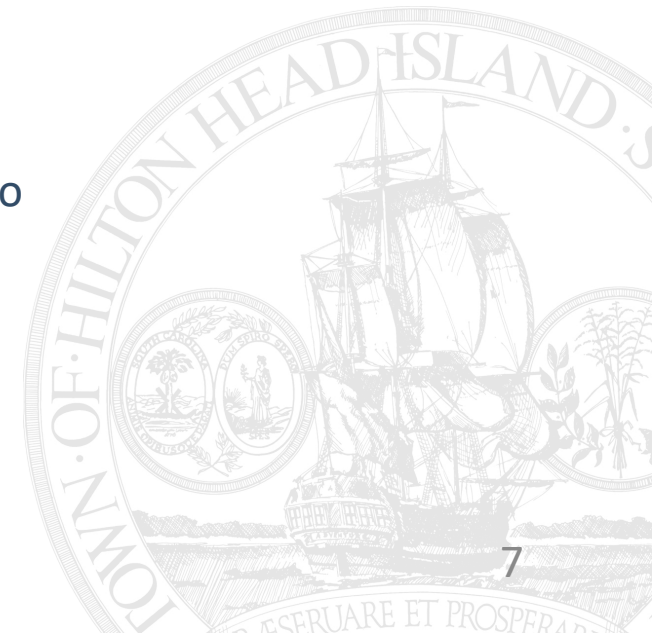
Business License Rate Study Results

- MASC published the latest Standardized Business Class Schedule on June 27, 2023.
- The Town completed a detail rate study analysis on approximately 14,000 business license accounts in July 2023 to determine the impact of the class schedule changes to the Town and to the business community (analysis of 2023 business license revenue).
- There are nineteen industry sectors in the class schedule.
- Nine industries will be impacted by the class schedule changes in the 2024 business license tax year.
- Seven industries will have a tax rate reduction.
- Two industries will have a tax rate increase.
- 15.80% of our businesses are impacted by the class schedule change.
- By applying the new class schedules, the total revenue loss for the Town would be \$32,833.80 or less than 1% of our total business license tax revenue.



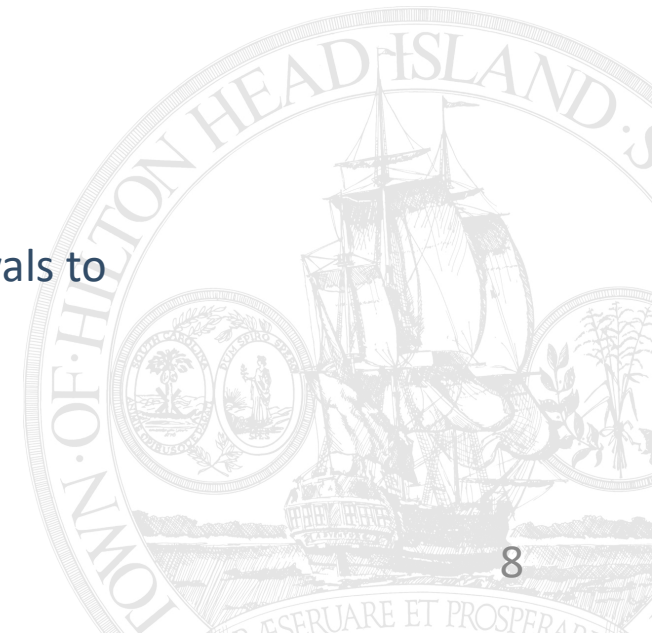
STAFF RECOMMENDATIONS

1. Adopt the Standardized Business License Class Schedule as required by Act 176.
2. Maintain the current business license tax rates with *no adjustment* to rates.
3. Request that the Finance & Administrative Committee recommend to Town Council to amend the Current Business License Ordinance to update the Business License Class Schedule as required by Act 176 of 2020.



Timeline of Events

- September 19, 2023: Presentation to the Finance & Administration Committee.
- October 3, 2023: First reading of the ordinance by Town Council.
- October 17, 2023: Second and final reading of the ordinance by Town Council.
- November 2023: Business license software system will be updated with new class schedules to prepare for 2024 business license renewals.
- December 2023: Process 2024 business license renewals and prepare to mail renewals to businesses.
- January 2024: New Business License Class Schedule will be implemented.



Questions

TOWN OF HILTON HEAD ISLAND

Finance & Administrative Committee Meeting

September 19, 2023

