

A work session of the Beaufort City Council was held on March 19, 2013 at 5:00 p.m. in the City Hall Planning Conference Room, 1911 Boundary Street. In attendance were Mayor Billy Keyserling and council members Donnie Ann Beer, George O'Kelley, Mike Sutton, and Mike McFee, and City Manager Scott Dadson.

In accordance with the South Carolina Code of Laws, 1976, Section 30-4-80(d) as amended, all local media were duly notified of the time, date, place, and agenda of this meeting.

The mayor called the work session to order at 5:00 p.m.

LOCAL OPTION SALES TAX AND OTHER REVENUES

Kathy Todd shared a presentation about potential revenue options with council. It was purely for demonstration purposes, she said, and did not include recommendations. State law limits many revenue sources available to municipalities in financing public services, i.e., taxes, service charges and fees, etc.

In regard to various local sales and use taxes in the state, Ms. Todd said "the counties are the lead in these sales tax options." In 2010, 40 of 69 counties adopted at least one of the optional sales taxes such as local option sales taxes, transportation taxes, etc. The uses for each of these options are dictated by state law and vary in scope and length. Beaufort County has passed two transportation tax referendums in the past and the last one expired in October 2012, Ms. Todd said. The local option sales tax has not been pursued by Beaufort County in the past. Mayor Keyserling said it was on the ballot once or twice and lost. Ms. Todd said the local option sales tax only ceases when it's rescinded by a majority of voters.

Local option sales tax was established by the state in 1990 and is a one-cent tax levied on sales within a county, Ms. Todd said. 31 of 45 counties have implemented the local option sales tax as of February 2013. The county governing body must give its approval and place the issue on the ballot for vote. The vote must occur on the Tuesday after the first Monday in November. A majority must approve it, and if it passes, the South Carolina Department of Revenue collects the funds. If it fails, it can't be placed on the ballot again for 12 months. The South Carolina Department of Revenue cuts two checks to each municipality each month: one to the Property Tax Credit Fund and the other to the County Municipal Revenue Fund.

Ms. Todd said 71% of the sales tax collected from this is distributed to the Property Tax Credit Fund and 29% of the sales tax is distributed to the County / Municipality Revenue Fund. The distribution is graduated over five years with the fifth year allocation between the funds of 79% / 21%. The Property Tax Credit Fund is distributed to the county and to each participating municipality proportionally, based on the population of the municipality. The estimated populations of each of the municipalities in the county and their percentages are Hilton Head Island 51.1%, Bluffton 17.27%, Beaufort 17.00%, and Port Royal 14.36%. The city's estimated property tax credit would be \$1,378,167.

Ms. Todd went on to explain how to calculate the credit. She gave an example of the impact on property tax liability using TY 2012 values and current millage; these are the city's estimates, not including the county's. She said this is for both 4% and 6% properties. There's no barrier on commercial properties, she said.

29% of the sales tax would be distributed to the County / Municipality Revenue Fund, Ms. Todd said. 50% is based on the location of the sale, and 50% is based on population. The 29% collected within the city is approximately \$1.5 million; 50% of that would be \$749,209 and 50% based on the city population would be \$770,209. The total city revenue from the County / Municipality Revenue Fund would be \$1.5 million. She detailed the ways additional revenues could be used, depending on the determinations of council.

Ms. Todd described the pros and cons of local option sales tax.

PROS

- It provides a property tax credit against the tax liability for all taxpayers in the city
- Commuter, transient and tourist populations bear part of the tax burden
- Substantial revenue-raising potential
- Seen as a pay-as-you-go system and is "the least unpopular tax"
- The impact is experienced quickly, and if economic conditions are stable, the local option sales tax revenue for the city will remain stable.

CONS

- If not closely monitored, and tax credit is miscalculated, the city could face liabilities
- If city and county economic conditions deteriorate, the local option sales tax revenue is unstable.

Ms. Todd said that if the city determines that it will pursue the local option sales tax, county council approval would be required; passing of the referendum by a majority vote of qualified voters in the county is required. If the approvals are obtained, she presented a possible scenario, assuming a full roll-forward and an increase in the mill debt. She demonstrated a scenario with tax credits and adjusted property tax liability that would drop. They would pay \$577 as opposed to \$800.

Mayor Keyserling said that some of the counties which did this, to pass it pledged when they put it on the ballot to do a 100% rollback for tax relief. Mr. Dadson said agreed that some counties around the Columbia area did that.

31 of 45 have the local option sales tax, Ms. Todd said in response to Mayor Keyserling's question. Councilman O'Kelley said in Beaufort, 65% would bear the largest part of the tax. Councilman O'Kelley said it may have failed when people heard "tax" and voted against it instead of hearing about it in terms of its effect on property taxes. Mayor Keyserling said people didn't trust it "because they thought it sounded too good to be true."

Councilman Sutton asked if the Department of Revenue or any other higher source can guarantee that these are the facts. Ms. Todd said the state law is very detailed in the distribution; Councilman Sutton asked if the data can be qualified. Mayor Keyserling said they need to give a range of options in house costs in order to try to sell this tax. Mr. Dadson said her numbers come from the Department of Revenue's annual revenue report. Mr. Dadson said the numbers are subject to change in the future.

Councilman Sutton said this is a regional issue, and "the county and municipalities should be brought in early." Mayor Keyserling said for the county to do it, "the municipalities need to be in sync." Ms. Todd said she asked **David Starkey** about why the county hadn't done it, and he'd told her it had been a discussion item at their retreat, and the county "is looking at it and considering it." Mayor Keyserling reiterated that it would take the municipalities being in sync plus the county being on board. The county is "the gatekeeper" and gets it on the ballot or not.

Mayor Keyserling said 3-4 road taxes have been done. Mr. Dadson said the last one's success was because everyone was at the table; Mayor Keyserling added that there was something for everybody. Councilman Sutton said this could solve the problem of recurrent funding for the open land trust preservation. Mr. Dadson said the staff recommendation is toward one-time costs, a fund for capitalization around the city. The city's capital projects for 7-9 years have improved the community. The city has choices about how they do this.

Ms. Todd said the city's other option is to levy surcharges: fees that must be used specifically for the purpose for which the fee was generated: a park fee, a transportation fee or a fire / EMS fee.

The city has asked for its active parks back from the county, but there would be significant costs to maintain them, Ms. Todd said; at current level of service, this is \$1.9 million annually. The shortfall between revenues generated from local Hospitality Tax and Accommodations Tax and costs of park maintenance is \$100,000. An option would be a county-wide park fee to be distributed to the municipalities based per capita and the number of parks within their jurisdictional boundaries. Mr. Dadson said the "litany of fees on the personal property and property bills is extensive," depending on public service districts and other factors. The state of South Carolina is specific about allowing taxes and fees.

OTHER SERVICE FEES

Transportation Fee: Last fiscal year, staff presented a transportation fee of \$35 per vehicle registered to residents of the city, Ms. Todd said. This would help offset the costs of maintaining streets and street projects consistent with the Civic Master Plan. She went on to detail the number of vehicles in the city, the costs of maintaining the streets, and the amount of revenue such a fee would generate.

Fire/EMS Fee: Fire service is supported by property tax revenues for operations. There is an option to offset the costs for the demand for emergency response, Ms. Todd said. "Continued high demand for timely and high-quality responses is present even when budgets are

shrinking,” she said. State fire codes and regulations require various inspections of sprinklers, alarms, etc. A fee structure to recover those costs could be considered. Mayor Keyserling asked if EMS charges a fee, and Mr. Dadson said yes. He said county EMS recovers through insurance.

Ms. Todd said 8% of parcels don’t pay city real property taxes, i.e., churches and other tax-exempt entities. They could consider charging a fire service fee to those who don’t pay property tax. Mayor Keyserling asked, if they went with a fire fee to make up for the millage, what that number would be. Ms. Todd noted the cost recovery for emergency services to non-residents related to motor vehicles accidents; 40% of all fire service call volume is related to non-resident or transient motor vehicle accidents. Councilman O’Kelley said if non-residents cause the wreck, and police give them a ticket and they pay it, and then also get a fee, “they will say that they are being double-dipped.” There are companies that can assist with billing, so the cost of administering the billing of fees could be outsourced.

Mayor Keyserling said there’s an ongoing discussion among various government entities about cost-sharing, and this council has said that this conversation should be had.

FOLLOW-UP CONVERSATION ON DRAFT AMENDMENT TO THE BUSINESS LICENSE ORDINANCE AND THE APPENDICES

Mr. Dadson said he and Ms. Todd want to tie up any loose ends. Port Royal has revised and adopted theirs, and Hilton Head Island and Bluffton are looking at it. Everyone got the revised version from the state and then went back and revised theirs. They tried to distribute rate analysis by class; license activity in dollars that come in; and what that means in terms of city gross sales and revenue. Staff has suggested no rate changes, he said.

Ms. Todd said it’s hard to look at this rate without asking about the revenue bottom line and what the percentage of contribution to total revenue the tax is. Business licenses comprise about the same rates of revenue in just about every city, which is 27-28% of the whole. This uses classifications that are sorted into classes, Mr. Dadson said. Ms. Todd said that’s true for the City of Beaufort, but not all jurisdictions follow NAICS. They may have variances.

Councilman Sutton said, looking at the list quickly, in regard to the minimum on the fees, the rate seems similar across the board for other municipalities. The city appears to be in line with everyone else, he said. Mayor Keyserling said some of this could be related to those with the local option sales tax. That may account for some of the numbers.

Mr. Dadson said the county is “always the outside player.” He said the business license fees provide less revenue for the county. Mr. Dadson said “the county is looking at a much stronger devaluation than the city is.” They may be looking at these revenue sources. He said Hilton Head “has economies of scale that the City of Beaufort doesn’t, so there may be differentials there.” Mr. Dadson asked if this should be moved forward into a first reading position. Mayor Keyserling said all they would be doing by doing that is updating the code, not changing the fees, so he sees no reason not to move forward.

John Dickerson said if a county has a contracted employee who works for a short period of time, and that employee gets a 1099 form, the city's position is that the employee needs a business license to work for someone for a short period of time. He would like the city to address who is an appropriate entity to require a business license and who isn't. Mr. Dadson said what he's talking about is a contract employee.

Ms. Todd read the description of a business. Mr. Dickerson said small businesses have requirements for labor, and it seems unfair for the city to force a contract laborer to get a business license "to dig a hole." Mr. Dadson said a 1099 is a contract between an employer and the person doing work for the employer. He said he'd "get clarity on the issue" for Mr. Dickerson. Mr. Dickerson said he thinks it's unnecessary: Enforcement thinks it's appropriate to require a business license of the people who rake leaves, for example.

Councilman O'Kelley said casual labor doesn't require a 1099. Mr. Dadson said that the person whose business is raking leaves is the same as the landscaper with 100 employees. Councilman McFee said the state requires that anyone generating income should have a business license. Councilman Sutton said there's a subculture in every city that is raking leaves, etc. and doing casual labor without being on the radar. Mayor Keyserling said it's the same with domestic help.

Mayor Keyserling said, referring to **Isaiah Smalls** and the department of Public Works, that he had seen Mr. Dickerson taking leaves out of the street that were about to go into stormwater drainage.

BEAUFORT ELEMENTARY SCHOOL TRAFFIC ISSUES

Libby Anderson said a suggestion was picked up on to make Pilot Street one-way heading south. North Street is where the bulk of the problems are during student pick up and drop off. Making it one way south would substantially eliminate the problems.

She described the problems when picking up and dropping off children at the school. Prince Street has "a larger stacking area" where there is less development than on North Street. Councilman O'Kelley said it backs up on North Street and between the school back to Glebe. He's concerned that if cars can't go down Pilot, "they may create the same situation, just a block down."

Ms. Anderson said an issue is that it's a major east-west corridor and Glebe isn't. Another issue is Prince Street and the drop-off point there. Sometimes parents leave and want to turn left to head to Ribaut, and they're blocked by parents trying to pick up their kids. Everyone would have to turn right on Hamar or Bladen Streets, she said. They have talked to DOT about making Pilot Street one-way, and their solution was to have the city take Pilot over.

They could do what they wanted to with signs, Ms. Anderson said. It's a 2 block section in good condition now. Making the one-way would require signs, and the school district would be asked

to put in a concrete directional median as well. These seem to be the most cost-effective options, Ms. Anderson said.

Chief **Matt Clancy** said the school has already added parking spaces in their lot. They could do that on their own and have done so. Mr. Dadson asked what they thought of the traffic plan. Chief Clancy said he hadn't spoken to them yet, but it makes sense. Ms. Anderson said they wanted to run it by council before they took it to the school district.

Councilman O'Kelley expressed a concern with this configuration, and Mayor Keyserling said changing Pilot Street to a one-way would help with that. Councilman O'Kelley said four houses front on Pilot Street; Councilman Sutton said none of them are owner-occupied. Councilman O'Kelley said John Trask has one with access on Pilot Street. He has a driveway on North and two accesses on Pilot Street.

Councilman Sutton said when he looks at this map, a one-way is a big issue, but he agrees it will send the traffic to Glebe to stack up and make a right turn. Councilman Sutton said the DOT is pushing the city into the role of taking the streets, and if the city did that, they could do the head-in parking recommended previously.

Councilman O'Kelley said as on Bay and Scott Streets, people going to the school along Prince will block intersections, and there should be more enforcement to stop that. Councilman Sutton said the school wants to get people into the school within a 20 minute period, and council had suggested staggering beginning times. Ms. Anderson said the initial thought was for the city to take the street. Councilman O'Kelley said if parents have two children in different grades at the school, they don't want them there at different times. Councilman Sutton said "that's the family's problem," and "it's the parents' responsibility to do the right thing."

Mayor Keyserling asked Chief Clancy about the potential of more traffic on Hamar at the intersection of North Street. Councilman O'Kelley said there's a crossing guard there every day. Councilman O'Kelley said it's clogged at Hamar and Bay Streets at North. Mr. Dadson said if it's clogged one time, you go up a street and change pattern. If people are given direction, he feels they will make good choices. Part of the problem was that Bladen Street was torn up; now it's open, and they can go up Prince and have several options to get out.

Ms. Anderson said they will make information available with a map that would show the grid system. Councilman McFee said removing the main thoroughfare from the quotient would help. Councilman Sutton said they could do a trial period of one-way on Pilot Street. Ms. Anderson asked about the surrounding neighborhood and said she hadn't shared with them yet. Mayor Keyserling said they should share with the school first, and then go to the neighbors.

REMOVAL OF STREETS ADJOINING BASIL GREEN PARK FROM SCDOT SYSTEM

Mr. Dadson said the county has agreed to work with the City of Beaufort on PARD grant money. SCDOT has said that if the city wants to do what it wants to do, the city has to take the streets. The state said its chief engineer would talk to the city about a road credit swap, but they have

no positive answer yet. Mr. Dadson said he agrees with Councilman Sutton that when they ask for encroachment agreements, the answer can't always be "take back the street." They should at least give them a bill for maintaining SCDOT's assets. Mayor Keyserling said the state senator and representatives have not been asked to come to the table for Beaufort. Mr. Dadson said DOT should work with the city and the city has a good plan.

Ms. Anderson said this may be a little different than Beaufort Elementary because the grantee needs to own the street right-of-way. Mayor Keyserling said that "we've taken a lot lately," and then there are two more in the queue that SCDOT wants the city to take, "and before we know it, there will be more than we can afford."

Mr. Dadson said this grant solves the on-street parking issue. **Liza Hill** said this plan outlines 80 spaces. The grant administrator as told her that they have to own the property on which they do the work. She said that his is the first time the grants administrator has experienced a city wanting on-street parking for streets it doesn't own. Councilman Sutton said the easement is where the parking is planned. Councilman McFee said DOT still owns it.

Mr. Smalls said they wanted to remind council of time constraints. Ms. Hill said they have a year to spend it and have the work done. Mr. Dadson said he would craft a letter for Mayor Keyserling's signature to the legislators. Councilman Sutton asked if they could take the easement from the DOT to maintain it "but not take any asphalt." Ms. Anderson said the issue would be that they would have to back out onto the right-of-way, so they won't allow that parking.

Mr. Dadson said they had a meeting with DOT officials, and there was a picture of a beautiful neighborhood with trees on both sides, and cars parked on the roads, and the landscaping head said, "We'll never make that mistake again!"

Councilman Sutton asked, if they just did park improvements and not the infrastructure needed to make head-in parking, what the difference would be. Mr. Smalls said they "have plausible deniability," but if it's on their easement, they lose it. Mr. Smalls said some of the signs they put up for stopping for pedestrians have disappeared.

Mayor Keyserling said they should write the letter and set up a meeting with the delegation and the commissioner for next week, and then council will have an answer. Councilman Sutton said the value of the grant is \$22,000 from the county and the city has around \$5,000. That money has been pledged by the county; if the city isn't going to use it in that way, they have to find another way or give it back. Mayor Keyserling said grant funds are in jeopardy and that needs to go into the letter so they can have a resolution.

EXECUTIVE SESSION

Councilwoman Beer made a motion, second by Councilman McFee, to go into an Executive Session, pursuant to Title 30, Chapter 4, and Section 70 (a) (2) of the South Carolina Code of Law for a discussion of legal advice. The motion passed unanimously.

Councilman Sutton made a motion, second by Councilwoman Beer, to adjourn the Executive Session and return to the work session. The motion passed unanimously.

ADJOURNMENT

There being no further business to come before city council, **Councilman O’Kelley** made a motion, second by **Councilman Sutton**, to adjourn the meeting. The meeting was adjourned at 7:26 p.m.

ATTEST: _____
IVETTE BURGESS, CITY CLERK