

A special work session of the Beaufort City Council was held on April 29, 2014 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.

**DISCUSSION: BUDGET PRESENTATIONS – CITY MANAGER, PLANNING DEPARTMENT AND POLICE DEPARTMENT**

Mr. Dadson said the city is experiencing a year-over-year revenue problem due to property assessment and a state-level business license tax collection. Other than millages to make up for the decrease in value, the city is experiencing a decline of collectible receipts based on these two issues. This is a longer-term problem, Mr. Dadson said, than they were assured when they began reassessment. The mills are off by a 5.5% decrease in the overall taxable value of the city. Mr. Dadson believes this is related to business licenses; these are based on collections from insurance brokers, and if property values decline, what they will assess as real estate property for insurance purposes would also decrease, meaning a possible lowering of those types of collectibles. The city is “stuck with” the reassessment numbers for 7 years, Mr. Dadson said. For several years, the city has had good growth, but the overall decrease in the value of assessed values held down the growth, so it could not override the differential.

Mr. Dadson reviewed the budget process and the proposed calendar for presentation to council. He went on to review the financial policies that are followed. He discussed how funds are organized. The General Fund is the city’s general operating fund, and he enumerated those sources of revenue in the General Fund. There are Special Revenue Funds, which he also enumerated, including the Redevelopment Commission fund. Mr. Dadson reviewed the budget format; the operational budget fund summary of the General Fund is broken into revenues and expenditures.

**General Fund budget summary:** Property taxes, Mr. Dadson said, have declined because of the reassessment and the levy. Property tax collection has decreased from 97% to 92% with an anticipated shortfall anticipated, to reach \$345,000. There are assessment appeals, but taxes must be paid first before an appeal can be made, so they don’t see that as being part of the issue.

Mr. Dadson described other concerns about revenue sources, such as business license revenues; a \$250,000 revenue loss is “a big chunk.” The problem is where it is being collected by the state and redistributed to the city.

The water and sewer fee is the largest assigned fee, and Mr. Dadson said it is coming in; though they are on the same bill, the *taxes* on the bill with it are NOT coming in. He described a number of other revenue sources for a total of \$16 million+. Salaries and benefits are \$9 million. It increased \$168,000 from state-mandated contributions to the state retirement fund,

federally mandated contributions to the Affordable Care Act, and people reaching years of service longevity increases.

Departmental operations budgets are about \$5.6 million, Mr. Dadson said. Those are \$152,000 less than the FY2014 adopted budget and \$430,000 less than the department heads requested.

Capital rolling stock and stormwater projects, transfers and debt service: Mr. Dadson said the largest is in stormwater at \$265,000, which reflects ongoing projects that will go into 2015. Debt service is \$1.6 million.

The recommended budget is \$176,000 less than the adopted budget and includes a deficit mill of 3.72 mills, which will raise property tax revenues by \$257,000. This includes an increase in the debt millage from 19.17 mills to 20.78 mills to cover those. It includes the acquisition of the fire truck and financing the balance after the reserve of \$281,590. It also includes other capital rolling stock needs.

Mr. Dadson said the year-over-year revenues concern him the most, because in spite of investments, they must take into account the devaluation in the assessment of property. He thinks they estimated the best they could in a roll-up year, but the numbers are simply off. Mr. Dadson said attorneys advised a deficit mill or a reserve mill. He recommends a deficit mill to council. The effect of a deficit mill will change over time as the city grows or doesn't grow. If it grows, it can be fixed and lower mills, but it has to be dealt with every year. It's a new mill for this fiscal year, and then council will have to deal with it in the next fiscal year. Mr. Dadson said it would be cured if they grow business licenses. Property taxes are always the most stable, Mr. Dadson said. If they did nothing, they would have to find \$250,000 in additional cuts, but capital are usually one-time expenses, and this issue is over time, year-over-year.

Mr. Dadson said in the capital project budget, the city has set aside money for investment purposes and in the last fiscal year set aside \$1 million to leverage for various projects around the city for Boundary Street, Duke Street, etc. as well as projects with the county. They are committed funds in the reserves. There is no additional committed fund balance recommended. All rolling stock and stormwater have been accounted for.

Councilman Sutton asked the current millage rate value, and Ms. Todd said it's \$64,637, and they are budgeting for additional decreases in taxable assessed value and the mill will go to \$64,475. Mr. Dadson and BK said the deficit mill will make up for part of the differential. Mr. Dadson said for every \$150,000 worth of real estate at 4% tax would be an increase of around \$32. The deficit mill would add \$22, and there's an additional \$10 for an increase in the debt mill, Mr. Dadson said.

Ms. Todd said the maximum Accommodations Tax is 3%, and Mayor Keyserling said Hospitality Tax is maxed out as well. Mr. Dadson said they increased stormwater fees last year, and they are not recommending changes there. The garbage fees may be affected. Councilman Sutton asked the projected value of LOST if it had been passed countywide. Ms. Todd said the revenue

gain would have been \$700,000 of revenue to be utilized any way council showed on the 29%. And Mayor Keyserling said the savings would be 31-32% credit on a 4% and 20% on 6%.

Mr. Dadson said council has rejected fees two years in a row, and they can go to the deficit mill. Councilman Sutton said he recalled the vehicle registration fee, which goes back on the city dwellers. Mr. Dadson said the county charges \$10 per vehicle. Councilman O'Kelley said he "saw something on autos" in the presentation handout. Mr. Dadson said they tax real and personal property. Ms. Todd said, "That's your tag." Mr. Dadson described taxable personal auto value and said, "They depreciate very quickly." Mayor Keyserling said the county collects for the state, and "then the state knows you've paid," and then the state sends you your tags. The city gets about \$250,000 in revenue from that, Councilman O'Kelley said.

Mr. Dadson said the two shortfalls were \$250,00 and \$345,000. Councilman Sutton said they make it up with a debt mill or a reserve mill. Mr. Dadson said if they do a reserve mill, it wouldn't cover operating shortfalls. Ms. Todd said it does to the extent the city's uncommitted fund balance falls short. Mr. Dadson said they have been able to hold expenses through the fiscal year, and have been able to put it in reserve. They try to keep 28% cash on hand. Additional money has been assigned, and then that is put back into public funds. They usually have a small surplus at the end of the year, and council utilizes the funds over time, but in regard to the mill rate, to regulate year-over-year expenses, the only way to make up the difference is that the mills must be added to "true up" the roll up. If there is growth beyond that, Mr. Dadson said, and it decreases the need, that's fine. The deficit mill goes into the operating funds. They could adjust accordingly if they end up not needing the mill increase. There has been a \$150,000 increase in Accommodations Tax and Hospitality Tax but, again, they're maxed out as to the amount that can be collected.

Mr. Dadson said many years ago, various fees in the state were charged in different jurisdictions; the state and municipalities agreed to collapse them all into the local government fund, which the state legislature controls and has been "consistently keeping for themselves," so "it is nearly zeroed out as far as what comes to the local governments." Everything that can be maximized by council in its current structures is maximized.

Councilman Sutton said they had expected diminishing funding streams the year before. Mr. Dadson said in 2014 they adjusted to those expenditures, so they took the park from \$400,000 to \$280,000 and \$150,000 in contracted service cost cuts in other areas. Stormwater was the only fee increase. Councilman Sutton said those service contracts will expire. Mr. Dadson said they are going out to bid on most of them in the next 4-5 months, and he doesn't know what the competitive market will come up with. Councilman Sutton said the service levels downtown have been cut down from an "A" to a "C." The park went from an "A" to needing an \$8 million renovation because it had no funding stream and needed to be maintained. Mr. Dadson said aesthetic issues have been taken out and they "are only maintaining the hard edges."

Ms. Todd said the utilities and the gasoline, which are consumable costs, are controlled by parties outside the city and have kept climbing; that's been shaved back to below 2014 levels,

so that has had an impact on services. Worker's comp went up \$115,000. Health care isn't that expensive, but there are mandated fees.

There was another review of revenues. Waterfront Park fees have an expense on the other side, as does the ABC fee, for example, which is balanced out by policing fees. Mr. Dadson said there's no point in asking the State for any help.

**Joe McDermott** asked what the \$345,000 shortfall is "based on"; Mr. Dadson replied that it is the decrease in collections to date and what they estimate will be the total shortfall by June 30.

**Kathy Lindsey** volunteered in regard to funding in Waterfront Park; she said most parks with this percentage of the budget have endowments. Central Park is funded 90% by its conservancy. She asked if they would allow citizens to approach with an idea about how to rev up funding. Mayor Keyserling said he'd encourage it, but they have to be sure the group and the city wouldn't go after the same grants.

Councilman O'Kelley said parents built the first Waterfront Park playground. Councilman Sutton said there is a Park and Tree Board now, and they could use a subcommittee. Ms. Lindsey said she was thinking of Waterfront Park. Mayor Keyserling said people could "befriend" a park. Mr. Dadson said the endowment would have to be of substantial size – \$400-500,000 a year – and they will be looking at a \$10-\$15 million rehab of the park in 15 years, so the size of the endowment would have to be huge. Ms. Lindsey said there seems to be an opportunity for citizens to put their money in Waterfront Park. Councilman O'Kelley said they used to get the garden clubs involved.

**Alan Dechovitz** asked if any part of the construction with the new squadrons coming to the base would help. Mr. Dadson said, "Anything on the base is hands off"; Mr. Dechovitz said if it were in the county, and if it were a new business to service the squadron, that could be an opportunity for annexation. Mayor Keyserling said "one of the biggies" has shown interest in the Commerce Park, but they often want to be "shielded" on the base, so they don't have to pay taxes, and some need security.

## **PLANNING**

**Libby Anderson** said the largest line item in their operating budget is contractual services: Safebuilt deals with building codes, and its both revenue and an expenditure – \$168,000 was put in for their building code function. Also, in regard to code enforcement, there's an hourly rate; they budgeted \$81,600 for salary.

They may or may not need \$10,000 for the demolition of vacant or abandoned structures, and if the need's there, they will need to hire a contractor. The total is \$259,000 and is down from \$298,000. If building permits go up, they will come back, but this is realistic. They are requesting \$1000 more for advertising; they are already over budget for this year. They run paid ads even if they don't have to, sometimes in order to invite the public to an important meeting. They went down in fuel, gas, and grease a little, Ms. Anderson said.

Another difference is office supplies, according to Ms. Anderson; they are taking it down \$500 to \$3000, and phone is down. They are requesting a little more in travel and training so a staff member can take a licensing exam to become a licensed architect. They also have a contract for training conferences to maintain qualifications, and they're split with other municipalities and the Lowcountry Council of Governments. The total budget request is for \$686,463. Councilman McFee asked about the \$338,163 on the 2015 request.

Mr. Dadson said if no building permits are requested, they have no expense; Ms. Anderson said the building official is here full-time now, and they are very pleased with the contract. Councilman O'Kelley said he would like to know "what amount of building permits they have going on." Mr. Dadson said they send that to council members every month from **Marty Kay**. Mr. Dadson said they are ahead of last year in single-family permits.

**George Trask** asked if personnel is in the budget, and Mr. Dadson indicated where it is. Ms. Todd said salary and benefit production is done separately in another module. What is done for the departments is done with finance and HR. The detail can be found online and in the council members' books, but the department heads present what they control, which is operations. The city manager controls the overall operations budget, Ms. Todd explained.

Mr. Trask asked where the expenditure was for the Lawrence Group. Mr. Dadson said there will not be an expenditure for them next year. Safebuilt, code enforcement, and demolitions are the three contracted services. Mr. Trask asked how the form-based code would be written. Ms. Lindsey said the newspaper had said the Lawrence Group will be working with the form-based code, and she wanted to know how much that would be. She asked if that was pre-paid. Mr. Dadson said they would have accounted for it for *this* fiscal year, whether it's been spent or not, and he would bring the number back to the next council session.

### **POLICE DEPARTMENT**

**Chief Matt Clancy** showed the numbers of tickets given, arrests made, etc. in 2013. In comparison between 2012 and 2013 in crimes, all were less than in 2013 than in 2012 except aggravated assault. Chief Clancy said the numbers "are a good tool to track your department and see if there are trends that need to be addressed." He said if people locked their cars and doors, the numbers would be a lot lower. He said the ongoing programs are the community response team, which allows direct and quick action to specific problems and concerns without taking assets from other areas; state accreditation, which they are going to try to get this year; and Nixle is a service that allows cell contact with the public, which broadens interaction with the community by allowing them to provide real-time information about something like the Woods Bridge being out.

A federal COPS grant is being applied for to pay for another officer, up to 100%. Chief Clancy went on to describe what some of the expenses were that had been cut: advertising, health and drug screenings, uniforms, etc. They don't want to cut body armor expenses, and the armor

needs to be replaced when they are no longer effective after 5 years. They reduced fuel, oil and grease with more fuel-efficient vehicles. The supervisors have also helped to control it.

In regard to information technology, Chief Clancy said they cut it by \$1000. Maintenance for the lease equipment they don't have any control over. Taking out the excess between what they were budgeted for and what they were using has cut down facilities maintenance, Chief Clancy said. They asked for an increase of \$5120 for contractual services.

They had asked for an additional \$10,000 and cut it to \$8000. They have a physical fitness program that they have never had before. There's a test similar to one at the academy, which is an obstacle course. They are trying to generate a better attitude about fitness. The highest achiever in each age category gets an award, and they want to take it to the next level, he said, and get a membership for the officers with one of the fitness centers so they can tell them that they have to use it a certain number of times per month. They will have a healthier, stronger population and also save on workers' comp and health insurance.

They are scheduled to replace their boat this year, and they don't control the increase in tort liability, Chief Clancy added. It was an increase of \$14,636. Chief Clancy went on to describe the proposed capital purchases for the police department. They were looking to replace 4 Crown Victorias with new Chargers. They also have 2 Tahoes – 2005 and 2006 – which are “workhorses.” Both have more than 100,000 miles on them, so maintenance costs are going up and mileage is going down.

On the long-term schedule, he said, the boat was due for replacement this year. They were also interested in getting small cameras that clip on uniform lapels. Tahoes are about \$500 more than the Chargers. He showed the costs for the vehicles and equipping them and to replace the boat. Pinning down a price on the boat is difficult, Chief Clancy. At any rate, it was cut from the budget. Mr. Dadson said they had asked for 6 vehicles and the cameras. Staff recommended 4 vehicles, no boat, and the cameras for a total of \$149,000.

Chief Clancy said those who've looked at the boat have looked at the electronics and “basically, there's no value there.” Councilman Sutton asked if it was dual engine, and Chief Clancy said it was; when they first got it, they were involved with dive teams, but when that activity died down, they didn't need two engines. The engine they have is efficient, and people are more interested in it than in the hull.

Councilman Sutton said eventually they will need a boat. He thinks the resources on the water aren't great, and he asked if they have looked at the trade-in value for a boat or a lease option with a local vendor. Chief Clancy said they have talked about trade-in, and there's a lot of interest in the engine, but he knows no specific numbers. Councilman Sutton recommended that they not get the same boat again. Chief Clancy said they're looking at totally different boats than what they have now; they have looked at surplus options.

Chief Clancy said they have 4 officers' positions that they are trying to fill. Councilman Sutton asked Chief Clancy if he would trade a car for a boat, and Chief Clancy said he's not sure. They need the cars every day and don't want to end up short.

There will be a special meeting next week to discuss the memorandum of understanding and the Marina parking lot, Mayor Keyserling said, and the next budget meeting will be on May 13.

Mayor Keyserling said 3 of the other 4 municipalities have submitted projects for the capital tax. Town of Port Royal has put in the purchase of the port as of yesterday. Bluffton's was \$30 million to finish 5A or 5B. He doesn't know what Hilton Head Island has put in, but he's sure they have. So the City of Beaufort has to give its county councilperson something, and they "need to decide if they hold tight to the CIP or come up with something." Mr. Dadson said those things have been priced out 5 years. Mayor Keyserling said no one can pull a project out of the air and have a serious, honorable budget, so the city would be doing what the other municipalities are doing.

Mr. Dadson said the capital on the books currently is in the council books on the budget; Chapter 11 of the Civic Master Plan lists out all of the civic projects. Some are "costed out, and some are orders of magnitude," e.g., \$100,000 – 200,000. Ms. Todd said the Capital Improvement Plan is in there, and the highlights in blue are already funded. There are 3-year plan projects with estimated budgets. Mr. Dadson said they have given it to the county 3 times and given it to representative Bill Robinson and to reporters at the *Beaufort Gazette*. It's been the same prioritized list for the last 3 years.

Councilman Sutton said he had heard about the idea of using capital projects fund money to build a parking garage or the park extension but it will only be one-time funding. There will be no maintenance fund. Mr. Dadson said they don't have "real pricing" for either of those things.

Mr. Dadson said the Open Land Trust has dealt with land and parks and council discussed the amount of maintenance costs it is stuck with, yet the city is asked for its share to buy it. On the last two buys, the city negotiated the Open Land Trust maintaining it. The amount of parks land the city maintains is huge, he said.

Gross sales have stayed flat in Sector One for 7-8 years, Mr. Dadson said, though the HTAX and ATAX numbers have gone up. Unless more units are activated, it will stay flat, and the problem will stay the same. Councilman Sutton said they should look through the capital budget about roads the city owns, and maybe they should look at the things that don't seem important now "but could come up and bite us."

Mayor Keyserling said Hilton Head Island was asking for soft costs to design and purchase right-of-way for a bridge that is supposedly 10 years out. He doesn't know if that might create issues – i.e., how long can out hold the money – and this could apply to the City of Beaufort, too. Mr. Dadson recommended they look at the 3-5 year not funded list and Chapter 11 of the Civic Master Plan. Mayor Keyserling said a parking garage would allow the downtown to grow, as a

practical matter, and might help a little with the churches not needing as much space, depending on where it is and who operates it, but “it’s not a very sexy item.” Mayor Keyserling described the history of capital referendums. He said people say that the public’s not in the mood for any discussion about tax. Councilman Sutton said it would be different if it were a conversation about LOST.

**ADJOURNMENT**

There being no further business to come before city council, the meeting was adjourned at 7:00 p.m.

ATTEST: \_\_\_\_\_  
IVETTE BURGESS, CITY CLERK