

A work session of the Beaufort City Council was held on May 24, 2016 at 5:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Councilmen Mike McFee, Phil Cromer, George O'Kelley, and Stephen Murray, and Bill Prokop, city manager.

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.

CALL TO ORDER

Mayor Keyserling called the work session to order at 5:02 p.m.

PRESENTATIONS: FY 2017 BUDGET

Mr. Prokop said department heads had to take less than they had requested in some cases, because the state prohibits raising taxes beyond a certain point; there has been budget added to hire eight city personnel. Walmart, Harris Teeter, and hotels are being built, he said; the additional personnel are necessary because "we have to be prepared for (this development), not behind it." If they had not added these positions, he said, there would have had to be cuts in services like police and fire.

Kathy Todd, CFO, said the budget recommendation would be on the city's website the following day. She described the phases of the budget process and then the budget calendar. She went on to review relevant financial policies that apply to amending the budget, providing budget control and reporting, etc.

The accounts are divided into funds: General, Special Revenue (State Accommodations, Redevelopment, Roads and Public Safety Capital Impact, which is new, and TIF 2). The total consolidated budget recommended for FY2017 is \$20,954,305.

Ms. Todd showed the budget summary. The City of Beaufort's primary revenue source is property tax, at 31%. The taxable assessed value of real property in 2016 has grown 4.4% over 2015. The total is \$61,347,962. Personal properties' taxable assessed value grew 1%, and vehicles' taxable assessed value went up 16%, so the total taxable assessed value is just over \$77 million. The recommended budget includes an estimated inflationary factor of 1.86%, which increases the operating mil value by .96 mil, Ms. Todd said. It's recommended that the debt mil remain at 20.78 mils. The total recommended mil value is 73.57 mils.

Ms. Todd reviewed other General Fund revenue recommendations. Local hospitality tax, local accommodations tax, and state ABC tax are up a total of 16.9%. Intergovernmental revenue includes a federal assistance to firefighters grant for \$217,000.

In summary, the General Fund revenue recommendations are to increase the operating millage by .96 mils, Ms. Todd said, adjust business license rates according to a study by MASC, and increase off-duty pay from \$48 to \$50/hour for police, from \$34 to \$38/hour for firefighters, and from \$35 to \$36/hour for Public Works. She also reviewed various proposed parking fee

changes, and said staff is proposing that park rental at Southside Park and Pigeon Point Park, which has historically been free, would be \$320 per day.

Councilman O'Kelley said he feels this park rental fee is "a very high jump." Councilman Murray agreed, and added that he thinks the jump in the fee for festival organizers' parking spaces from the "ridiculously low" \$1.60 to \$12 per space per day is too great. Councilman O'Kelley said he doesn't have a problem with that, but he does have a problem with charging so much to rent Pigeon Point Park and Southside Park.

Ivette Burgess said the number of requests to rent Pigeon Point Park for an entire day is "miniscule." They have discussed implementing a refundable fee of \$25 – \$50 to keep people accountable. Mayor Keyserling said these parks are different than Waterfront Park. He's been to 4 or 5 nonprofit events at Southside Park, and they only used a small portion of the park for the event. Councilman Cromer and Mr. Prokop said there are expenses – e.g., Public Works has to cut the grass and clean up – after it's been rented.

Mr. Prokop said if someone has to have a wedding in Pigeon Point Park or Southside Park and wanted the park "blocked off for 2 hours," staff feels they should pay a fee. Councilman Murray said the fee should be enough to cover staff time for administration of the rental and park maintenance. Ms. Burgess said council has discussed fees at Pigeon Point Park in the past, and **Liza Hill** had also "proposed some type of fee" there.

Councilman O'Kelley said he doesn't think people who get married on the Bluff pay a fee. Councilman Murray said council has discussed "the grey areas about what is and isn't allowed" when someone uses Southside Park. In addition to a fee, he would like to see the rental process more formalized. He said he'd like to see a usage presentation about Southside and other parks.

Mayor Keyserling said no one is or would be excluded from walking anywhere in Southside or Pigeon Point parks during an event because it wouldn't be not fenced, so people could still use the dog park, etc. Ms. Burgess said, "Staff has a huge concern with" noise, alcohol, etc. at Southside Park, and they feel guidelines are needed.

Councilman Murray asked about increases in police, fire, and Public Works rates. Mr. Prokop said the retirement fee had gone up this year and the year before.

Councilman O'Kelley said rental fees for parks are "the very type thing where our citizens and our visitors are saying the City of Beaufort is not friendly."

Ms. Todd said refuse collection revenues are down because commercial refuse billing and collections are done by the contractor for a 5% franchise fee. There's a corresponding reduction in the operational cost.

Recommendations for the salary budget include a cost of living increase of 1.5% for all

employees. This is the last year for longevity increases, Ms. Todd said.

Police department salaries include 4 new positions; there will be a new employee at the fire department for code enforcement, a new development review coordinator in planning, and 2 new employees in Public Works. There were also merit increases for 16 employees due to increased responsibilities and/or “performance beyond expectations.”

There is a modest increase for benefits, Ms. Todd said, over last year’s budget. Mr. Prokop said they had been told there would be a bigger increase of 8% on health insurance, but they got it down to zero through negotiations.

Ms. Todd reviewed the operations budget. The department heads’ presentations are included in the budget packet for council’s review, she said. A new fund is recommended for the capital needs of the police and fire departments and Public Works; capital needs of all other departments will continue to be accounted for in the General Fund.

City council is up operationally by 5%, Ms. Todd said. Mayor Keyserling asked if the expenditure of \$409,779 was during “the big lawsuit,” and Ms. Todd said yes.

Ms. Todd discussed the recommended budget for the state accommodations tax (ATAX); last year, the city utilized fund balance from previous years to “support tourism-related expenditures,” and they will again this year. According to a 2014 study by USCB, Ms. Todd said, the number of tourists in Beaufort is 21 times the number of residents.

The city will continue to allocate a portion of the salaries and benefits of the police department in support of tourism-related activities affecting the city from the state accommodations tax, Ms. Todd said. The amount of accommodations tax designated for police salaries and benefits was 2.59% of the police budget in FY 2016. For FY 2017, the allocation will be \$74,821 for personnel and \$34,911 for benefits.

The DMO is recommended to receive \$138,500, Ms. Todd said. Tourism grants went up by \$5000, and the transfer to the General Fund is \$48,084 for FY 2017.

Ms. Todd discussed the “Roads and Public Safety Capital Impact Fund,” which is new. She said it is needed because of the “public expectation and the demand for quality public services for roads and rights-of-way and for public safety,” while the state government increasingly “shift(s) responsibility and expense for public services . . . to municipal governments.”

The state allocation to the city also continues to decrease, Ms. Todd said, which has “resulted in an increase of financial pressure and strain on the city’s capacity to continue to provide (for) the capital needs and other future improvement needs” of Public Works and public safety departments.

Therefore, it is proposed that revenues could be generated through an impact fee imposed on

owners of parcels of non-governmental real property within the city limits, Ms. Todd said. The initial fee is recommended to be \$60 per parcel and will be billed on the real property tax bill. The use of the funds would be restricted to current and future capital needs, including vehicles and equipment for Public Works and public safety. No portion of the fee could be used for ongoing operations and maintenance of these departments, for General Fund expenditures, or for other purposes.

Councilman O'Kelley said revenues from the fee are proposed to be used for benches, water fountains, etc. When the fee was initially proposed, this revenue was meant to be used for public safety. Mr. Prokop said, "This is not just limited to public safety, per the attorney. This is also Public Works."

Mayor Keyserling said he'll support it because the city spends \$700,000 to maintain state assets, but this version staff has proposed is "just another fee," and it "could grow more and more every year." He feels it's "not directed to why we have the shortfall." The city would have the money for these things in Waterfront Park if the state maintained its roads, he believes. Mayor Keyserling fears the fee "has the potential to grow and grow," and the city will access it whenever it needs something. This is not what he was expecting, he said.

Councilman O'Kelley and Councilman Cromer agreed that they had thought this fee was "a temporary fix." Mayor Keyserling said he didn't think the fee should be ongoing. It should be used specifically to maintain those assets that "people want maintained in the city." Mr. Prokop said legally it can only be used for capital, not maintenance and operations costs.

Ms. Todd said, "Part of funding capital has always come from the excess of revenues over expenditures in a given year. That's what your fund balance policy states." The excess is distributed among land acquisition, redevelopment, and vehicle and equipment replacement. When operating costs climb, the ability to fund them in fund balance "disappears," Ms. Todd said.

Mayor Keyserling said, 4 or 5 years ago, "We were going 'pay as you go' on capital expenses like police cars." He feels the city is "slipping back into bad habits" that they had "done a good job of paring back." Mayor Keyserling said this fee is "a back door tax increase . . . it's paying for things the city ought to be paying for anyway."

Councilman McFee agreed with the other councilmen that "this was expanded a lot more than we'd talked about." He said he'd also thought the fee would be "used for a time as a stop gap measure and then go away." Mr. Prokop said that "could be added easily." Councilman Cromer said he had expected that, as growth brings in revenue, they would be able to eliminate the fee. He supports it as a temporary, not permanent, measure.

Councilman Murray said he understands staff's need for \$700,000, and it's unfortunate that the revenues from this fee can't be used for maintenance and operations. Mr. Prokop said the state specifies that stormwater revenues can be used for maintenance and operations, but such a fee

cannot. Councilman Murray said he's in favor of meeting "critical public safety needs," but he has a hard time with furniture replacement and water fountains in Waterfront Park. "Knowing the growth that is coming," and that an increase in revenues will come with it, if those Waterfront Park needs have to be deferred a year, maybe they should be, Councilman Murray said.

Councilman O'Kelley said the fee can't be used for maintenance and operations, and furniture and water fountain replacement is "clearly maintenance." Mayor Keyserling said he thinks they should see what can be cut from money used for "maintaining state assets . . . What is the price of not having the rights-of-way mowed?" he asked. "At some point," Mayor Keyserling said, "we have to send the message to the state and the public" that the budget is up 10%. Money for police officers and firefighters wouldn't be cut. Instead, they would cut maintenance of state assets; they have been subsidizing maintenance by cutting police officers' salaries, their vehicles, etc. Councilman Murray said Public Works' needs are justified, but they have taken money out of that department's budget for this purpose for 4 years.

Councilman McFee said by statute, these are capital items, so they "are within the guidelines of what we can do." He said he's okay with using the proceeds of the fee for equipment and new vehicles but not for "the Waterfront Park items."

Mr. Prokop said there's a possibility that some contracts – roadside mowing and street sweeping, for example – could be included for the use of revenues from the fee.

Councilman Murray said all parcels in the city receive the benefits of public safety and appropriate infrastructure, but it is harder to justify why nonprofits would have to pay a \$60 fee. "They may not take advantage of some of the things on the list," he said.

Ms. Todd said the ordinance is "extremely restrictive." She said **Danny Crowe**, the city's bond counsel, had said that if they use the fee's revenues for operations and maintenance, it will have a greater chance of looking like "a hidden tax, not a fee."

Mayor Keyserling said that the state needs to hear "loudly and clearly" that they are "in our pocket for \$700,000 a year to maintain their assets." He said he's frustrated that "we can't be honest with ourselves and with the public about the position we've been put in."

Mr. Prokop said staff will go back to its counsel to see if the wording can be changed, but there's a \$333,000 shortage that they need to fill.

Ms. Todd discussed what the redevelopment fund is and its recent accomplishments. Two grants have been awarded to date: one for \$5000 and one for \$237,724 for "assistance to firefighters." They should hear about whether the city is awarded other grants by the end of the city's fiscal year and the end of the federal fiscal year.

The city had also enhanced its parking management, Ms. Todd said, and she reviewed parking

accomplishments. Since personnel were assigned to manage parking, and a parking facility consultant was hired, parking “revenues have been trending upward.”

Ms. Todd reviewed current performance initiatives, and then goals and new initiatives for FY 2017. The budget needed to achieve FY 2017 goals and initiatives includes 20% of the salary and benefits for the municipal court administrator and a portion of police salaries and benefits to support redevelopment and economic initiatives.

The tax increment fund (TIF 2) is primarily used for the Boundary Street project, Ms. Todd said. It will be paid in full as of June 1, 2017. There's a TIF 3 layer, she told council, but neither the county nor the school district is in support of continuing with that. She reviewed the revenues and expends related to the TIF.

The Capital Improvement Plan (CIP) and Capital Project Budget

Stormwater projects are included if they span a year or longer, Ms. Todd said. Recommended FY 2017 projects total \$727,363. That leaves a little over \$100,000 in bond money for other asset priorities in FY 2017. Mayor Keyserling asked if any of these projects could be postponed to offset the shortfall. Ms. Todd said this has nothing to do with the shortfall; “This doesn’t affect the General Fund at all.” Mr. Prokop said the projects can and probably will be delayed, but it doesn't affect the expenses.

Mayor Keyserling said they are spending \$172,000 on buildings that are being essentially “given” to the Chamber of Commerce. Mr. Prokop said, “Legitimately, some of these costs can be ATAX-funded.” So the city could “apply for a grant for the windows in the visitors center, and possibly the Carnegie Building,” and they could also do that for the Depot Building and the Spanish Moss Trail.

Councilman Murray asked what the City Hall storage retrofit is. Ms. Todd said there’s an area in the basement where 2–3 year documents are retained. In a storm, they would have to be moved, so they thought they would retrofit the old human resources suite, so they would have somewhere to move the documents to in the event of a storm.

Councilman Cromer asked if there was a generator for the HVAC system. Councilman McFee said not in this building. Mr. Prokop said this needs to be upgraded – it’s missing parts – and it doesn't have the thrust needed to start. There is a placeholder in this budget for the generator. The HVAC repair is different and not a part of that placeholder. Councilman Murray asked if the fire department’s “concrete pads” are sagging. Fire Chief **Reece Bertholf** said they are “absolutely” sagging.

Councilman Murray said a lot of the proposed fee items “wouldn't come under capital projects,” so some items couldn't be replaced “if we had to defer some of these.” Ms. Todd said, “You could put it on the capital projects list, but you still have to identify a funding source (for) capital projects.” Ms. Todd said the bond was written more for infrastructure repair, etc. Mr. Prokop said he’s not sure it could be used for vehicle repair and replacement.

Staff will check into the procedures and costs in Southside and Pigeon Point parks, Mr. Prokop said. The purpose of the public safety fee is the same as when it was first discussed with council, he said, but because he understands the objection to the Waterfront Park furniture and water fountain, he and Ms. Todd will see what they can do legally. He said, “contracts come to mind” (e.g., for street sweeping), so he will see if things like that could be put under that fee. He said he thinks street sweeping and cutting rights-of-way would total \$200,000.

Councilman Murray said if they stopped doing maintenance of state-owned assets, people could call the DOT every day and ask when they are going to start maintaining their assets. Mr. Prokop said the median on the highway to Savannah is a new state road, but no one is maintaining it after millions were spent on it.

Councilman Murray asked how much was in the fund balance “over the state-required minimum.” Ms. Todd said there is no state-required minimum; there is currently about \$700,000 in fund balance for capital (vehicle and equipment) needs. The undesignated fund balance is \$8.2 million, she said, which is 28% and covers 3.5–4 months of operating costs; using it “would affect your bond rating,” even if council changed its ordinance. The rest is assigned, committed, or restricted, Ms. Todd said. There is a committed fund balance for land, she said, but she didn't know that amount.

Jim Beckert, the Beaufort County auditor, said since he took office last July, he and his deputy have “gone out and looked for” untaxed personal property in Beaufort County. As a result of this effort, more than \$25 million in assets have been added to the county’s tax rolls. They billed more than \$385,000 in unanticipated new taxes, with a collection of \$330,000 countywide. He doesn’t know how much of a cut will come to the City of Beaufort.

Mr. Beckert said the county has now hired two property inspectors who will look for various types of personal property whose owners have not paid tax on it, Mr. Beckert said. The auditor’s office is looking for ways “to expand the tax base” by putting untaxed property on the tax rolls.” He said the county look(s) at this “as a starting point,” not as a “punitive” measure. Next Monday, property inspectors will be out looking around the county for assets that are untaxed.

Mr. Prokop asked if the focus is on personal property, real estate, or both. Mr. Beckert said they’re focused on personal property, but if the auditor’s office identifies real estate that is untaxed, they will report that. Mr. Prokop asked, if they knew of real estate that’s being rented, and it’s furnished, if the furnishings are “the personal property of the entity that’s . . . not paying taxes.” Mr. Beckert said that’s correct: “State law says you can rent . . . property for 74 days, but the position of the auditor’s office (on) rentals is that you would not (be) likely to rent a hotel room that is unfurnished . . . (and) you would not rent a house that is unfurnished.”

Mr. Beckert said again that they had found \$25 million in untaxed personal property countywide; “one vessel that (was) put back on the tax rolls (was worth) \$4 million, and the tax

bill was \$2000,” he said. Councilman O’Kelley said that cars and boats must be registered, so it’s odd that this property is not already on the tax rolls. Mr. Beckert said, “You’d be surprised.”

Ms. Todd said there’s been a 33% increase in taxable assessed value on personal property since tax year 2013 (compared with tax year 2015). Mr. Beckert said when they have “a million dollars in the bank . . . for the county or each . . . municipality, you’re going to get a visit from us with a banner.”

There being no further business before council, the work session was adjourned at 6:36 p.m.

EXECUTIVE SESSION

Pursuant to Title 30, Chapter 4, and Section 70 (a) (2) of the South Carolina Code of Law, **Councilman O’Kelley made a motion, seconded by Councilman McFee, to enter into Executive Session to discuss pending litigation and the city’s potential involvement as a supporting party in South Carolina Environmental Law Project litigation over seismic testing along the South Carolina coastline. The motion passed unanimously.**

A regular meeting of the Beaufort City Council was held on April 26, 2016 at 7:00 p.m. in the Beaufort Municipal Complex, 1901 Boundary Street. In attendance were Mayor Billy Keyserling, Councilmen Mike McFee, George O’Kelley, Phil Cromer, and Stephen Murray, and Bill Prokop, city manager.

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.

Councilman O’Kelley made a motion, second by Councilman Murray, to adjourn the Executive Session. Mayor Keyserling said no action was taken. **The motion passed unanimously.**

CALL TO ORDER

Mayor Keyserling called the regular meeting to order at 7:02 p.m.

INVOCATION AND PLEDGE OF ALLEGIANCE

Councilman McFee led the invocation and the Pledge of Allegiance.

PROCLAMATION OF JUNE 2, 2016 AS NATIONAL GUN VIOLENCE AWARENESS DAY

Councilman McFee read the proclamation, and Mayor Keyserling presented it. **Councilman O’Kelley made a motion, second by Councilman McFee, to approve the proclamation. The motion passed unanimously.**

MINUTES

Councilman McFee made a motion, second by Councilman Murray, to approve the minutes of the work session and regular meeting April 26, 2016. Councilman Cromer said on page 2, in the second paragraph, in the first sentence, the word “about” should be deleted, and on page 4, in regard to the public service fee, the word “pat” should be “past.” **The motion to approve the minutes as amended passed unanimously.**

Councilman O’Kelley made a motion, second by Councilman Murray, to table the review of the minutes of the special work session on May 3, 2016 to allow council more time to read them. The motion passed unanimously.

REQUEST FOR USE OF DOWNTOWN MARINA BOAT RAMP AND FREE PARKING IN THE MARINA PARKING LOT FOR THE ANNUAL BEAUFORT SWIM EVENT

Councilman Murray made a motion, second by Councilman McFee, to approve the request for the June 11, 2016 event from 8 a.m. – 12 p.m., hosted by the YMCA. **Mike Bostwick**, CEO of the YMCA and **Pete Palmer** made a brief presentation. Ms. Burgess said some parking fees have been waived in the past for this event. **The motion passed unanimously.**

NOISE ORDINANCE WAIVER REQUEST FOR CONSTRUCTION WORK ON SPANISH MOSS TRAIL SEGMENT 7, STARTING MID-JUNE

Councilman Murray made a motion, second by Councilman McFee, to approve the request to waive the noise ordinance. Mayor Keyserling said most of the area of this construction is not in

the city, but the county has asked the city to permit it “so it would go faster.” **The motion passed unanimously.**

NOISE ORDINANCE WAIVER REQUEST FROM PHIL CROMER FOR A PRIVATE EVENT

Councilman McFee made a motion, second by Councilman O’Kelley, to approve the request to waive the noise ordinance for the June 4, 2016 event. Councilman Cromer, as the applicant, recused himself. **The motion passed 4-0.**

CITY MANAGER’S REPORT

Mr. Prokop congratulated the fire department and **Deborah Johnson** for obtaining a \$217,000 grant with a low city match that will allow the fire department to get gear that could not be budgeted for.

Mr. Prokop said on June 21, there’s a Redevelopment Commission meeting that they hope the public will attend to hear about “some very positive and exciting economic development opportunities.” It will be at 5 p.m., and there will be no council work session.

MAYOR’S REPORT

Mayor Keyserling asked if “anything had been done about the Memorial Day parade.” Ms. Burgess said she had not planned anything. Councilman McFee, Mayor Keyserling, and Councilman Murray said they would attend.

COUNCIL REPORTS

Councilman Murray said he had attended the Northern Regional Planning Implementation Committee Friday to create a quorum. There was a JLUS (joint land use study) update, and “they hope to roll that out in 6–9 months,” he said. There is \$250,000 in TDR (transfer development rights) funds available that the city might consider using as an incentive to attract business, Councilman Murray said.

There being no further business to come before council, **Councilman O’Kelley made a motion to adjourn the meeting. Councilman Murray seconded. The motion passed unanimously,** and the meeting adjourned at 7:24 p.m.