

## ACCOMMODATIONS TAX ADVISORY COMMITTEE

The Accommodations Tax Advisory Committee held a meeting at 11:00 a.m. on Wednesday, April 2, 2014 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Committee members Burgis, Covington, Miller, Nelson, Rice and Chair Russell, City Administrator Tucker, Treasurer Suggs, Assistant to the Administrator Dziuban and City Clerk Copeland. The absence of Ms. Haynie was excused. There was a quorum to conduct business.

1. Chair Russell called the meeting to order and acknowledged that the press and public had been duly notified of the meeting in accordance with the Freedom of Information Act.

### 2. Approval of Previous Meeting's Minutes

**MOTION: Ms. Rice moved to approve the minutes of the meeting of March 5, 2014 as submitted; Mr. Burgis seconded and the motion PASSED UNANIMOUSLY.**

### 3. Citizens' Comments

#### Presentation by Perrin Lawson of the Charleston Visitors Bureau

Mr. Lawson's presentation showed the many ways that the Charleston Visitors Bureau (CVB) advertises the City of Isle of Palms. Included was the advertising done in Nashville when Southwest assigned a larger plane with greater capacity into service on the direct flight to Charleston. With direct flights from Boston, the CVB will push the advertising heavily. Some of the magazines that advertise the Charleston area are *Town and Country*, *Real Simple*, *Bon Appetit*, *Southern Living*, *Coastal Living*, *Family Circle*, *Vanity Fair*, *GQ*, and *Garden and Gun*. The City of Isle of Palms is also publicized in the many guide magazines that the CVB distributes. He announced that on May 25<sup>th</sup>, a segment of the television show "Sweet Retreats" on the Living Well Network will focus on the Isle of Palms.

Mr. Lawson reported that occupancy in the Charleston area in 2013 increased by fifteen percent (15%) over 2012, averaging seventy-two percent (72%).

Mr. Covington asked how many beach communities in the area contribute to the CVB; Mr. Lawson named the Isle of Palms, Folly, Kiawah and Seabrook.

In response to another question from Mr. Covington, Mr. Lawson stated that the CVB budget for advertising is twelve million dollars (\$12,000,000).

Mr. Covington's final question was how often print advertising specifically references the Isle of Palms; Mr. Lawson stated that the CVB advertises the entire Charleston area, not any one (1) local municipality or local beach.

Ms. Rice related holding a tea tasting at the Charleston Place Hotel and noticing how many guests were from Boston.

Chair Russell explained that individual hotels buy advertising space in magazines through the CVB.

Mr. Covington reported that there are seventeen hundred (1,700) rooms on the Isle of Palms and indicated that such information needs to be advertised.

As far as contributors to the State ATAX fund, Wild Dunes pays the bulk of ATAX repaid to the City.

Following up on a request from the March meeting, Administrator Tucker distributed a copy of the South Carolina Code related to the City's hiring of an advertising agency. On the subject of the City's forming its own tourism promotions, the Administrator reported that the Treasurer had reached out to Folly Beach, who has its own tourism board. Should the City decide to pursue that venture, the entity would have to acquire the status of a 501(c)3, a non-profit organization. Once that is accomplished, the City would select an independent board responsible for the use of ATAX funds. At the beginning of the fiscal year, the board must submit for approval a budget of planned expenditures to the state, and, at the end of the fiscal year, the board must submit an accounting of expenditures for its municipality.

Administrator Tucker recommended that each member of the ATAX Committee would benefit from receiving the weekly newsletter from the CVB.

**4. Old Business – None**

**5. New Business**

**Review of FY15 ATAX Budget**

Administrator Tucker explained that the City was taking a different approach to the FY15 budget, and, in doing so, the first budget presented to Council was a projection of revenues for the coming fiscal year. Secondly, staff laid in the projected expenditures for both Operating and Capital Budgets, and staff provided Council a menu from which to choose to close the gap between projected revenues and expenditures for FY15. Included in the menu are items to increase revenues and to reduce expenses. The Administrator added that the City has never used ATAX funds to pay for any full-time positions and that, at the budget workshop scheduled for April 22, City Council could make changes to the proposed ATAX FY15 budget.

Based on the past eight (8) months of this fiscal year, revenues have been increased to include:

State ATAX Revenue-related	\$1,014,000
State ATAX Revenue-promotion	468,000
Miscellaneous Income	5,000

The City hopes to increase the number of holiday light displays and, therefore, increase sponsorships.

Transfers out of the ATAX Fund are:

To island-wide Beach Maint. Fund	50,000
Add to the reserve for long-term beach mgmt.	
To island-wide Beach Maint. Fund	59,006
Ongoing monitoring of entire beach	30,000
To Marina debt service	159,006
$\frac{1}{3}$ of total marina debt service	
To Rec Building Fund for Beach Run	3,000
To marina	50,000
$\frac{1}{2}$ of cost to design new docks on Morgan Creek	

Expenditures included in the FY15 ATAX budget include:

General Government

Bank service charges	75
Water and sewer	600
Irrigation for Breach Inlet sign area	
Advertising	8,000
Reorder maps, camera-ready art for ads	
Professional services	38,000
$\frac{1}{2}$ of wayfinding sign plan design and parking mgmt. plan design (estimated FY15 expense on contracts currently under way)	
Programs and sponsorships	78,750
ATAX Committee discretionary fund and July 4 <sup>th</sup> fireworks	
Miscellaneous and Contingency	3,000
Capital Outlay	50,000
$\frac{1}{2}$ of fabrication and installation of Phase III wayfinding signs and additional holiday light displays	
Tourism Promotion General	25,000
Website t-shirt giveaway, ongoing website maint., including offsite backup for disaster recovery	
Tourism Promotion – 30% costs to CVB transferred to CVB according to state law	468,000

Police Department

Non-capital tools	6,300
Scheduled replacement of body armor	
Professional services	50,000
$\frac{1}{3}$ provision for implementation of beach access parking solutions	
Capital outlay	17,500
Replace Beach Services all-terrain vehicle	

Fire Department

Capital outlay	70,250
Replace all-terrain vehicle, ¼ of replacement of Rescue Truck from reserve funds	

Public Works

Miscellaneous and contingency	11,000
Pooper-scoops and replacement of pooper-scooper station and beach trash barrels	
Capital Outlay	64,333
⅓ cost of new garbage packer (from reserve funds)	

Recreation Department

Special Activities	48,000
Donation to sponsor IOP Beach Run and to Exchange Club to sponsor IOP Connector Run & Walk, holiday street festival, music event, cultural event, Easter egg Hunt, sand sculpting contest	

Public Restrooms/Front Beach area/Breach Inlet

Electric and gas	1,300
Water and sewer	14,000
Maintenance and service contracts	66,250
½ cost to resurface City-owned portion of Ocean Blvd.	
Cleaning and sanitary supplies	5,800
Increase based on actual	
Insurance	3,225
Includes property, liability and flood with estimated 5% rate increase	
Professional services	70
Backflow tests	
Contracted services	126,833
Year-round restroom attendant, year-round business district trash pickup, beach cleanup, fill holes on beach	
Miscellaneous and contingency	5,000
Construction in progress	24,610
½ of cost to evaluate alternatives, design for approved site and bid documents for new public restrooms	

Overall, the ATAX budget shows a four percent (4%) increase over the FY14 budget.

Mr. Covington asked how the ATAX revenue was projected to increase by ten percent (10%) in FY15; Treasurer Suggs responded that the revenue projections are based on the past twelve (12) months actual history.

Mr. Covington also questioned the dramatic difference between FY14 and FY15 transfers to the marina. The Treasurer replied that the FY14 budget covered one hundred percent (100%) of

the Tidal Wave dock replacement, which was not done; the dock was only rehabilitated in 2014. Administrator Tucker added that commercial docks have different requirements that residential do not have; commercial docks also have Corps of Engineers and OCRM regulations that must be adhered to, which run up the cost of design and construction.

Administrator Tucker directed the Committee's attention to the 11"x17" sheets; she explained that these are operating expenses for the Fire, Police and Public Works Department. These expenditures are spread by funding source with the percent of the total operating budget being supported by that source at the bottom of the columns. The Administrator pointed out that there is information in the bottom right of each page that is based on historical data, indicating the extent to which each department's services is attributable to tourism, thereby justifying the use of tourism funds to cover various expenditures in each department.

As presented, the Police Department will get three percent (3%) of its expenses paid from State ATAX funds; based on the fact that the Department can attribute twenty-two percent (22%) of its calls to tourism, the argument could be made that twenty-two percent (22%) of Police Department's expenses could be paid from tourism funds. The Fire Department has real data that indicate fifty percent (50%) of their calls are non-residents; therefore, conceptually, the tourism funds should be paying half ( $\frac{1}{2}$ ) of Fire Department expenses. With one-third ( $\frac{1}{3}$ ) of the homes on the island rental units, Public Works could be getting one-third ( $\frac{1}{3}$ ) of its expenditures paid from tourism funds.

Since the only way to balance the budget is to cut expenses or increase revenues, staff prepared a menu of possible expenses that could be paid from tourism funds and an expense that could be deferred for a year. Suggestions related to the State ATAX fund are:

For summer weekend part-time firefighters	10,929
Transfer on for 3 new firefighters	164,352
Transfer in for 1 firefighter	54,784
Transfer in for 1 patrol officer	55,716
Move re-paving of Ocean Blvd. to FY16	56,250

Again Administrator Tucker commented that, historically, the City has not paid any expenses for full-time positions, but the list above pays wages, fringes and taxes for one (1) position each for the Police and Fire Department. The Administrator also reminded the Committee that Council will hold its budget workshop on Tuesday, April 22<sup>nd</sup> and Council could approve or reject these suggestions or choose to increase the level of support from tourism funds.

When Ms. Rice questioned that transfers-in for firefighter wages and benefits were on two (2) separate lines, Administrator Tucker explained that Council only recently approved the addition of three (3) new firefighters for Station 2, and the recommendation was to fund them from State ATAX. The decision to add them was based on the need to mimic Station 1's level of response at Station 2 and to standardize training at the two (2) stations.

Treasurer Suggs remarked that she had omitted the debt service and interest on the Public Safety Building, but it would be added for the next version of the FY15 budget; the State ATAX fund pays fifty percent (50%) of that expense.

Mr. Covington asked how many patrol officers were in the IOP Police Department and was told the number is twenty (20) uniformed officers. Mr. Covington followed up by inquiring how many officers were on Sullivan's Island and Folly Beach. Since Sullivan's Island is geographically smaller than the Isle of Palms, Administrator Tucker indicated that their Police Department has about half (½) as many patrol officers as the Isle of Palms. The Administrator stated that she did not know how many officers served Folly Beach, but that she could find out.

Administrator Tucker explained that, in years past, the staff has made decisions on the use of tourism funds to off-set tourism-related expenditures, but, with the new process, decisions fall to City Council on ways to increase revenue and reduce expenditures.

Mr. Covington asked where the money will come from to pay expenses from tourism funds, and the Administrator said the money will come from fund balances. Mr. Covington suggested that, if reducing the fund balance to pay expenses were to continue, eventually the fund balance would be zero (0). Administrator Tucker said that situation would only arise if revenues decreased, which, historically, is not the case for tourism funds. The Administrator explained that sometimes tasks assigned to tourism funds do not get done in a budget year and are carried forward to the next; at other times, projects come in under budget. The Administrator added that, unlike some other local governments that zero out their tourism funds each year, the Isle of Palms has not adopted that policy. In past years, the City has never been criticized for the fund balance it has maintained.

**MOTION: Ms. Rice moved to accept the budget as presented with the understanding that City Council will make changes at the budget workshop; Mr. Burgis seconded.**

Mr. Nelson asked what salaries are not evenly distributed among the three (3) tourism funds; Treasurer Suggs stated that the State ATAX fund has the healthiest fund balance and added that the Hospital Tax and Municipal Accommodations Tax funds do share some of the wages in other departments.

Ms. Rice noted that should the island experience a serious weather event, such as a hurricane, all of the fund balances would be used to get the City back on its feet; Treasurer Suggs responded that the State ATAX fund has a healthy fund balance, and the Disaster Recovery Fund available for a weather event.

**VOTE: The motion PASSED on a vote of 5 to 1 with Mr. Covington casting the dissenting vote.**

## **6. Miscellaneous Business**

**Next Meeting Date: 11:00 a.m., Wednesday, May 7, 2014 in Council Chambers**

7. **Adjourn**

**MOTION: Mr. Nelson moved to adjourn the meeting at 12:20 p.m.; Mr. Burgis seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk