

**SPECIAL MEETING
of
CITY COUNCIL**

5:45 p.m., Thursday, September 16, 2010

A Special Meeting of City Council was held at 5:45 p.m. on Thursday, September 16, 2010 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmember Bergwerf, Bettelli, Buckhannon, Duffy, Loftus, Piening, and Thomas, Mayor Cronin, City Administrator Tucker, City Treasurer Suggs, City Attorney Halversen, Assistant to the Administrator Dziuban and City Clerk Copeland. A quorum as present to conduct business despite Councilmember Stone's excused absence.

1. Mayor Cronin 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 2010 Millage Rate to Support FY11 Operating Budget

Mayor Cronin commented that the purpose of this meeting was to confirm the City's millage rate for 2010 in order to notify the Charleston County Assessor's Office before the end of business tomorrow because tax bills are to be mailed by the end of the month. The Mayor asked the City Administrator to walk the members of Council through the documentation that has been prepared for the meeting.

Councilmember Loftus stated his understanding that the millage rate had been set during budget deliberations; therefore, he asked that the Administrator explain how this situation had evolved.

Administrator Tucker explained that, for the first time in recent years, the property assessment quoted by Charleston County in May, when the budget was being finalized, and the property assessment quoted in September have been significantly different. The Administrator noted that typically the County quotes a property assessment value in the spring and the City's budget is built based on that figure; historically, the September revised assessment has been close enough not to affect the budget. When the two (2) assessments have been similar, the City Administrator has signed off on the millage rate and returned it to Charleston County before City Council formally adopts the millage rate at the September meeting because the rate will not change.

The difference in the assessments this year, according to the Administrator, stems from appeals have occurred in recent months causing Charleston County to conservatively estimate the anticipated effect of the appeals on assessments before taxes are collected. Charleston County has experienced a two and a half percent (2.5%) appeals rate county-wide, while the Isle of Palms has experienced an appeals rate of one and six tenths percent (1.6%). In the months since the assessments were quoted in the spring and the revised figures were quoted in September, Charleston County has applied the two and one half percent (2.5%) appeals rate to the assessments for the Isle of Palms, and the result is a six million dollar (\$6,000,000) reduction in assessed value for the island.

The Administrator directed attention to the schedule prepared for the meeting entitled "Comparison of Estimated Tax Revenues based on county Assessed Values, May 2010 vs.

September 2010.” (All of the schedules prepared for the meeting are attached to the historical record of the meeting.) In the two (2) columns are the computations used relative to the FY11 budget and the calculations based on the revised assessments; the reduction in assessed values results in a revenue shortfall for the City of approximately two hundred thousand dollars (\$200,000).

Administrator Tucker explained that she could not comfortably sign off on the millage rate discussed at budget time without bringing it before Council again to explain the difference in the numbers, the impact on the FY11 budget and to present alternatives available to make up the anticipated shortfall. The Administrator summarized by stating that, if the County’s appeal rate of two and a half percent (2.5%) proves to be a reality for the Isle of Palms, projected FY11 revenues would be short by more than one hundred ninety-two thousand dollars (\$192,000).

In the footnotes of this schedule, Treasurer Suggs indicated that Property Tax Revenues were approximately one hundred seventy-nine thousand dollars (\$179,000) more than expected for 2009 and collecting more than budgeted in Property Tax Revenues has, typically, been the case for the City. Based on that fact, the Administrator anticipates that the City will receive an amount between breaking even and the shortfall of one hundred ninety-two thousand dollars (\$192,000) and possibly more than budgeted. She reminded City Council that the millage rate on which the budget is based is 22.2.

Administrator Tucker listed the conditions under which state law allows municipalities to increase the millage rate; they are as follows:

- To fund a deficit from a previous budget year;
- A natural disaster occurs;
- A court order has been issued;
- The municipality experiences a significant taxpayer closure;
- To comply with a state or federal mandate;
- The year is an assessment year (which is scheduled to take place next year);
- A change in the Consumer Price Index (CPI), year over year, occurs;
- To serve bonded indebtedness; and
- The population increases.

From that list, the City has two (2) options that apply; they are six tenths of a percent (0.6%) population increase and the fact that the total of the City’s bonded indebtedness was not included in the millage previously segregated for that purpose. The Administrator directed attention to the calculations in the lower right column on the spread sheet showing that the population growth factor would generate twenty thousand dollars (\$20,000) of additional revenue and the increase in debt service would create in excess of one hundred one thousand dollars (\$101,000). If these millage increases were to be adopted, the FY11 anticipated shortfall would be just over seventy thousand five hundred dollars (\$70,500).

By way of example, the remainder of the schedules demonstrates the increase in taxes on a seven hundred fifty thousand dollar (\$750,000) home, both owner-occupied and non-owner occupied residences.

Administrator Tucker reiterated that the millage rate on which the budget was computed is 22.2 and that leaving the millage at that rate risks a FY11 revenue shortfall of approximately one hundred ninety-two thousand dollars (\$192,000).

Mayor Cronin repeated that the difference between the property tax assessment on which the budget was based and the revised assessment received last week is the two and a half percent (2.5%) appeal rate that Charleston County has applied universally throughout the county. The Mayor added that, from last year to the current year, property values on the island have reduced through appeals that have been granted, and a shift has taken place in that more residences are taxed at the owner-occupied four percent (4%) rate than at the non-owner occupied six percent (6%) rate. The Mayor remarked that the total market value of the island has dropped seventy to eighty million dollars (\$70,000,000-80,000,000) as a result of appeals granted by Charleston County; one (1) other indication from Charleston County is that collections of property taxes are expected to be lower than they have been historically.

Councilmember Duffy questioned whether a change in the millage from the millage advertised with the budget would generate the need for a second round of advertising and a public hearing. Administrator Tucker noted that staff had the same question; based on the provisions for raising the millage based on bonded indebtedness, a population increase or an increase in the CPI, advertising the millage rate with the budget and a public hearing would not be required. The Administrator explained that the budget advertisement had referenced an estimated millage rate; the ad quoted the millage rate as the estimated millage rate to be used for 2010. To ensure that the City adhered to the law, Administrator Tucker had requested that the City Attorney examine the law and give a legal opinion on the matter.

Mayor Cronin complimented staff on “an excellent presentation on a very complex subject.”

MOTION: Councilmember Loftus moved to set the millage at 22.2; Councilmember Buckhannon seconded the motion.

Councilmember Loftus stated that, in the light of an anticipated shortfall, efforts should be made to reduce expenditures to match revenues rather than to increase revenue to meet expenditures. He suggested the example of holding jobs open until the tourist season ramped up in 2011 and expressed his opinion that, just because something was budgeted, it did not have to be purchased.

Councilmember Buckhannon commented that the Mayor and staff had spent time looking for ways to increase revenue, but time might have been spent looking for ways to reduce expenditures as well.

Administrator Tucker noted that, in the Department Managers Meeting earlier in the week, she had notified the managers of the dilemma facing the City; therefore, the managers are reviewing their budgets to find ways to reduce expenditures. The Administrator added that the auditors were near the end of their work and would have the amount “to the good” with which the City would end the year available for the October Council meeting at the latest; she expressed the thought that these funds could be used to offset the shortfall – if necessary – to allow the City to continue to provide services at the level the residents have learned to expect.

Councilmember Loftus commented that he was of the opinion that the FY10 "surplus" was earmarked to establish a fund to pay down debt by paying for equipment in the future; he expressed his desire to see the City follow through with those intentions rather than use it to fund the FY11 budget.

Mayor Cronin noted that the City would know in January or February 2011 whether the Property Tax Revenues were going to fall short of the amount budgeted. The Mayor also expressed confidence that the City would reach its revenue goals.

VOTE: The motion to maintain the millage at 22.2 PASSED UNANIMOUSLY.

On a miscellaneous note, Mayor Cronin commented that the City's accommodations taxes and hospitality taxes revenue were also under attack. A meeting planned for Friday, September 17 has been postponed until October; he and the City Administrator plan to attend the meeting to defend the *status quo* on these sources of municipal revenue.

3. Adjourn

MOTION: Councilmember Buckhannon moved to adjourn the meeting at 6:18 p.m.; Councilmember Bettelli seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:

Marie Copeland
City Clerk