

## **ACCOMMODATIONS TAX ADVISORY COMMITTEE**

11:00 a.m., Wednesday, January 4, 2012

The regular meeting of the Accommodations Tax Advisory Committee was held at 11:00 a.m. on Wednesday, January 4, 2012 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Committee members Jim Covington, Frances Russell, Margaret Miller, David Nelson and Sandy Ferencz, Administrator Tucker, Treasurer Suggs, Assistant to the Administrator Dziuban and Clerk Copeland. The absences of Malcolm Burgis and Mary Alice Kruesi were excused; a quorum was present to conduct business.

1. In the absence of a chair, Administrator Tucker 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. Election of Chair and Vice Chair**

Opening the nominations for Chair, Mr. Nelson submitted Sandy Ferencz for consideration, and Ms. Miller seconded the nomination. Ms. Ferencz was unanimously elected Chair.

Upon assuming her role as Chair, Ms. Ferencz nominated Malcolm Burgis as Vice Chair; Mr. Nelson seconded the nomination and the vote was unanimous in support of Mr. Burgis.

### **3. Approval of Previous Meeting's Minutes**

**MOTION: Mr. Nelson moved to approve the minutes of the regular meeting of October 4, 2011 as submitted; Mr. Covington seconded and the motion PASSED UNANIMOUSLY.**

### **4. Citizen's Comments**

Primarily for the new members of the Committee, Administrator Tucker introduced Councilmember Jimmy Carroll, who has served on the ATAX Committee and was sworn in as a member of City Council the previous evening. Perrin Lawson of the Charleston Visitors Bureau was introduced, as well as Recreation Director Page, Finance Officer Debbie Suggs, Assistant to the Administrator Dziuban and Clerk Copeland.

### **5. Financial Statement – Treasurer Suggs**

In an attempt to avail the newly appointed members of the best source for information on the ATAX rules, regulations and links to state law, Treasurer Suggs provided the Committee members with a copy of the home page for the Tourism Expenditure Review Committee, as well as her email address and direct phone line.

The financial statement for discussion covers the fiscal year through December 31, 2011, or six (6) months of the fiscal year. The balance sheet shows that cash at BB&T exceeds six hundred seventy-five thousand dollars (\$675,000) and cash invested with the Local Government Investment Pool (LGIP) exceeds six hundred forty-five thousand dollars (\$645,000); Treasurer Suggs informed the Committee that the LGIP is administered by the State Treasurer's Office. As a municipal government, the City is limited to the type of investments it can make; with the investment pool, the City can maximize its investments and be assured of investing in those things that are allowed under state law. In addition, the interest is slightly higher than what the City can receive locally, and the money is available to the City with twenty-four (24) hours' notice.

The thirty-eight thousand dollars (\$38,000) referred to as "amounts due to other funds" is money due to the General Fund from the most recent payment to the City from the state.

Also noted on the Balance Sheet are the interest rates the City is currently receiving on investments with BB&T and LGIP.

On the Revenue Statement are the interest received from both BB&T and the LGIP and the funds from the state for the quarter ending September 2011. The Treasurer explained that the amount that the City receives in State ATAX funds equals two percent (2%) of accommodations revenue generated on the Isle of Palms less an amount the state withholds to distribute to municipalities that do not generate accommodations revenue and less a percentage that the state retains. In addition, the state withholds an additional amount from the September quarter in order to let the year play out to be trued-up at the end of the fiscal year.

Of the balance paid to the City, the first twenty-five thousand dollars (\$25,000) paid to the City annually goes into the General Fund, as well as five percent (5%) of the remainder. Sixty-five percent (65%) of that balance goes into the ATAX fund that this Committee oversees with the remaining thirty percent (30%) paid to the Charleston Visitors Bureau (CVB) and referred to as the Tourism Promotion funds. The CVB uses this amount along with funds from other local governments to promote the general area. The specific figures attributed to the September 2011 payment are shown in the first column of the spreadsheet entitled "SC Accommodations Tax – Distribution of Funds Received." Treasurer Suggs remarked that the September quarter is typically the highest grossing quarter for the City.

Mr. Covington asked whether the City was required to pay these funds to the CVB; the Treasurer responded that the City was required, under state law, to use this specific percentage to promote tourism and, since the City does not have its own tourism promotion organization, the CVB serves that need.

Administrator Tucker added that, in the past, the City had participated with the expense of the Mount Pleasant Visitor's Center, so the funds went to maintain that center which was staffed by CVB personnel.

Mr. Covington followed up by asking at what point the City could justify having its own tourism promotion organization; the Administrator replied that the current amount could conceivably justify it. On the other hand, the CVB has the people infrastructure in place, has the national and international media contacts, etc. which would be difficult for the City to match on its own. Administrator Tucker added that the City's having its own tourism promotion organization "was not outside the realm of possibility in the future," but "the CVB does give excellent service to the City." The CVB is required to provide the City with a copy of their annual audit and to tell the City what it is getting for its funding. In addition, the Administrator receives a weekly electronic communication that tells what the week's level of tourism activity for the entire Charleston area; this communique also reports on the kinds of promotional events and promotional opportunities that are taking place in the area along with what targeting has been done. The end of the report is a listing of positive press and accolades received by the entities that make up the CVB, such as the City's Best Restored Beach Award. The CVB is currently working on a better data base to better track occupancy in the vacation rental market.

Mr. Covington asked what percentage of the total CVB budget came from the Isle of Palms; Mr. Lawson reported that IOP contributes approximately four hundred thousand dollars (\$400,000) of an eleven million dollar (\$11,000,000) annual budget; he stated that the CVB interprets the local government participation as an investment to leverage an eleven million dollar (\$11,000,000) organization. Administrator Tucker stated participating local governments include the cities of Charleston and North Charleston, Isle of Palms, Kiawah, Mount Pleasant and Seabrook.

Before moving to expenditures from the ATAX fund, Treasurer Suggs commented that the "Distribution" spreadsheet also indicates trends in accommodations funding over several years.

The Treasurer stated that she reviews expenditures at each meeting, keying in on those expenditures that have occurred in the last quarter. For the Front Beach restrooms, the cleaning service is paid eighty-nine dollars (\$89) per day to maintain the restrooms as many hours as the restrooms are open to the public. Since these restrooms are for the visitors to the island, one hundred percent (100%) of the costs associated with them, from supplies to electricity, are paid from State ATAX funds. Schupp Enterprises has contracted with the City to empty the trash barrels on the beach from end to end and at Front Beach, as well as to fill holes that are dug on the beach. State ATAX funds pay for t-shirts given to visitors who have checked the City's website and come to City Hall;

it is a very popular promotion and allows the City to capture visitor information in database for a visitors' newsletter. In addition ATAX funds pay for the irrigation at Breach Inlet, an annual contribution to the Spoleto Festival, as well as support for events on the island such as the Lowcountry Blues Bash, the Isle of Palms Beach Run, the annual Connector Run and July 4<sup>th</sup> Fireworks. In recent years and with full Committee support, the ATAX funds simply act a sponsor for the event and any revenues generated by the Beach Run are given to the Recreation Department Building Fund.

Mr. Covington asked why the Beach Run was held in July when the island is full of visitors already rather than May or October when tourists are few. Director Page responded that, at one time, the Beach Run had been held in October – close to the Connector Run – and people tended to confuse the two (2) events. By having the Beach Run in July, many island tourists choose to participate and return year after year in July to be a part of the Beach Run. The date is not written in stone, but the timing has worked well in recent years. Based on his experience, Mr. Covington pointed out that rental properties are typically booked solidly from Memorial Day until school starts in the fall, but the rental properties are empty the rest of the year. He suggested that the City could generate more accommodations taxes if, for example, the Beach Run were in late March or April.

Mr. Covington asked whether the City had considered New Year's Eve fireworks as a way to tip the scales in the Isle of Palms' favor over Folly Beach or Myrtle Beach. As budget preparations are about to begin, the Administrator stated that the staff had discussed the possibility of incorporating fireworks with the tree lighting ceremony in December to kick-off the holiday season to benefit the island's businesses, but they would have to be funded. Discussions had also taken place about expanding the lighting on the island for the holidays to the marina, for example, to draw people to the island during the holiday season.

Other expenses paid through ATAX funds are the on-going monitoring of the beach, reserving funds for future beach renourishment projects and a one-third ( $\frac{1}{3}$ ) of the marina debt. Additional events funded through ATAX are the Sand Sculpting Contest and Piccolo Spoleto Goes to the Beach/State Production.

The City will purchase one patrol vehicle and a Public Works pickup truck, as well as four (4) sets of body armor for the Police Department and a Z-track mower for the Recreation Department. At the request of Council, the 2009 Mack garbage truck was paid off early and one-third ( $\frac{1}{3}$ ) of that was paid from ATAX. Eighty thousand dollars (\$80,000) has been set aside to repair or replace dune walkovers, and the purchase of one (1) radio repeater is included in the ATAX budget. State law allows the City to fund

one-third ( $\frac{1}{3}$ ) of Public Works equipment leases and one-quarter ( $\frac{1}{4}$ ) of lease payments for fire trucks; the municipal leases the City has transfer ownership of the equipment to

the City at the end of the lease. On page 6 of the expense statement are the lease payments from the ATAX budget for the ladder truck, pumper/ladder truck, two (2) garbage packers, the Caterpillar and the 2010 pumper on page 7. The purchase of a new boat for the Fire Department was partially funded through ATAX funds. For the Fire Department, State ATAX funded a thermal imaging camera and anti-exposure suits, as well as additional personnel during the summer months. All expenses related to the City's website are funded from ATAX money. Other items funded include the Easter egg hunt, the beach trash cans, the annual tree lighting and the pooper-scooper dispensers and supplies. One-third ( $\frac{1}{3}$ ) of the cost of design and permitting for the upcoming marina dredging project will come from ATAX money. The design and half of the construction costs related to the proposed parking nodes on Ocean Boulevard was to come from ATAX; that project has been put on-hold indefinitely. In addition, the Committee approved a one-time contribution of fifteen thousand dollars (\$15,000) for a study at Patriots Point. Each year the Committee has an amount of money that can be used at its discretion and with the approval of City Council for events, projects or programs that it believes will increase tourism on the island; the balance remaining in that budget line item is just short of fifty-three thousand dollars (\$53,000).

Administrator Tucker spoke again regarding holding the fireworks display at another time of year since the Isle of Palms is typically full of visitors already on July 4<sup>th</sup> with both vacation renters and day-only visitors. Staff discussed holding the fireworks display at another time in lieu of the July 4<sup>th</sup> event.

When Mr. Covington asked about the parking nodes, the Administrator reported that, although the funds will likely not be spent on nodes, staff is considering using a portion of those funds to pay for improved signage related to parking – such an action would require Council approval.

In conclusion, Treasurer Suggs reviewed the schedule headed "Revenue and Expense Projection for the Year Ending 6/30/12;" she explained that this schedule takes into consideration estimated annual revenue, interest and sale of assets, less budgeted expenditures and other expenditures approved by the Committee to arrive at an estimated year-end balance with the surplus/deficit from the previous year considered as well.

Administrator Tucker added that the City is required by law to turnover ATAX funds every two (2) years; therefore, the City has subscribed the policy that the first cash in is the first cash spent. That policy has served the City well in its reporting to the state; the state does not allow for the City to continue to amass ATAX funds year after year.

**MOTION: Mr. Nelson moved to approve the financial statements as presented; Ms. Russell seconded and the motion PASSED UNANIMOUSLY.**

**6. Old Business – None**

**7. New Business**

Primarily for the benefit of the new members of the Committee, Administrator Tucker offered a couple of ideas to keep in mind when they are reviewing new applications that include the following:

- The purpose for the investment of ATAX funds is “to generate tourism heads in beds;” this is something that the entity requesting ATAX funds must justify in their application.
- The role of the ATAX Committee is advisory; any decision for the use of funds is subject to Council approval. Council may increase or reduce an ATAX decision, or Council may override a Committee decision to reject an application.

The City’s budget process begins in February with Capital Budgets; this Committee will first see the ATAX budget in April. Certain expenditures are attributed to ATAX funds on the basis that the City would not need the added service or the type of equipment were it not for the level of tourism the City has, for example the additional staffing in the Fire Department over the summer and the number of beach services officers.

In addition, Administrator Tucker cautioned the members of the Committee about electronic communications; a violation of the Freedom of Information Act (FOIA) would occur should a majority of the members engage in dialogue via email; in addition, emails are subject to subpoena. Any such communication between a majority of members is considered to be a meeting that was not properly noticed to the general public; therefore, it would not meet transparency standards. The safest way to communicate to the committee as a whole is via the City staff; they can disseminate ideas, concepts, opinions, etc. with all of the Committee without risking violating any regulations.

Ms. Russell asked whether a member of ATAX could email a member of City Council; the Administrator responded that such a communication would be okay.

Chair Ferencz related going to the City’s website in search of the ATAX October meeting minutes only to find that they were not available; she questioned whether City Council had seen those unapproved Committee minutes. Assistant Dziuban explained that Council does have access to the Committee’ minutes, but Council takes no action on ATAX committee minutes. Council would only approve, disapprove or alter any

decisions for funding that the ATAX committee has made in its meeting. Minutes are only put on the City's website after they have been approved by the Committee that generated them.

Chair Ferencz noted that, if there was a serious error in the minutes, the Committee is not aware of it and cannot correct for a period of ninety (90) days. Once that error gets corrected, the Chair asked whether the corrected minutes were again submitted to City Council.

Administrator Tucker commented that, if the ATAX Committee took an action to approve an application for funding or the ATAX budget, the item would appear on the Ways and Means agenda and, then, City Council agenda. As seen from the number of staff members attending ATAX meetings, staff always works to convey the sentiment of the ATAX Committee to Council. In the past, a member of ATAX would attend the Ways and Means meeting to answer any questions that Committee might have; that practice could be re-initiated. In addition, the Administrator said the ATAX Committee can hold special meetings when the need arises, or the Committee could meet more frequently; the meetings used to be held monthly, but there were many months when the Committee did not have any business before it.

Chair Ferencz noted that the Committee does not receive a draft budget until its April meeting and inquired if the ATAX budget went before Ways and Means in April, as well. Administrator Tucker explained that Ways and Means will see the draft budget before the ATAX Committee; when Ways and Means meets in April, they will be made aware of the Committee's approval/disapproval of or changes to the budget.

Since the budget process will be new to several on the Committee, the Chair asked that Committee members receive the draft ATAX budget in March to give them time to study and be ready to discuss in April.

In addition, Chair Ferencz asked for staff to plan an orientation session of the new members of the Committee.

Assistant Dziuban encouraged members of the Committee to direct any questions on the budget to staff before the April meeting; to do so would mean that the staff would be better prepared at the meeting as well.

Administrator Tucker informed the Committee that the City's budget is posted to the website and added that she and the Treasurer consider the annual budget to be their work plan for the year.

Prior to adjourning the meeting, Chair Ferencz thanked the new members for agreeing to serve on the ATAX Committee; she added that the task may seem difficult at times, but it is always worthwhile.

One final question from Chair Ferencz was how the agenda was generated. According to the Administrator, staff produces a draft agenda that is forwarded to the Chair for approval. The Chair has the opportunity at this time to change or add to the agenda; Administrator Tucker emphasized that the Committee Chair sets the meeting agenda.

**8. Miscellaneous Business**

Next Meeting Date: 11 a.m., Wednesday, April 4, 2012

**9. Adjourn**

**MOTION: Mr. Nelson moved to adjourn the meeting at 12:10 p.m.; Ms. Russell seconded and the motion PASSED UNANIMOUSLY.**

Respectfully submitted:

Marie Copeland  
City Clerk