

**SPECIAL MEETING
of
CITY COUNCIL**

5:45 p.m., Tuesday, November 1, 2011

A Special Meeting of City Council was held at 5:45 p.m. on Tuesday, November 1, 2011 in Council Chambers of City Hall, 1207 Palm Boulevard, Isle of Palms, South Carolina. Attending the meeting were Councilmembers Bergwerf, Buckhannon, Duffy, Loftus, Piening, Stone and Thomas, Mayor Cronin, City Administrator Tucker, City Attorney Halversen, Assistant to the Administrator Dziuban and City Clerk Copeland. Councilmember Bettelli's absence was excused, and a quorum was present to conduct business.

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 2011 Millage Rate to Support FY12 Operating Budget

Mayor Cronin announced the purpose for the meeting as establishing the millage rate for FY12 relative to the Operating Budget. The Mayor asked Administrator Tucker to review the information regarding the millage that was addressed at the Special Meeting of October 20, 2011 and to inform Council of any recent developments.

The Administrator restated that the goal of the meeting was to set the adjusted millage rate based on Charleston County's reassessed value; in order to receive the necessary property tax revenue, the City needs to adjust the millage rate to twenty two and nine tenths (22.9) mills. Reassessment, according to the Administrator, is the process of revaluing the property within a jurisdiction; state law requires reassessment every five (5) years. The net effect of reassessment on the taxing authorities should be revenue neutral, i.e. the taxing authority should experience neither a windfall nor a shortfall in revenue as a result of reassessment.

The Administrator further explained that, for the first time in more than ten (10) years, overall property values in the City decreased slightly; properties assessed at four percent (4%), owner-occupied residences, reflect a value that is four and three tenths percent (4.3%) less than in 2010, while properties as assessed at six percent (6%), non-owner occupied residences, reflect a value that is seven tenths percent (0.7%) less than in 2010. Based on the reassessment, the property taxes on some individual homes will increase, some will decrease and some will remain the same. Due to the overall decrease in assessed values of properties on the island, the City must adjust the millage rate in order to meet the obligations in the FY12 Operating Budget to twenty-two and nine tenths (22.9) mills. Without this adjustment, the Operating Budget will experience a shortfall of approximately two hundred thousand dollars (\$200,000); with the adjustment the shortfall will be approximately fifty-four thousand dollars (\$54,000) – a number that could possibly be overcome. The current millage rate is twenty-two and two tenths (22.2) mills that is composed of nineteen and three tenths (19.3) mills in operating millage and two and nine tenths (2.9) mills for debt service; the adjusted millage rate of twenty-two and nine tenths (22.9) mills would be comprised of nineteen and eight tenths (19.8) mills in operating millage and three and one tenth (3.1) mills in debt service. Staff does not recommend that the City increase the millage by the Consumer Price Index (CPI) of one and sixty-four one hundredths percent (1.64%) to make up the shortfall. The implications of the adjustment on

individual taxpayers is that some will pay more, some will pay less and some will pay the same depending on what happened with the reassessed value of the residence. Based on a random sampling of properties in the City, the differences in property taxes are not extreme as can be seen on page 4 of the handout; differences range from an increase of four hundred eighteen dollars (\$418) to a decrease of one hundred one dollars (\$101). (A copy of the handout is attached to the historical record of the meeting.)

In reviewing information included in the handout, Administrator Tucker pointed out that, when the computations were done, five hundred eighty-nine (589) appeals to the reassessment were outstanding; the resolution of these will reduce the City's revenues more.

The Administrator recalled that, at the meeting on October 20, data requested of Charleston County had not been received; that was received today and was distributed to Council. The question posed, at that meeting, was how many properties have experienced a change in property value; the answers are as follows:

<u>Impact of Assessed Value</u>	<u>Number of Properties</u>
No change	1,134 or 22%
Increase	2,509 or 49%
Decrease	1,529 or 30%

The net change in assessed value in the City is approximately three million dollars (\$3,000,000) less than in 2010, demonstrating the need to adjust the millage rate to twenty-two and nine tenths (22.9) mills in order for the City to receive approximately the same revenue in FY12 as in FY11.

Administrator Tucker informed Council and residents attending the meeting that the video presentation from the October 20 meeting is on the City's website; in addition, Charleston County has among its Frequently Asked Questions (FAQs) on its website an excellent explanation of reassessment.

The Administrator reiterated that in order to meet the revenue needs, that have been stable over the past several years, the City needs to adjust the millage to twenty-two and nine tenths (22.9) mills.

MOTION: Mayor Cronin moved to adjust the millage rate to 22.9 mills for the next fiscal year; Councilmember Piening seconded.

Mayor Cronin expressed concern that the City has not received any information from Charleston County regarding the character or the ultimate disposition of the five hundred eighty-nine (589) outstanding appeals. He voiced the assumption that property owners who saw no change or a reduction in property value did not appeal the reassessment of their property; therefore, some twenty percent (20%) of the total number of properties that received an increase in assessed value have submitted appeals resulting in a further reduction in the City's revenue. The Mayor believes that the shortfall will be greater than predicted.

Councilmember Stone referenced page 2 of the handout with the actual calculations of property taxes where there is a figure of nearly sixty-two thousand dollars (\$62,000) notated as Assessor's estimate of appeals, which was interpreted to mean that the Assessor's office believes that each appeal will reduce the City's taxes by around one thousand dollars (\$1,000). Councilmember Stone gave credibility to the County's estimate from his assumption that the number was extrapolated based on their experience.

The Mayor remained skeptical that the County's estimate was sufficient.

Councilmember Duffy expressed his opinion that Council had to look to the future and the impact to the City if the adjustment were not to be made. In his opinion, a recurring shortfall of two hundred thousand dollars (\$200,000) would impact services to the community significantly. He stated that, before a Councilmember chooses to vote in opposition to the adjustment, he/she should indicate which services could be cut and share that information with the balance of Council. Councilmember Duffy stated that, in his opinion, the City "runs a very lean, a very good machine;" therefore, he did not understand that anything could be cut.

VOTE: The motion PASSED on a vote of 7 to 1; Councilmember Buckhannon cast the dissenting vote.

3. Executive Session – Not necessary

Administrator Tucker re-announced that the Planning Commission will be holding three (3) open house forums in the community; each forum will be held at a location within the area being impacted by beach access parking. The first open house will be Wednesday, November 9, 2011 at the Lutheran Retreat Center; the second will be Wednesday, November 30 at the Citadel Beach House; the third will be Thursday, December 13 at the Exchange Club, and all will be from 5:30 p.m. until 8:00 p.m. The intent is for citizens to come out to offer their input regarding beach access parking in their area of the island to members of the Planning Commission; the forums will be very informal. Accommodations will also be made for persons to put suggestions on paper if they are so inclined.

4. Adjourn

MOTION: Councilmember Bergwerf moved to adjourn the meeting at 6:05 p.m.; Councilmember Duffy seconded and the motion PASSED UNANIMOUSLY.

Respectfully submitted:

Marie Copeland
City Clerk