

**TOWN OF KIAWAH ISLAND**  
**2018 Council Strategic Planning Retreat**  
**Kiawah Town Hall Council Chambers**  
**February 2, 2018**

**AGENDA**

**Call to Order: Mayor Weaver called the meeting to order at 8:00 am**

**Present at the meeting:** Craig Weaver, Mayor  
 John R. Wilson  
 Diana Mezzanotte  
 Jack Koach  
 Chris Widuch

**Also Present:** Stephanie Monroe Tillerson, Town Administrator  
 Dwayne Green, Town Attorney  
 Petra Reynolds, Town Clerk

**Recap:**

Ms. Tillerson gave a brief review of the Departmental presentation of the previous day.

**Finance Overview and Discussion:**

**Budget Overview**

- FY 2017 AND KICKOFF DISCUSSION FOR FY 2018

Mr. Wilson discussed the revenues of the Town, stating that the Town is good shape at the moment, but the outlook could change with a significant drop in revenues or the expenses associated with major storm. He also discussed things that are in place or could be implemented in the event of a financial crisis.

Mr. Wilson engaged in an in-depth discussion of the two main revenue streams, unrestricted funds, which include business licenses, permitting, local option, and sales taxes and restricted funds, which include, accommodation taxes and hospitality taxes. Discussion included the allocation of accommodation taxes received, effects that may have an impact on future revenues and a presentation of an overview of Town expenses illustrating what funds are used noting the division of the expenses as main functions, or “have to do”, and other functions, or “want to do”.

	Annualized FY2018 <u>Unrestricted Funds</u>	% of Total <u>Expenses</u>	Annualized FY2018 <u>Restricted Funds</u>	% of Total <u>Expenses</u>	<u>Total</u>
<b><u>Main Functions</u></b>					
Administration	\$1,073,352	25%		0%	\$1,073,352
Public Works	217,209	5%	309,270	9%	526,479
Town Buildings	692,264	17%		0%	692,264
Solid Waste	880,860	21%	275,000	7%	1,155,860
Planning/Zoning	46,143	1%		0%	46,143
Building Services/Inspection	297,895	7%		0%	297,895
Law Enforcement	118,919	3%	532,208	16%	651,127
Beach Management		0%	156,402	4%	156,402
<b>Total Main Functions</b>	<b>\$3,803,633</b>	<b>91%</b>	<b>1,322,880</b>	<b>39%</b>	<b>5,126,513</b>
<b><u>Other Functions</u></b>	<b><u>Unrestricted Funds</u></b>		<b><u>Restricted Funds</u></b>		<b><u>Total</u></b>
Tourism		0%	1,114,000	41%	1,114,000
Arts Council	118,000	3%	241,301	7%	359,301
Charities	150,000	4%		0%	150,000
Wildlife Research	103,514	2%	435,910	13%	539,424
<b>Total Other Functions</b>	<b>371,514</b>	<b>9%</b>	<b>2,091,211</b>	<b>61%</b>	<b>2,462,725</b>
<b>Grand Total</b>	<b>\$4,175,147</b>	<b>100%</b>	<b>\$3,414,091</b>	<b>100%</b>	<b>\$7,589,238</b>

Note: Dollars do not include term clean up cost of approximately \$95K and beach accreting of approximately \$119K

Mrs. Szubert stated one of the goals of the finance department was to develop the five year projections and the update them as part of the budget process. As a background to how she built the projections, she reviewed past trends over the last ten years that, while inconsistent, showed increases in accommodations taxes, building permits, and business licensing. She also noted that other factors, which have a great impact, are construction and tourism.

Discussion included lost accommodation tax income to private room rentals which are not submitting the proper taxes and purchasing a business license. She indicated it was important to make the extra effort to audit these rentals to insure compliance.

Mrs. Szubert presented the “work in progress” five year projections and reviewed the revenues which showed an overall growth trend beyond the short term increases from Resort construction projects and the period of the upcoming PGA Tournament.

Revenues:	Annualized FY2018	Projected FY2019	Projected FY2020	Projected FY2021	Projected FY2022	Projected FY2023
Building Permits	\$ 1,058,900	\$ 1,090,667	\$ 1,123,387	\$ 1,157,089	\$ 1,191,801	\$ 1,227,555
Building Permits/Special Projects	285,000	871,000	-	-	-	-
Business Licenses	2,200,000	2,266,000	2,333,980	2,266,000	2,333,980	2,403,939
Franchise Fees	600,000	816,000	832,320	848,666	865,946	883,265
Local Option Tax	534,100	555,464	577,683	600,790	624,821	649,814
State ATAX	1,772,000	1,825,160	1,879,915	1,936,312	2,052,491	2,114,036
Local ATAX	988,000	1,017,640	1,048,169	1,079,614	1,144,391	1,178,723
County ATAX	422,000	425,000	433,500	442,170	451,013	460,034
Hospitality Tax	566,000	582,980	600,469	618,483	655,592	675,260
Environmental Services	375,000	378,750	382,538	386,363	390,227	394,129
Interest	180,000	181,800	183,618	185,454	187,309	189,182
Other	125,000	126,250	127,513	128,788	130,076	131,376
<b>Total Revenue</b>	<b>\$ 9,306,000</b>	<b>\$ 10,136,714</b>	<b>\$ 9,523,091</b>	<b>\$ 9,650,030</b>	<b>\$ 10,027,647</b>	<b>\$ 10,307,403</b>

o Long term/Capital Improvement Projects on the horizon

Mrs. Szubert presented and reviewed a listing of future major improvement projects which include: Building/construction costs, beach renourishment, Beachwalker drainage repair, Parkway geotechnical evaluation and resurfacing, Parkway bridge repair, Beachwalker Drive turn lane improvements.

o Restricted Funds and Restricted Funds Balances

Mrs. Szubert stated the Town’s Special Revenue Funds are comprised of the following restricted funds: State Accommodations Tax, Local Accommodations Tax, County Accommodations Tax, Hospitality Tax, and Beverage Tax. She noted that over the past five years the Town’s Special Funds balances have shown an increasing trend with the exception of the Local Accommodations Tax which was used to fund the construction of the CBV portion of the new Municipal Center.

She stated that the uses of special funds revenues are mandated by SC State Code to:

- 1) *Tourism-related buildings including, but not limited to, civic centers, coliseums, and aquariums;*
- 2) *tourism-related cultural, recreational, or historic facilities;*
- 3) *beach access, renourishment, or other tourism-related lands and water access;*
- 4) *highways, roads, streets, and bridges providing access to tourist destinations;*
- 5) *advertisements and promotions related to tourism development; or*
- 6) *Water and sewer infrastructure to serve tourism-related demand.*

- (1) *In a county in which at least nine hundred thousand dollars in accommodations taxes is collected annually pursuant to Section 12-36-920, the revenues of the local accommodations tax authorized in this article may also be used for the operation and maintenance of those items provided in (A)(1) through (6) including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.*

Mrs. Szubert gave a detailed description of each of the Special Funds and how the Town uses the funds:

**State Accommodation Tax-** An accommodation tax is a tax on gross proceeds derived from the rental or charges for accommodations furnished to transients. South Carolina state law allows the State to impose 2% accommodation tax. The state distributes about 85% of the amount it collects to the municipalities. Revenues from this tax must be spent on advertising and promotion of tourism and tourism related activities except for the first \$25K plus 5% of the remaining total revenues which is allocated to GF and is not restricted. This revenue has also a time restriction and needs to be spent within 2 years of receipt.

**County Accommodation Tax Revenue-** Charleston County levies 2% accommodation tax, of which portion is later disbursed to the municipalities where they were earned. The Town has been receiving 20% of the fees collected, contingent on the use of the money on capital projects or services that will promote tourism in Charleston County. The Town uses those funds mainly for beach monitoring and repairs, beach patrol and environmental projects.

**Local Accommodation Tax-** As allowed by South Carolina law, the Town levies 1% municipal local accommodation tax. These fees are remitted to the Town by the City of Charleston monthly. Revenues from this tax are used mainly on operations of Environmental department, cultural events, partial deputies cost, beach upkeep, and reserves for future beach projects.

**Hospitality Tax-** Hospitality tax is paid by the consumer or patrons of the restaurants, grocery stores, convenience stores and any other establishments that sell prepared food and beverages; 1% tax is remitted to the Town by the required businesses on monthly basis. The Town uses those funds for island beautification and reserves for future capital projects.

**Beverage Tax-** State law allows the state to issue alcoholic beverage permits to authorized organizations. Permits are valid for 52 week period and have \$3K filing fee. These funds are further distributed to the municipalities in which the retailer who paid the fee is located. The Town uses those funds for reserves for future capital projects.

- OVERVIEW OF THE TOWN OF KIAWAH GARBAGE COLLECTION FEES

Mrs. Szubert stated that residential garbage collection is the most common sanitation service provided by municipalities with a study showing that 98% of participating cities and towns in the state provide this service to their citizens. Of that percentage, 80% have a department for city crews and 20% hire city-paid contractors. Currently the Town has a contract with Carolina Waste Services to provide solid waste collection, recycling and yard debris pickup which expires June 2018. The total cost for this service for the Town FY2017 was \$908,000.00, in addition, the Town paid annual fee of \$33,000.00 to the Charleston County Revenue Department for disposal of the garbage in the county landfill.

Mrs. Szubert stated that sanitation fees are one of the most common user fees charged to residents by municipalities; according to the same research 71% of the responding cities charge a fee for residential garbage collection, with 29% not charging. Historically, the Town has provided a subsidy of the solid waste program to each property owner that is equal to the cost of the curbside service. The same subsidy is applied to each property owner and their corresponding service costs are reduced by this amount with property owners paying any remaining balance annually. In FY 2017, the amount of subsidy is \$176.00 per household, or an amount of approximately \$447,000.00 annually in addition to the solid waste collection from the Multifamily Units/Regimes in the amount of approximately \$49,000.00 annually and public solid waste stations in the amount of \$53,000.00.

### **Compensation Calendar & Action for FY18/19**

Ms. Tillerson presented the budget calendar for Fiscal year 2018-2019.

Mayor Weaver stated that to look at all compensation items at one time is difficult because different pieces of compensation are on different schedules. Salary changes and raises are approved on a fiscal year basis with the budget while some of the state run benefit package items are done on a calendar year. He gave an outline of the Town's compensation items with a brief description on if there are potential changes to be made.

#### **Cash Compensation –**

- Base salaries – budget process determines an estimate of the aggregate of the likely salary increases and merit raises. The actual amount will be approved by Council.
- Possible development of a bonus program may to award employees for accomplishments.
- CCSO Compensation – no change in anticipated in per hour rate –

#### **Benefit and Statutory Plans –**

- State retirement plan – no discretionary change
- Deferred Compensation match – no anticipated change
- Tuition reimbursement - no anticipated change
- Statutory Plans – federal and state - no discretionary change
- Health care –rate increases adjustments are made at the end of the calendar year. Discussion to take place during budget process on an alternative approach to premium supplement.

#### **Policies -**

- Non-cash compensation - Time-off, Holidays, Leaves of Absence – no anticipated change

#### **Staffing -**

- Changes will be discussed during budget process

#### **Other Funding Obligations for Discussion:**

- OTHER FUNDING OBLIGATIONS
  - Charitable Contributions

Ms. Tillerson stated that the current amount for Charitable Contributions is \$150,000.00. She gave a brief background on the process that used in the development of the funding amount.

Mrs. Szubert indicated the calculation formula in the Charitable Contributions Policy states an amount allocated is up to 30% from the change in the fund balance of the General Fund as of June 30 each year, or an amount not to exceed \$200,000.00. She noted that the amount will be finalized during the budget process.

Discussion included if Charitable funding amount should be determined by the formula, to use the fixed amount of \$150,000.00, or the limit amount.

- o Arts and Cultural Programs

Ms. Tillerson stated the Town contributes at total of \$350,000.00 to the Arts and Cultural programming. Mrs. Mezzanotte clarified that \$300,000.00 is for programming with the balance going to overhead. The Arts Council, through its Charter, manages the \$120,000.00 coming from the General Fund for resident related events, as well as, \$180,000.00 from Local, County and Hospitality Tax Funds for tourist and visitor related events.

Mayor Weaver discussed that the budgeting process of the Arts programs does not coincide with the Town budgeting process thereby creating an issue with preapproving an amount before the budget is approved. He also pointed out the other issue is the sustainability of the Committee that relies very heavily on its members for its programming. Discussion included the possible creation of a non-profit, 501(c)(3), that would include the Arts programming and allow for grants and contributions to help fund events as a long-term consideration.

- o Charleston County Sheriff Office

Mr. Widuch stated that an Ad-Hoc Committee was reviewing at how the Town was providing for its law enforcement by employing off-duty deputies for the Charleston County Sheriff's Office (CCSO). To address concerns with the Town liability in the event of an incident and the CCSO having difficulty in fulfilling the contractual obligations, several different options are being explored. A recommendation will be made by the Committee which may include changes to staffing levels.

- o Kiawah Island Conservancy

Members engaged in an in-depth discussion of the funding of Conservancy programs which are made through Environmental Committee recommendation or as an annual line item amount with a report to the Town on how the monies was spent. In consideration of the funds the Town spends on Environmental projects, members agreed on an Environmental Committee recommendation funding cap of \$58,000.00 with additional funding to be requested directly from Council.

- o Environmental Projects (Internal and External)

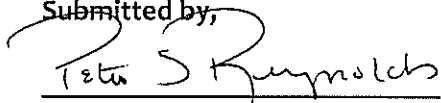
Ms. Tillerson indicated that the Wildlife presentation given yesterday identified several ongoing Town projects. She asked, in anticipation of the start of the budget process, Council review the projects to prepare for the funding requests associated with each of the projects and identify projects that Council would like to see in the future. Members discussed the concern that the Town is not taking advantage of research being done by

DNR, staff is not aggressively searching other funding options for long-term projects and making sure that funding is spent on high value programming.

**Adjournment:**

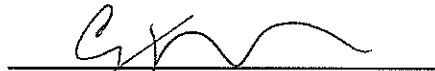
*The meeting was adjourned at 11:40 am.*

Submitted by,

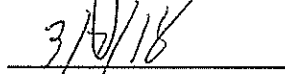


Petra S. Reynolds, Town Clerk

Approved by,



Craig E. Weaver, Mayor



Date