



# **The Town of Hilton Head Island Accommodations Tax Advisory Committee Regular Meeting**

**Thursday, November 14, 2013  
9:00 a.m. – Benjamin M. Racusin Council Chambers**

## **AGENDA**

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**As a Courtesy to Others Please Turn Off All Cell Phones and Pagers during the Meeting**

- 1. Call to Order**
- 2. Freedom of Information Act Compliance**  
Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 3. Approval of Minutes**
  - a. Regular Accommodations Tax Advisory Committee Meeting of November 7, 2013
- 4. Chairman's Report**
- 5. Unfinished Business**  
None
- 6. New Business**
  - a. Review applications and determine final recommendations to Town Council.
- 7. Adjournment**

**Please note that a quorum of Town Council may result if four (4) or more of Town Council members attend this meeting.**

**TOWN OF HILTON HEAD ISLAND  
ACCOMMODATIONS TAX ADVISORY COMMITTEE**

**Date:** November 7, 2013 **Time:** 9:00 a.m.

**Members Present:** Robert Stenhammer, *Chairman*; Mike Alsko, *Vice-Chairman*; Frank Soule, Trish Heichel, Stewart Brown, Rob Bender, Bob Spear

**Members Absent:** None

**Council Present:** William Harkins

**Staff Present:** Susan Simmons, *Director of Finance*; Bret Martin, *Deputy Director of Finance*; Brian Hulbert, *Staff Attorney*; Erica Madhere, *Finance Assistant*

**Others Present:** Various representatives from organizations that applied for ATAX Grants, members of the public

**Media:** none

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**1. Call to Order:**

The meeting was called to order at 9:00 a.m.

**2. FOIA Compliance:**

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

**3. Approval of Minutes:**

Ms. Heichel moved to approve the Minutes of October 30, 2013. Mr. Soule seconded the motion. The Motion passed with a vote of 7-0.

**4. Chairman's Report:**

None

**5. Unfinished Business:**

None

**6. New Business:**

**a. Hearing of applicants**

The following applicants made presentations to the Committee during the morning session:

1. Mitchelville Preservation Project
2. The Heritage Library Foundation
3. Native Island Business & Community Affairs Association
4. South Carolina Repertory Company
5. Hilton Head Island-Bluffton Chamber of Commerce
6. South Carolina Lowcountry & Resort Islands Tourism Commission
7. Hilton Head Island Institute

During the presentation by the Hilton Head Island-Bluffton Chamber of Commerce, Mr. Stenhammer disclosed a potential conflict of interest and did not participate. The required disclosure form is attached.

The Committee broke for lunch at 12:15 p.m. and resumed the meeting at 1:30 p.m. with presentations from the following organizations.

8. Experience Green
9. Hilton Head Island Wine & Food Festival
10. Town of Hilton Head Island
11. Hilton Head Concours d'Elegance and Motoring Festival
12. David M. Carmines Memorial Foundation
13. Shelter Cove Harbour Company Harbourfest and 4<sup>th</sup> of July Fireworks
14. Skull Creek 4<sup>th</sup> of July Celebration
15. Harbour Town Merchants Assoc.: 4<sup>th</sup> of July Celebration

Mr. Brown disclosed a potential conflict of interest during the presentation by the Hilton Head Island Concours d'Elegance and Motoring Festival and did not participate. The required disclosure form is attached.

During the presentation by David M. Carmines Memorial Foundation, Mr. Soule disclosed a potential conflict of interest and did not participate. The required disclosure form is attached.

During the presentation by Harbour Town Merchants Association, Mr. Bender disclosed a potential conflict of interest and did not participate. The required disclosure form is attached.

After the final presentation concluded, Susan Simmons, Director of Finance for the Town of Hilton Head Island, and Bret Martin, Deputy Director of Finance for the Town of Hilton Head Island approached the dais to inform the Committee that the total amount available for new 2014 grants is \$3,280,736. This amount is comprised of actual revenue for the first three quarters of 2013 and an estimated amount for the fourth quarter of 2013, in addition to the difference between the estimated and actual revenue from the fourth quarter of 2012 (after the required distributions to the Town and DMO), lapsed grants, and interest income earned over the past calendar year. They explained that the amount available for new grants is a significant increase over the amount that was available for 2013 grants due to economic growth from existing accounts, the addition of hundreds of new accounts, new collection initiatives, legal settlements with online travel companies, and adjustments of previous distributions made to incorrect municipalities. They estimated that approximately \$566,610 of the available revenue is non-recurring, and approximately \$2,714,126 will be recurring annually after the required deductions are made from the total revenue received.

The committee members discussed alternate methods of recommending the available funds, such as recommending some of the non-recurring funds for truly one-time uses, possibly reserving some funds for an additional mid-year cycle, or reserving the non-recurring funds for 2015 grants. The committee members ultimately discussed the continued importance of focusing on the following when making recommendations: 1) the Committee's criteria and guiding principles, 2) the organization's return on investment, as well as 3) the long term goal of reducing an organization's dependency on ATAX grants.

**7. Adjournment:**

Mr. Soule moved to adjourn the meeting. Ms. Heichel seconded the Motion. The motion passed unanimously and the meeting was adjourned at 4:15 p.m.

**Approved:**

**Respectfully submitted:**

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**Robert Stenhammer, Chairman**

\_\_\_\_\_  
**Erica Madhere, Secretary**

DRAFT

## Memo re Significant Fluctuations in State ATAX Revenues

To: Susan Simmons, Director of Finance, Bret Martin, Deputy Director of Finance; Bruce Seeley, Inspections, Collections and Audits Manager

From: Sam Williford, Revenue Collector

Subject: State ATAX Revenue Recommendation for CY 2014

Date: November 5, 2013

For the past few quarters the Town of Hilton Head Island has received significant increases in its State Accommodations Tax (ATAX) revenues. Our analysis of these revenues indicates that there have been several contributing factors to the increase. Economic growth from existing accounts, new collection initiatives, legal settlements with online travel companies, and corrections to distributions explain most of these increases.

Additionally, revenue received for prior year corrections to distributions created a one-time benefit. South Carolina collects 2% State ATAX revenues; retains an administrative fee, regional tourism fees, and the "Robinhood Provision"; then distributes the remainder to the collecting local governments. This year errors discovered in the State's prior distributions were corrected; this correction produced both ongoing and one-time distributions for accounts which were initially distributed improperly to another government.

The Accommodations Tax Advisory Committee is currently reviewing Calendar Year 2014 grant requests to be funded from Calendar Year 2013 State Accommodations Tax revenues. To make a revenue prediction for the final calendar quarter of 2013 and provide estimated total revenues upon which to base the grants, we examined prior year quarters and conservatively estimated the fourth quarter amount to be \$472,500.

Adding the fourth quarter estimate to the actual \$4.370 million for the first three quarters brings the estimated total revenues for calendar year 2013 to \$4,843,980, compared to total calendar year 2012 at \$3.897 million (which also included one-time revenues from online travel agencies). The resulting increase is \$947,000.

Prior to calendar year 2012's one-time increase in the fourth quarter, State ATAX revenue for several years averaged approximately \$3,500,000. Our analysis suggests that the economy caused a ten percent increase in recurring revenue after an examination of accounts that paid State ATAX this year and last year. This ten percent economic improvement accounts for approximately \$350,000.

Additionally, we identified at least another \$350,000 of revenues that will become recurring due to collection initiatives, legal settlements, and corrections to distributions at the State. This brings the total estimated normalized and potentially recurring revenues to \$4,200,000.

Therefore, the total non-recurring revenues in the current year are estimated to be \$643,980 (Total Estimated CY2013 Revenues of \$4,843,980 less Total Estimated Recurring Revenues of \$4,200,000).

From those recurring and non-recurring amounts, the first \$25,000 and 5% is deposited into the Town's General Fund and another 30% is allocated to the Town's DMO, the Chamber's VCB. The Town will have \$376 interest income (recurring) and \$25,156 lapsed grants (non-recurring) that will also be available to distribute to grantees.

The Town now chooses to allocate the difference in prior year fourth quarter estimate vs. actual revenue in the following year. After required 5% and 30% fund deductions, a non-recurring total of \$122,844 is available for distribution. Council did not award \$23 last year. This brings the available non-recurring revenues to \$566,610.

After the required deductions, the total available to award grantees from the recurring portion is \$2,714,126. Therefore, the total available for award from recurring and non-recurring funds is \$3,280,736. As a point of reference, Council awarded 2013 totaling \$2,394,229 for an increase in available funds totaling \$886,507.

## Guide for Calendar Year 2014 ATAC Recommendations Worksheet

The attachment includes a history of previous grant awards and current year applications by applicant. The amount columns provide the Council's grant awards for 2011, 2012 and 2013. The new 2014 grants, the remaining three columns will be used as follows.

- 2014 applicant requests (actual requested amount),
- Your ATAC recommendations (see explanation below for amounts), and
- Council awards column (left blank)

In an effort to help you understand the unique nature of the funds available this year, we have provided "starting point" amounts for the column for your ATAC recommendations. If a current year applicant received a prior year award, we placed last year's Council award in your ATAC recommendation column. This provides a "starting point" of \$2,394,229.

Then we placed the \$566,610 non-recurring amount available into the last row and labeled it "reserved for future allocation (non-recurring funds)". One option for consideration is that ATAC and Council not award these funds at the present time. They could either be awarded in a mid-year cycle or placed into the normal CY15 grant awards process. (See note 1 below for information on delaying awards.)

The formula in the worksheet then presents that the "remaining balance available" is \$319,897. This is staff's best determination of the amount of recurring funds available beyond what was awarded for last year. As the ATAC deliberates its recommendations and overwrites the "starting point" amounts, the "remaining balance available" will adjust to present ATAC's balance remaining for recurring funds. Generally, the ATAC will work the balance to zero - indicating that it has awarded all the funds determined to be available.

However, should the ATAC choose to immediately recommend awarding some or all of the non-recurring funds as well as the recurring funds available, it may overwrite the "starting point" amounts up to the point that the "remaining balance available" reaches the \$(566,610) amount in the last row labeled "reserved for future allocation (non-recurring funds)".

### Note 1:

State law allows two years from collection to expend the funds. The Town could delay awarding these non-recurring funds up to a year, then allow grantees a year to expend the delayed awards, thereby staying within the two year window.

**STATE ACCOMMODATIONS TAX REVENUE ANALYSIS**  
 Calendar 2013 Revenues Available for Calendar Year 2014 Grants  
 with comparative information for the prior year

	Calendar Year 2013 Revenues Available for CY2014 Grants	Calendar Year 2012 Revenues Available for CY2013 Grants	\$ Difference	% Difference
<b>SOURCES:</b>				
Jan - Mar ATAX Revenue	561,109	217,109	344,000	158.45%
Apr - June ATAX Revenue	1,523,646	1,267,859	255,787	20.17%
July - Sept ATAX Revenue	2,286,725	1,748,948	537,777	30.75%
Oct - Dec ATAX Revenue --- Actual 2012, Estimated Oct - Dec 2013	472,500	662,990	(190,490)	-28.73%
<b>Estimated ATAX Revenues for CY12</b>	<b>4,843,980</b>	<b>3,896,906</b>	<b>947,074</b>	<b>24.30%</b>
	<b>Non-recurring Portion</b>	<b>Recurring Portion</b>		
	<b>643,980</b>	<b>4,200,000</b>		
Other Amounts to be granted:				
Interest (Estimated last 2-3 months)	-	376	357	
Lapsed Grants	25,156	-	0	
<b>Total CY Sources</b>	<b>669,136</b>	<b>4,200,376</b>	<b>3,897,263</b>	
<b>USES:</b>				
First \$25,000 to the Town's General Fund	N/A	(25,000)	(25,000)	
30% to Chamber (Town's Designated Advertising & Promotion Agency) (Est. for last qtr.)	(193,194)	(1,252,500)	(1,161,572)	
5% to the Town's General Fund (Est. for last qtr.)	(32,199)	(208,750)	(193,595)	
<b>Available for Grants</b>	<b>443,743</b>	<b>2,714,126</b>	<b>2,517,096</b>	
Forward-Funded Grants Awarded last year	N/A	N/A	(1,300,050)	
Estimated Adjustment due to changes in CY revenues	N/A	N/A	(76,179)	2
<b>Total Forward-Funded Grants</b>	N/A	N/A	(1,376,229)	
Amount Available in Prior Year but not Awarded	23		(23)	
Amount Available in Next Year due to 4th Qtr being higher than Estimate	122,844	-	(122,844)	4
<b>Amount Available to Award New grants</b>	<b>566,610</b>	<b>2,714,126</b>	<b>1,018,000</b>	<b>1,696,126</b>
<b>Requested "New" Grants</b>		<b>3,570,021</b>	<b>1,960,987</b>	
<b>Percentage of "New" Grant Requests that can be funded</b>		<b>76%</b>	<b>52%</b>	

1 - See attached memo for explanation of the significant revenue fluctuations between the two calendar years.

2 - When Town Council awarded its CY2012 grants, it again approved that forward-funded grants would increase or decrease according to the same increase or decrease in 2012 revenues. It was estimated the increase after the effect of the required distributions was 5.86%. Therefore, the forward-funded grants were adjusted \$76,179. This left \$1,018,023 available for new grants. Council awarded \$1,018,000.

3 - While revenues have increased in recurring and non-recurring ways (see #1 above), a large portion of the \$1,696,126 increase in "Amount Available for Grant Awards" between the calendar years is related to the change in forward-funding grants. For CY13, the Town still had three organizations with forward-approved grants (CY13 grants awarded in CY12) totaling \$1,376,229; for CY14, all applicants including the three previously forward-funded applicants must be awarded grants from the "Amount Available for Grant Awards".

4 - The Town determined that it would allocate the difference in prior year 4th quarter estimates and actuals in the following year. These revenues will be subject to allocation as non-recurring funds in Calendar Year 2014.

**Calendar Year 2014 Accommodations Tax Advisory Committee Recommendations**

	2011 Town Council Award - (inc. Fwd-Fd Grants)	2012 Town Council Award - (inc. Fwd-Fd Grants)	2013 Town Council Award - (inc. Fwd-Fd Grants)	2014 Applicant Request	2014 ATAC Recommendation	2014 Town Council Award
Art League of Hilton Head	45,000	50,000	40,000	72,500	40,000	
Arts Center of Coastal Carolina	350,703	346,678	366,993	378,000	366,993	
Arts Center of Coastal Carolina - Capital Improvement	75,000	N/A	N/A	86,000		
Beaufort County Black Chamber of Commerce	N/A	0	0	25,000	0	
Beaufort County Government (Hilton Head Air Day)	N/A	N/A	N/A	10,000		
Center for Service Leadership	N/A	N/A	N/A	25,000		
David M. Carmines Memorial Foundation	N/A	N/A	0	10,000	0	
Experience Green	N/A	N/A	N/A	8,000		
Harbour Town Merchants Assoc.-(July 4th fireworks)	8,000	8,000	8,000	18,000	8,000	
Harbour Town Merchants Assoc.-(Harbour Town Lights)	N/A	N/A	0	N/A	N/A	N/A
Hilton Head Audubon Society	3,200	5,000	N/A	N/A	N/A	N/A
Hilton Head Choral Society	17,000	22,000	12,000	28,000	12,000	
Hilton Head Concours d'Elegance (advertising only)	88,000	103,000	115,000	134,000	115,000	
Hilton Head Dance Theater	9,000	12,000	12,000	15,392	12,000	
Hilton Head Island Airport	withdrawn	0	0	N/A	N/A	N/A
Hilton Head Island Institute	N/A	N/A	25,000	150,000	25,000	
HHI St. Patrick's Day Parade	8,000	8,000	8,000	16,000	8,000	
HH Area Hospitality Association / Hilton Head Wine and Food, Inc.	N/A	36,853	40,000	100,350	40,000	
Hilton Head Island-Bluffton Chamber of Commerce VCB	208,850	240,000	250,000	375,000	250,000	
Hilton Head Symphony Orchestra	143,820	142,169	175,000	200,000	175,000	
Hilton Head Symphony Orchestra - Special Request	15,000	30,000	N/A	N/A	N/A	N/A
Italian American Club of Hilton Head	N/A	N/A	0	64,200	0	
LoCo Motion	N/A	N/A	0	N/A	N/A	N/A
Lowcountry Golf Course Owners Association	N/A	N/A	50,000	50,000	50,000	
Main Street Youth Theater	40,000	42,000	12,000	50,000	12,000	
Mitchelville Preservation Project	50,000	0	15,000	50,000	15,000	
Native Island Business & Community	75,000	75,266	79,673	150,000	79,673	
Penn Center	N/A	N/A	0	N/A	N/A	N/A
SC Lowcountry & Resort Islands Tourism	N/A	0	0	36,800	0	
SCWatercolor Society dba SC Watermedia Society	N/A	N/A	0	N/A	N/A	N/A
Shelter Cove Harbour Company-(July 4th fireworks)	8,000	8,000	8,000	43,850	8,000	
Skull Creek July 4th Celebration	8,000	6,650	8,000	9,000	8,000	
South Carolina Repertory Company	15,000	15,000	12,000	27,000	12,000	
The Coastal Discovery Museum	165,000	168,000	168,000	185,000	168,000	
The Heritage Library	15,000	15,000	10,000	27,370	10,000	
The Heritage Library - Encyclopedia Hilton Head	N/A	N/A	0	N/A	N/A	N/A
The Sandbox	42,500	50,000	50,000	50,000	50,000	
Town of Hilton Head Island	888,300	878,106	929,563	1,175,559	929,563	
<b>Subtotal of Current Year Recommendations/Awards</b>					2,394,229	0
<b>Reserved for Future Allocation (Non-recurring Funds)</b>	N/A	N/A	N/A	N/A	566,610	
<b>Totals</b>	<b>2,278,373</b>	<b>2,261,722</b>	<b>2,394,229</b>	<b>3,570,021</b>	<b>2,960,839</b>	<b>0</b>
<b>Remaining Balance Available</b>					<b>319,897</b>	<b>0</b>
	<u>CY2013</u>	<u>CY2012</u>	<u>Total</u>			
Grant Funds Available	3,157,869	122,867	3,280,736			
Non-Recurring Funds - Timing and Award Process to be Determined	(443,743)	(122,867)	(566,610)			
Recurring Funds available for 2013 Grants	2,714,126	-	2,714,126			

ATAC recommends various restrictions and budgeted categories for these grant recommendations as outlined in its recommendation letter.