

THE TOWN OF HILTON HEAD ISLAND
SPECIAL TOWN COUNCIL BUDGET WORKSHOP

Date: Tuesday, May 25, 2010

Time: 6:00 P.M.

Present from Town Council: Thomas D. Peeples, *Mayor*; Ken Heitzke, *Mayor Pro-Tem*; George Williams, John Safay, Bill Harkins, Drew Laughlin, Bill Ferguson, *Councilmen*.

Present from Town Staff: Stephen G. Riley, *Town Manager*; Lavarn Lucas, *Fire Chief, Fire & Rescue*; Charles Cousins, *Director of Community Development*; Scott Liggett, *Director of Public Projects and Facilities*; Susan Simmons, *Finance Director*; Nancy Gasen, *Director of Human Resources*; Steven Markiw, *Deputy Finance Director*; Tom Fultz, *Director of Administrative Services*; Jeff Buckalew, *Town Engineer*; Julian Walls, *Facilities Manager*; Paul Rasch, *Emergency Management Coordinator*; Teri Lewis, *LMO Official*; Brad Tadlock, *Deputy Fire Chief*; Ed Boring, *Deputy Fire Chief*; Susan Blake, *Executive Assistant*

Present from Media: Laura Nahmias, *Island Packet*

1. **Call to Order**
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. **REQUEST TO RESCIND THE REMANDING OF PROPOSED ORDINANCE NO. 2010-04, THE OCIL REZONING MATTER, TO THE PLANNING COMMISSION AND TO PLACE THE MATTER ON THE JUNE 1, 2010 TOWN COUNCIL MEETING FOR FIRST READING CONSIDERATION.**

Mr. Harkins moved to approve. Mr. Heitzke seconded. The motion was approved by a vote of 7-0.

4. **REVIEW OF GENERAL OPERATING BUDGET**

The Town Manager said that he did not have any prepared remarks. He asked if Town Council Members had any questions on the budget.

Mayor Peeples commented they received a recommendation from the ATAX committee that the Town needed to consider additional efforts on collection of accommodations taxes. He suggested that they consider funding at least one additional revenue collections officer; past history has shown they usually bring in more revenue than their salary expense. Or, he would like the Town Manager to give the Council an idea of what they needed to be doing to improve the collection process.

The Mayor raised the issue of the Town's directive to the outside agencies to reduce their budget request by 5% and in order for them to meet that reduction, they were going to have to reduce services. It struck the Mayor that the Town Council ought to be funding the outside agencies back to the same amount they were funded last year. To accomplish this, Mayor Peeples suggested reducing the proposed 2% salary increase for Town employees to 1%. And also look at the fund balance that was left over from last year as well as phasing in new hires to fill staff vacancies, to make up the budget difference.

Mr. Ferguson recommended that the staff salary increase be maintained at the 2% level because he heard that staff did not get a raise last year.

The Mayor responded that the reality was that in this economy, he did not know of anyone who had received raises last year or would be receiving them this year. He valued the Town employees as much as everyone else did and that was why he was not suggesting the raise be totally eliminated. It was hard for him to tell a constituent that yes, the Town staff got a raise, but the Rec Center was going to have to be closed on Sundays, or the Sheriff's Department could not receive overtime pay to patrol the nuisance bars and police the late night violence. He was not prepared to do that.

Mr. Ferguson observed that he knew of Town employees in emergency medical services who were living in Bluffton because the cost of living on Hilton Head Island was so high, they had to move away. He thought it was important that we should be doing something to keep them on the Island and close to their work place.

Mr. Laughlin agreed with the Mayor's position and observed that the example of the LRTA was pertinent; since the LRTA received matching 3-1 funding. For every dollar the Town did not fund the LRTA, they were actually losing \$3 more. Nor did it make any sense to him to have the Rec Center facilities unavailable 1/7th of the time they were supposed to be open. As far as the merit raise proposal, Mr. Laughlin did not like the idea of reducing it from 2% to 1% anymore than anyone else did and it certainly was not a reflection on the value of the employees; it was a reflection of the times.

Mr. Safay agreed that splitting the difference on the staff merit raise was probably the most equitable way to go. On another matter, Mr. Safay said that he had been reading about the failure to collect all of the potential ATAX monies. He had not seen any evidence that this was as bad as what it had been reported to be. He had heard numbers as high as a half million dollars the Town was supposedly losing. Mr. Safay asked if there was a possibility of assigning one of the existing staff to do more monitoring of vacation rentals. Mr. Safay's point was that he wasn't convinced that the situation warranted a new full time staff position.

Mr. Harkins said he would like to lend his support to the direction that the Mayor was headed. He thought the most important resource of the Town was its employee workforce and it was certainly not easy to suggest reducing the proposed merit increase.

Mr. Williams concurred that they should not be cutting services to balance the budget. From his perspective, he thought they should consider freezing the stipend for the Sheriff's Department just to the people who currently receive it. Secondly, in the budget, the estimate for this year was they were going to be spending \$600,000 of the fund balance or reserves and spending some amount of reserves for salary increases. He was not sure he supported spending more money than they had.

Mr. Ferguson stated for the record that he hoped they could keep the Rec Center open seven days a week. Sunday was a crucial day for families to be able to take advantage of the facilities.

Mayor Peeples observed that he had suggested not funding the stipend (to the Sheriff's Department) at a prior meeting, but it was pointed out to him later that they can't really just stop it because some people bought houses based on the assumption that the stipend would be continued and had their mortgage rates tied to it. He hoped they would fund the stipend program all the way through the year and later, get into a real discussion about it. The problem the Mayor had with Mr. Williams' suggestion was that it would create two classes of employees working for the Sheriff's Department who lived on Hilton Head Island— ones who get the stipend and ones who didn't. He felt this would create a bad climate.

Mr. Williams asked a question about the disaster reserves. Susan Simmons said that every year it was based on what Town thought the revenues were going to produce and then what the code says we put into the account for the reserve. If the Town Council granted emergency advertising money to the Chamber, it could also be drawn from that budget line. There was a discussion about caps on reserve funds and staff was asked to take a look at all of the reserve funds and provide a review to Council. Mr. Williams had a few more questions about specific line items, which Susan Simmons and Steve Riley answered.

The Mayor asked Susan Simmons if she would talk about the ATAX collections issue. She commented that staff has done some research which appeared to support what Mr. Safay said earlier that evening about the exaggeration of uncollected monies. Ms. Simmons was certain there was (uncollected) money out there, but she was not sure that it was going to be in the realm of the half million dollars some people purport. To the Mayor's comments, she believed there was some merit to funding a new position (probably at a cost of \$50,000 - \$75,000) and it would probably bring in at least that much in revenues, but she doubted they would ever get to the half million dollar range. Before they made any further recommendations, Ms. Simmons said they would like to look at ways they could achieve greater enforcement compliance via a number of options, such as automation, a part-time position, or possibly even out-sourcing. They would like to study all of the possibilities before making any further recommendations. Mayor Peeples said his point was they ought to budget for flexibility so once it was determined what course of action was appropriate, there was funding available for it. Ms. Simmons said they would appreciate that and think they could bring a return on that investment.

5. ADJOURNMENT

At 6:46 p.m., Mr. Williams moved to adjourn. Mr. Heitzke seconded. The motion was approved by a vote of 7-0.

Susan Blake, Secretary

Approved:

Thomas D. Peeples, Mayor