



**SURFSIDE BEACH TOWN COUNCIL BUDGET WORKSHOP
TOWN COUNCIL CHAMBERS
115 US HIGHWAY 17 NORTH, SURFSIDE BEACH, SC
THURSDAY, APRIL 11, 2019 AT 9:00 A.M.**

CALL TO ORDER. Mayor Childs called the workshop to order at 9:00 a.m. Mayor Childs, Mayor Pro Tempore Pellegrino, and Councilmembers Johnson, Ott (arrived at 10:47 a.m.), Scoles and Stevens were in attendance. Councilmember Dietrich was absent. A quorum was present. Others present: Town Administrator Pieper; Town Clerk Herrmann; Finance Director King; Fire Chief Otte; Planning Building & Zoning Director Morris; Police Chief Hofmann; Public Works Director Adair, and Events Supervisor Ellis.

Mr. Pieper explained that staff worked very hard to present the proposed balanced budget. The budget is "bare bones," because there is very little growth and no new revenue. However, there is no tax increase. In spite of the bare boned budget, there won't be any reduction in the quality of services. He proceeded with a PowerPoint presentation, which is attached hereto. He thanked staff for their efforts in preparing the budget. Horry County has to be notified by the end of May to be prepared for the tax season.

Page 2 General Fund Budget Summary

- The total budget is actually reduced about \$272K
- 3% Cost of Living (COLA) included for all employees
- Increases in insurances, retirement contributions
- Increases in contractual services
- Reduction in Capital Replacement Funds (fire truck)

Mr. Pellegrino said that council decided to alternate merit increases with cost of living increases every year, and asked why the COLA was presented since it was awarded last year. Mr. Pieper said he was unaware of that policy. After a discussion about merit increases versus COLA, Town Council **CONCURRED to leave the 3% in the budget subject as proposed for a COLA.** Mr. Pieper suggested a combination of merit and COLA so that pay keeps up with inflation. Mr. Pellegrino said he would bring this back to council later for additional discussion.

Page 4. 2019-2020 Projected General Fund Revenue

- Small increase in property tax revenue and franchise fees, which are impacted by limited growth
- Small increase in business licensing and permit fees, again impacted by limited growth

Page 6. Departmental Changes

- Summary of each department
- Staff worked diligently to cut everything possible to work with available resources
- Non-Departmental includes \$50K Façade Grant. The business committee will recommend to Town Council for approval.

Page 7. Administration

- Horry County is doing reassessment, information will be available in August; the tax rate will be adjusted when reassessment is completed so that the net revenue will be the same

Page 8. Police Department

Chief Hofmann presented requests for an "assigned vehicle program" and "salary incentive proposal," copies of which are on file, which he believes will help recruit and retain officers. After lengthy discussion, Town Council **CONCURRED to allow these two programs for one year to begin immediately, subject to an analysis being presented at the end of the year.**

54 *Recess called at 10:03 a.m. Reconvened at 10:17 a.m.*

55
56 Page 9. Fire Department

- 57 • Fire Truck approved this year (capital replacement), which has a 25 year service expectancy;
58 replacement policy reserves funds for a purchase every 5 years
- 59 • Air Packs; half replaced this year, next year half (grants being sought)

60
61 Page 10. Public Works

- 62 • Tennis Court repair, 80:20 PARD grant \$15,000 applied for
- 63 • Grant also submitted to repair beachfront restroom doors
- 64 • Used frontend loader primarily for beach use being researched to purchase from Stormwater
65 Funds
- 66 • Beach bridge at Myrtle Swash needs to be rebuilt; consider in future budget, if funding is
67 available

68
69 Page 11. Non-Departmental

- 70 • Increase for technology upgrades (Windows 10 required for all computers; half this year, half
71 next year)
- 72 • Veterans Memorial wall upkeep and additional plaques
- 73 • The technology upgrade does not include the town website. Estimate to upgrade the website is
74 \$30K to \$50K; needs to be done in the future.

75
76 Page 12. Fund Balances

- 77 • Capital Replacement balance reduction is due to fire truck purchase (1/2 in current budget; 1/2 in
78 FY2019-2020 budget)
- 79 • Land Meters is the parking revenue fund which is used to purchase land

80
81 Ms. King recommended deferring beach renourishment for two years to save revenue for pier
82 reconstruction. The fund balance ordinance states that \$1.2 million will be in Disaster Recovery by 2020.

83
84 Page 13. Sanitation Fund Budget

- 85 • \$310K to purchase side loader for residential service
- 86 • Review revenue and cost in January 2020 for possible rate adjustment

87
88 Page 14. Accommodations Tax Fund Budget

- 89 • Committee recommendations were distributed, copy attached
- 90 • Beach renourishment \$75K; defer funding for two years
- 91 • Council asked to amend fund balance ordinance

92
93 Mr. Pellegrino asked if there was any interest in funding \$2.5K to \$5K to build a "Discover
94 Surfside Beach" website for the business community. After discussion, Town Council **DECLINED** website.
95 Staff was directed to work on the website internally to improve business presence.

96
97 A discussion ensued regarding the necessity for funding beach renourishment and possibly
98 diverting those funds to pier reconstruction. Mr. Pellegrino was adamantly opposed to diverting funds,
99 saying that council could expropriate funds when needed for the pier. Mr. Pieper said for the record,
100 "[The pier] will cost more than we projected." Every town and GSATS is finding current bid projects are
101 costing more than expected. After discussion, Town Council **CONCURRED with the Accommodations**
102 **Tax Committee recommendations, except for transfer to beach renourishment** (see comments
103 for Page 18, beginning on line 144, et seq.).

104
105 Page 15. Hospitality Tax Budget

- 106 • Rate changed to 2% on restaurants and admissions

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- 107 • Collect 1% that Horry County previously collected
- 108 • Hospitality tax is not collected on accommodations in this fund
- 109 • \$90K additional will be held for the pier rebuild
- 110 • Defer beach renourishment of \$75K

111
112 Mr. Pieper said there would not be any expenditures until staff is certain funds are available.
113 Litigation is ongoing with Horry County over collection of hospitality and accommodations taxes.

114
115 Page 16. Local Accommodations Tax Budget

- 116 • Rate change to 3% for all accommodations
- 117 • Collect 1.5% that Horry County previously collected
- 118 • Budgeted additional \$196K will be held for pier reconstruction

119
120 Mr. Pieper reiterated this is in litigation and staff would be very conservative until the case is
121 resolved.

122
123 Page 17. Capital Projects Fund.

- 124 • Repaving streets using Horry County road fees and CTC (County Transportation Committee)
125 reimbursement. \$300K for resurfacing; \$30K for engineering/design.
- 126 • Beach renourishment funds at \$658K June 30, 2019; defer transfers for 2 years for pier
127 reconstruction

128
129 Mr. Pieper noted that engineering was budgeted and Mr. Adair was reminded to keep road
130 paving projects on budget. Mr. Adair said about \$350K was identified, but he could "trim it down."

131
132 Chief Otte said the fire hydrant replacements were ongoing. The replacements being done this
133 budget year completes about half of the project.

134
135 Mr. Adair said Highway 17 improvements were started at the north end. The town was going to
136 do an underground wiring project of the east-west crossover utility lines, but the rebid after removing the
137 county's portion of the project between the northern border and Highway 544 came in significantly
138 higher. Santee Cooper recommends bidding the underground wiring project later as a separate project,
139 and Town Council approved deferring that project until a later date at the March 26th meeting. Mr. Ott
140 suggested the underground wiring begin on Ocean Boulevard again. After discussion, Town Council
141 **CONCURRED to continue to focus on Highway 17, and then finish the last three phases of**
142 **Ocean Boulevard.**

143
144 Page 18. Beach Renourishment Deferred Transfers

- 145 • Defer funding from Hospitality, Accommodations Tax, and the Pier funds for two years for beach
146 renourishment requires an amendment to the fund balance ordinance
- 147 • Beach renourishment has typically been funded by state and federal funds with a portion paid by
148 the town.
- 149 • The town has never used \$1 million to fund beach renourishment
- 150 • The next renourishment is anticipated in 2027
- 151 • The town will have more than \$1 million in 2027

152
153 Ms. King said the only funds designated for pier reconstruction in this budget are \$110K from
154 Hospitality, and \$50K from Accommodation Tax. This is a staff recommendation to fund the pier
155 reconstruction. The town has a \$4 million bond that has not been activated. Mr. Pellegrino again opposed
156 diverting funds, saying there is no way to predict when cash flow will be a problem. It creates bad habits
157 to divert funds based on situations that will occur a year out. Mr. Johnson supported Mr. Pellegrino. Mr.
158 Pieper said the OCRM permit was received yesterday. The environmental study is the only remaining
159 approval; he hopes bids can be let in September. This suggestion was for Town Council to consider. He

160 believed Town Council should evaluate the funding goal for beach renourishment, because the threshold
161 may be too high. The pier was the top priority for every councilmember. Mr. Ott stressed that it was
162 important for council to understand what was being done; regardless of where the funds are held, they
163 are available to use. After lengthy discussion, Town Council **CONCURRED to accept staff's**
164 **recommendations set out on page 18.**

165
166 Page 19. Pier Fund

- 167 • Budgeted \$110K from Hospitality
- 168 • Budgeted \$50K from A-tax
- 169 • Approved \$150K approved at this meeting
- 170 • FEMA has begun reimbursement for pier expenses

171
172 Mr. Pieper hoped to receive the final approval from FEMA and let bids for pier construction in
173 September with an award by Town Council the first of the year. Weekly and daily communiques are
174 made with regulatory agencies to expedite the process. The plans are about 99% complete, so the bid
175 package should be let within a month once final approval is received. Ms. Morris said railing and lighting
176 were submitted to FEMA for approval. Mr. Pieper explained there will probably be one general contractor
177 that sublets the demolition, and other parts.

178
179 Page 20. Stormwater Management Fund

- 180 • Proposed rate is \$6.83 per month - \$82 annually
- 181 • A 10 minute PowerPoint will be presented to Town Council and the public at a later date
- 182 • A public hearing will be scheduled
- 183 • \$100K for a frontend loader

184
185 Mr. Pieper said this is a new fee that would begin in FY2019-2020 budget. If approved, the fee
186 will be added to the property tax bills that are mailed in October. Collecting this fee on the tax bill will
187 result in 95% to 98% collection. We anticipate during the first year the frontend loader will be purchased,
188 and then in year two crews will be hired and projects started. Mr. Pellegrino said the rate equated to a
189 15% increase in taxes, which might be burden on some homeowners. Mr. Pieper said the rate falls in the
190 middle of area municipalities. Managing flooding was already discussed. Staff has met with people during
191 rain events; they want to see a stormwater program and the 50:50 program started again. Having a
192 funding source is the only way to make that happen. After lengthy discussion Town Council
193 **CONCURRED to consider adoption of the Stormwater Utility Fee.**

194
195 Page 21. Miscellaneous

- 196 • Council Comments

197 Mr. Ott referred to the seven acre tract of land that cannot be developed because of current
198 zoning.

199
200 Mr. Pellegrino said there are five main revenue opportunities:

- 201 • Pier rents will be higher with new construction, and it will draw more people
- 202 • Entertainment District, continue moving forward with that
- 203 • R-3 Occupancy – there are good years and bad years. Shoulder seasons and summer
204 occupancy is a huge opportunity. Marketing needs to target the town; the town should
205 cooperate with rental agencies.
- 206 • Highway 17 Business – decreasing regulation is the only way to decrease cost for people to
207 invest and expand. Never change the height restriction for any reason, but there are many
208 other regulations that could make the town more business friendly. The town needs to be pro-
209 business; improve relationships; build existing business, and bring in new businesses.
- 210 • Commercial Annexation – last time annexation was tried was proximity of fire and police would
211 save on insurance. We need to develop a list of benefits to entice annexation. Revenue
212 projections years ago were high, and they are probably higher now.

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Mr. Pellegrino said as elected officials and staff, we need to try to improve things. Unless revenue is increased, the only other option is to increase taxes. Services could be cut, but that would be disastrous. Citizens would rather pay more taxes than to have services cut. We already answer fire calls in the county commercial area at Highway 544.

Mr. Ott said the justice system would require the town to incorporate the neighborhoods if the town annexed the businesses.

Mayor Childs said the town discussed annexing those businesses under the last administrator. The fire department already respond to those businesses, so what is the incentive? Deerfield has millions of dollars of stormwater issues. We have to stay away from that. If we could get the businesses, that would be great. I agree that our business related ordinances need to be reviewed.

Mr. Stevens agreed with Mr. Pellegrino. The town needs to embrace businesses. When ordinances cost businesses thousands of dollars to get started it is a deterrent. I would never consider annexing Caropines or Deerfield because of the cost. But, the businesses on Highway 17, yes, and on Azalea Drive and Sandy Pine. We already service them, why not bring them into the town?

Mayor Childs asked what the hold-up was on developing the tract of land. Ms. Morris said no one had contacted her office about development. Mr. Ott said the group wanted multi-use, luxury stores with luxury condominiums above. Ms. Morris said that would be a planned development. Mayor Childs said they just have to submit their plans.

Mr. Ott said the ordinances needed to be reviewed. Had the ordinances be written the way it should be, he believed the deck at Neal and Pam's could have been approved. It is up to council.

Ms. Scoles said it sounds like all councilmembers agree that the town wants to be more business friendly, and to bring business here. We can't just change ordinances to bring in a business; that would create more problems. Before bringing anyone into the town, we better understand the problems associated with the property. We need to insure what they bring offsets what is provided to them. Maybe a workshop should be held with businesses and staff to hear comments. Perhaps a survey could be done to determine what kind of businesses the residents think the town needs. If the residents want it, then they would patronize it and it will be profitable. I agree, we must bring more business into town. Improving Highway 17 will help.

Mr. Johnson asked if the 50:50 piping program was stopped because of environmental issues. Mr. Adair said it was because of manpower and budget. The homeowner paid for materials; the town provided labor. The shoulder season has extended so staff has less time to perform piping on top of other off-season tasks. The town will issue an encroachment permit for any owner that wants to have a contractor pipe their ditch.

Mayor Childs believed council should seriously evaluate the business related ordinances. Mr. Pieper suggested an *ad hoc* committee. Mr. Stevens volunteered to serve. Mayor Childs asked staff to bring *ad hoc* committee appointments to the next meeting.

Mr. Pellegrino said his definition of a balanced budget is that expenses are equal to or less than revenue. He did not believe transferring funds from unassigned revenue balanced the budget. Ms. King explained that the proposed budget was balanced; revenue equals expenses. Mr. Pellegrino said the unassigned balance should not decrease.

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266 • Staff Comments

267
268 Mr. Pieper said there are huge hurdles to overcome when annexing without being able to offer
269 water and sewer. The Chamber of Commerce receives a big dollar amount from the town's
270 accommodation taxes. I've notified the Chamber that we are not very happy with the Grand Strand
271 marketing scheme. Our dollars should target Surfside Beach. Regional marketing has its place, but when
272 that is all we're getting, it is not what we want. The Chamber has been put on notice that its advertising
273 is being evaluated, and the information will be shared with councilmembers and the accommodations tax
274 committee members, as they, too, are concerned about this. Having the Chamber provide targeted
275 marketing goes in line with the council's desire to be business friendly and increase business.

276
277 Mr. Pieper reminded councilmembers to submit their Municipal Association Annual Meeting
278 worksheets to the clerk by May 14th, and there is a workshop on Monday, April 15th at 6:00 p.m. to
279 discuss the proposed amendments to Chapter 2.

280
281 Mr. Pieper thanked councilmembers and the public for attending; staff for their work on the
282 budget, and reiterated that there was no tax increase.

283
284 Mayor Childs declared the workshop adjourned at 12:19 p.m.

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286 Prepared and submitted by
287
288 _____
289 Debra E. Herrmann, CMC, Town Clerk

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291 Approved:

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294 **SURFSIDE BEACH TOWN COUNCIL**

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296 _____
297 Robert F. Childs, III, Mayor

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300 David L. Pellegrino, Mayor Pro Tempore

301 _____
302 Bruce Dietrich, Town Council

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304 Mark L. Johnson, Town Council

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306 Ron Ott, Town Council

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308 Debbie Scoles, Town Council

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310 Randle M. Stevens, Town Council

311 Clerk's Note: This document constitutes action minutes of the workshop that was digitally recorded, and
312 is not intended to be a complete transcript. Appointments to hear recordings may be made with the town
313 clerk; a free copy of the audio will be given to you provided you bring a new, unopened flash drive. In
314 accordance with FOIA §30-4-80(A) and (E), workshop notice was distributed to local media and
interested parties via the town's email subscription list. The notice was posted on the entry door at Town
Council Chambers. Workshop notice was also posted on the town website at www.surfsidebeach.org and
the marquee.