

COMMITTEE ON ADMINISTRATION & FINANCE, THURSDAY, MAY 4, 2023, AT 8:30 A.M., CONFERENCE ROOM, ROOM 804, COUNTY COMPLEX, 180 N. IRBY ST., FLORENCE, SOUTH CAROLINA

PRESENT:

Willard Dorriety, Jr., County Council Chairman
Waymon Mumford, Council Committee Member
William Schofield, Council Committee Member
Stoney C. Moore, Council Committee Member
Kevin Yokim, County Administrator
James Goff, Finance Director

ALSO PRESENT:

Jerry W. Yarborough, Jr., Council Member
Shannon Munoz, Deputy Administrator
Chris Day, Post & Courier Editor
Christian Smith, Morning News Reporter
Hope M. Jones, Clerk to Council

In compliance with the Freedom of Information Act, copies of the meeting Agenda were provided to members of the media, and members of the public requesting copies, posted in the lobby of the County Complex, provided for posting at the Doctors Bruce and Lee Foundation Public Library, all branch libraries, and on the County's website (www.florenceco.org).

Chairman Dorriety called the meeting to order. Councilman Mumford provided the invocation and Councilman Moore led the Pledge of Allegiance to the American Flag.

APPROVAL OF MINUTES – JUNE 2, 2022 MEETING

Councilman Moore made a motion to approve the Minutes of the June 2, 2022, Committee Meeting, the motion was seconded by Councilman Schofield. The motion was approved unanimously by the members present.

Mr. Yokim provided two handouts to the Committee: FY 2023/24 Summary of Issues and FY 2023/24 Property Tax Analysis. (The handouts are incorporated and referenced.)

MILLAGE INCREASE

Mr. Yokim informed the Committee of the proposed two (2) mill net increase in property tax next year, which is comprised of a four (4) mill increase in the General Fund. The Act 388 cap would allow a six-point nine (6.9) mill increase. Mr. Goff is working with the County's financial advisor First Tryon and has determined a two (2) mill decrease in Debt Service Fund. Mr. Yokim said because the Debt Service Fund is decreased by two (2) mill we will have a two (2) mill net increase in property taxes. However, County Council passed an ordinance allowing for a referendum on a local option sales tax and the ordinance authorizes the use of 100% of the dollars to offset property taxes.

Mr. Yokim stated Mr. Goff has already started working on what the local option sales tax credit factor would be for next year. The General Fund millage rate is at 84.4, debt service is at 13.6 which equals 98 mills. Property taxes have a two-step calculation. For property taxes, you go through a two-step calculation, and you determine if it is assessed at 4% or 6%. If so, you take the appraised value and multiply it by the assessment rate, and then add the millage (a two-step calculation). Whereas local option, you take the appraised value times the credit. For a \$100,000 home this fiscal year, the net taxes after the credit is \$155. The General Fund millage rate is going up four (4) mills, but the Debt Service Millage Rate is going down. The total is going up two (2) mills from 98 to 100, but because of the strong growth in local option sales taxes, it is now at the rate of 0.002583. That is an estimate. The number typically gets prepared in the August timeframe. Based on growth, Mr. Goff is estimating right now what the credit would be. For the total taxes, the net taxes go up \$8 from \$392 to \$400. The credits increased from \$237 to \$258. Even though the millage is increasing, the net taxes are going to decrease. New businesses that have come into Florence are creating strong growth in local option sales tax. The millage increase is a two (2) mill net increase and the local option sales tax credit will offset that.

Chairman Dorriety asked if the increase would be \$8 per \$100,000 on the home. The net advantage now from local option sales tax is a credit of \$13.20 per home. Mr. Yokim stated that \$8 is the increase on the tax side but the credit is going up by \$21, the net is \$13.

Chairman Dorriety stated taxes could have been raised by six-point nine (6.9) mils but chose not in order to keep something in the bank for future years. This gives us a cushion. We do not know how the County will be impacted in the coming years. We are trying to be prudent and keep something in the bank to take care of Florence County employees in the future.

Mr. Yokim said the old law used to be a 71/29 split. We receive two checks a month from DOR. One is in the Property Tax Credit Fund, which we are required to use to offset property tax. The other one is a Revenue Fund. The state law is based on population, where the sale is, and many different factors. The City of Florence uses all of its Revenue Fund for other purposes like TIF bonds to improve downtown. In some cases, it is more than a 71/29 split. It may be 65/35 or 60/40. Most of the municipalities haven't had millage increases for several years, because their local option sales tax is more than offset their property taxes.

Mr. Yokim stated that in the mid-90s Council passed an ordinance for the referendum. It was in that ordinance or a companion ordinance that committed to using 100% of those funds for the property tax offset.

PAY INCREASE

Mr. Yokim said the pay increases after July 1, 2023 will bring all the employees up to a market rate. Mr. Yokim has had discussions with Mr. Goff and mentioned to a few department heads and elected officials that starting in next year's budget (FY 2024/25, not the FY 2023/24), Florence County should implement a COLA and merit increase. The percentage is not determined yet. Mr. Yokim stated you need both COLA and merit. The cost of living increases are necessary to keep up with the cost of living. I don't know if we can give a COLA to keep up with CPI. I have been told by various department heads and elected officials, that they have 10 or 20 years making the same pay as a new entry-level employee. That is not equitable. This needs to be addressed as well.

Mr. Yokim mentioned the increase is similar to what was done last year. There is a \$3,000 increase for all employees, and a \$2,000 additional increase for all the full-time sworn officers at the Sheriff's Office. The combination of those two is \$5,000 which is what was put in the budget last year. The County is repeating that this year. Mr. Goff met with Ryon Watkins (before he retired) and Barrett Dowdy. The County is having difficulty keeping basic EMTs employed. In the EMS Department, there are ninety-four (94) funded positions. Twelve (12) positions at the supervisory level are eligible to retire in the next three years. If we do not do something, we will not have fifteen (15) vacancies but thirty (30). Basic EMTs will get a \$6,500 increase. (That includes the \$3,000 for all employees plus an additional \$3,500.) This will bring the hourly rate almost to \$15. It is currently \$12.50.

We were looking at \$2,000 across the board increase for EMS, similar to the Sheriff's Office. Mr. Watkins and Mr. Dowdy both requested to give more to the basic EMTs. The advanced EMTs and the Paramedics (the next two levels up) will receive \$500. (Their total is \$3,500) All other employees will receive a \$3,000 increase and sworn officers at the Sheriff's Office receive \$5,000. Basic EMTs will receive a total of \$6,500 and then advanced EMTs and Paramedics will get \$3,500. The main reason for the millage increase is to fund this second year of pay increases.

Councilman Schofield inquired about the fire service hourly rate for an employee. Mr. Yokim stated it is \$11 or \$12.

Councilman Yarborough stated in the most recent Justice & Public Safety Committee meeting that they are addressing fire pay rates now as part of their short and long-term goals in their budget. Councilman Yarborough stated the chiefs are already addressing that in their budget for Fund 37.

Mr. Yokim stated Mr. Goff was able to review the revenue for Fund 37, which is a combination of millage and fire fees, and determined that there will be an additional \$300,000 in revenue in next year's budget that's available to the Unified Fire District. The Unified Fire District Chiefs are discussing with the advisory board if the money should be used to pay for paid firefighters or be used to increase the Volunteer Incentives Program. They are wrestling with the decision of which way they want to use those funds. If they were to use it for pay, it would go further to bring the paid firefighters closer to where they should be. We are waiting on their recommendation.

GENERAL FUND

Mr. Yokim said the General Fund requests exceeded estimated revenues by \$12.3 million. We are using the last \$7.2 million of the Fund Balance. You cannot do that sustainably. Fortunately, in the past two fiscal years, we had approximately a \$13 million dollar surplus and that is not including this year.

Mr. Yokim stated Council adopted a policy several years ago, that requires us to have a fund balance that equals at least 25% of expenditures. In other words, you want three months of cash in the bank for cash flow. We have grown to the point we have almost 40%. The four (4) mill increase in the General Fund generates about \$2 million in revenue. The pay increase equals \$3.7 million. We have to use Fund Balance for some of it. The \$7.2 million is Cares Act

reimbursement money, which was one-time federal money. We are using \$1.8 million of that for the final year of the Cares Act for the employee incentive plan. We are also using \$3.6 million of the fund balance for one-time capital purchases.

Mr. Yokim said the next fiscal year will be the last year of employee incentives \$500 a quarter. It is a cost of \$1.8 million. We included the group health premium increase of \$700,000 and the employer retirement contribution increase of \$900,000. This year is possibly the last year for employer retirement contributions with employer contributions having gone up every year by 1% for some years. The only retirement contribution increase we will have in the future years is if we increase pay, and whatever that percentage is, would be smaller than \$900,000. Mr. Goff projected that this year's natural growth and property taxes is \$2 million from growth and property tax growth in values. If we didn't increase the millage at all, we would see a \$2 million growth in property tax revenue. EMS revenue increase is closer to \$600,000.

Mr. Yokim stated insurance reimbursements have increased. Mr. Dowdy mentioned at the staff meeting this week that the increase in calls during the month of April was up 6%. Between the increase in insurance reimbursement and the increase in the number in the percentage of calls, EMS revenues are increasing. Mr. Yokim said we have a good budget. Even though we are using \$7.2 million of the fund balance, we had \$13 million in surplus over the past couple of years, not including the current fiscal year.

Mr. Goff added that the budget is conservative. By that, he means, we budget for 100% staffing. Over the last couple of years, we have been running close to 100 vacant positions under our 900 slots. There is a built-in salary savings each year. Last year, we budgeted a \$1.2 million use of Fund Balance and we ended up with a surplus of \$1.8 million. That was a \$3 million flip in that one year. By doing 100% staffing we have some cushion in those numbers. That is the conservative nature of the budget.

Chairman Dorriety inquired about the property tax collection rate or property tax rate. Mr. Goff responded it was 96 to 97%. Mr. Goff stated when we budget we use 96% to 97%.

LOCAL ACCOMMODATIONS TAX FUND

Mr. Yokim stated the Local Accommodations Tax Fund is the 3% hotel tax that Florence County collects. We use these monies primarily to fund our share of the debt service and operating deficit for the Florence Center. The current Fund Balance is \$2 million because of growth in revenue. Mr. Goff has projected growth to be an additional \$800,000 by the end of fiscal year 2024. Mr. Yokim said he has had conversations with the Florence Center staff. They have a desire to do some improvements at the Florence Center. The arena, the old part of the facility is now 30 years old and they would like to do some curtaining and lighting improvements on one side of the arena to give it a theatre environment. Also, some ADA improvements need to be made. They feel certain events have 2500 to 3000 capacity and we are missing out on those types of events. Do we want to use the growth in Accommodations Tax to help fund that? Expenses have always been half County, half City. If we decided to move forward, the City would have to get on board.

LOCAL HOSPITALITY TAX FUND

Mr. Yokim said the Local Hospitality Tax Fund Balance is \$840,000, which is on the low side. The projected growth is going to double next year. We have had tremendous growth in this fund, primarily as a result of one new business that will celebrate its one year anniversary in less than two weeks.

Mr. Yokim said he was approached by the individuals that own the Waters building downtown. The museum currently rents the first floor of the Waters building and it is about a \$100,000 expense in the museum budget, half of which is funded by the City of Florence. The museum's agreement still has three more years to run. Mr. Yokim spoke with Andrew Stout, Museum Director, and he stated the museum was constructed to be expanded to add 15,000 square feet to the building. An estimate of \$7.5 or \$8 million was given for the expansion. Mr. Goff and I have already met with our financial advisors virtually, and the advisors have run the numbers. The increase in the revenue would more than offset a 15-year bond to make that addition to the museum. County Council passed an ordinance several years ago that added an on-call list for engineers. Ms. Munoz, Deputy Administrator, is in the process to add an on-call list for architects to be placed on the agenda. It will be a revenue bond and Council will be included in the entire process. Council will be apprised of the plan, proposed designs, and estimated cost before issuing a revenue bond. They have projected 15 years with the growth of revenue. The fund balance would still continue to increase over the years.

Chairman Dorriety said the local hospitality tax is for tourism. It cannot be used for salaries, only tourism. The local hospitality tax funds are for the museums in Florence and Lake City.

Mr. Yokim stated two hundred fifty thousand dollars (\$250,000) of the local hospitality tax goes to Lake City Bean Market Museum. It is used countywide. The local accommodation tax and local hospitality tax are required to be used for tourism-related expenditures. The local hospitality tax funds are food and beverage dollars.

Mr. Yokim said the Florence Center and the Florence Museum are both quality-of-life facilities that help economic development. Chairman Dorriety stated the Florence Center is funded by these taxes and no property taxes.

Mr. Yokim stated the first year there was a small property tax increase until the local accommodations tax and the local hospitality tax kicked in. The Florence Center is a 50/50 split between the County and the City of Florence. Half is funded by accommodations tax, which is tourism dollars. The City's half is funded by their local hospitality tax which is also a food and beverage tax inside the city.

Councilman Schofield asked what was the total funds contributed by the County towards the Florence Center and also what was the percentage of that fund. How much of it does it make up? Florence County contributes \$1.5 million from the local accommodations tax.

Councilman Schofield stated between the City of Florence and the County, we are giving \$3 million to operate that facility.

Mr. Yokim said the money generated \$2.1 million. About \$2 million is for debt service because the debt has not been paid off for the original building. County Council and City Council came together and added the \$16 million Class A meeting space addition on the back of the Florence Center. They run an operating deficit of \$900,000. The current contract for the Florence Center is with ASM Global. That is a global company that runs facilities like this all over the globe. I spoke with their staff and only 3% of facilities like this in the world make money. They said to make money it has to be a whole complex with an arena, retail shops, and hotel. Typically your major sporting arenas, baseball, football, and basketball, need some major infusion of public dollars.

Councilman Schofield stated maybe we can figure out how to get them to diversify themselves a little more to where one day in the future having a diversified income will help alleviate some of it.

Mr. Yokim said there is talk about having an 30,000 square feet exhibit center space in the lower parking lot. That would create more rentable space, but not sure if it will ever be on the positive side of the ledger. Mr. Yokim stated the new businesses have a strong impact on our capital project sales tax collections.

VICTIM WITNESS FUND

Mr. Yokim stated that both the Sheriff's Office and the Solicitor's Office are mandated to have victim witness services. The revenue from the program has been declining steadily over the years. In the Fiscal Year 2022, it had a \$100,000 deficit and it increased the deficit fund balance. They are in the negative \$125,000. Mr. Goff and I have agreed to transfer \$300,000 into the fund to cover the deficit fund balance from last year. The projected deficit in the current year, plus next year's deficit is not sustainable. We need to figure out whether there is a way to increase the revenue or more likely we have to decrease the expenses. In the following year's budget, we may have to move a couple of those positions that are funded by that fund back into the General Fund.

SOLID WASTE FUND

Mr. Yokim stated this is the fund where we pay two contracts. One is the management of our fifteen (15) Manned Convenience Centers. This contract funds the operational centers and the transportation of the waste from the centers to the transfer station by the airport. That is a fixed-price contract that goes up three-quarters of CPI every year. The second contract is a hauling contract because of federal EPA regulations on how landfills are managed. The waste gets transported to a privately owned landfill facility just this side of Columbia. This contract covers the hauling of the waste to that landfill and pays the tipping fee at that landfill and is a per-ton contract that is subject to an increase of three-quarters of CPI every year. To keep sustainable, we are going to increase the usage fee to \$96, which is in the unincorporated area in the county. The availability fee is going to increase to \$54, which is everybody in the county including inside of the city. If you live in the unincorporated area, your fee is going to go up \$15.50 but fortunately, if you have a \$100,000 house you will see a net decrease of about \$13 in property taxes. This will absorb almost the entire amount of this fee increase. Mr. Goff estimated a 5.5% increase from Waste Management plus an increase in fund balance by about \$120,000. The fund balance is currently less than 10% of expenditures. Council said for the General Fund, we want 25%. This fund is a \$6 million fund. It is under 10%, which doesn't give you a lot of cushion that

only covers one month of bills. We need to gradually increase that fund balance. This fee increase and the property tax increase are the only increases we are talking about in the budget. Fortunately, because of growth in revenue and local option sales taxes, that offsets not only the property tax increases, but most of all the solid waste fee increases.

Mr. Yokim stated that he has met with representatives of Waste Management in person and telephonically. One issue for the security sites, Greenwood & Ebenezer. People are coming in on the weekends and cutting the fence to steal the metal and make a mess of both sites. We are in the process of adding security cameras to our two most used sites to see if we can use that as a deterrent. If it works, we may gradually expand that to the rest of the sites.

Mr. Goff mentioned that the solid waste fee increase covers the last two years of the CPI increases. We are not going aggressive on the increase that will cover us for the next two years depending on how CPI looks each year. There are some positives in the capital expenditures with recreation: golf investment, tennis, and pickleball. Mr. Goff said Nathan Dawsey, Parks & Recreation Director, are looking at grants and getting a significant portion of those investments paid. There is a walking trail at the senior center, and bulletproof glass going in at the detention center lobby area. We have seen a lot of our expenditures with inflation going up significantly, specialty supplies, as well as the pricing. Even though we may have challenges, a lot of good is built into the budget.

Mr. Yokim stated that Ms. Munoz and Mr. Goff have started looking at the Enterprise Rental Company. Enterprise over the past 10 years or so, has been into fleet management. A presentation was done a month ago and they would like to manage the County's fleet except for the heavy equipment and the ambulances. Mr. Goff will try to work the numbers in the third reading of the budget. Over the long term, once we go forward with this and we move through the process, we would save about \$200,000 a year in the budget. The Sheriff's Office already utilizes Enterprise on a small scale.

Councilman Yarborough inquired about the 17 vehicles that the Sheriff's Office has in the budget for \$850,000, whether they are for purchasing or at lease.

Mr. Yokim stated the numbers that are in the budget for vehicle replacement are for purchasing. Enterprise manages two million vehicles nationwide. I think it would be a good move on the County's part to seriously entertain entering into an agreement.

Mr. Goff stated people get that confused with going to a local dealership as an individual and leasing a vehicle and having to return it in three years. This lease would build equity in a vehicle, and it goes toward the next vehicle. It is different in that regard.

Chairman Dorriety stated that we will accept this report. Chairman Dorriety said that he would like to have another committee meeting in case there are changes to the budget.

There being no further business to come before the Committee, Councilman Mumford made a motion to adjourn. Councilman Moore seconded the motion and the motion was approved unanimously.

THE MEETING ADJOURNED AT 9:33 A.M.

Approved by the Committee at its meeting on June 1, 2023.

Hope M. Jones
ATTEST: Hope M. Jones, Clerk to Council