



**SURFSIDE BEACH TOWN COUNCIL
FY2014-2015 MUNICIPAL BUDGET WORKSHOP ACTION MINUTES
JUNE 14, 2014 – 9:00 A.M.
TOWN COUNCIL CHAMBERS**

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7 **1. CALL TO ORDER.** Mayor Samples called the budget workshop to order at 9:00 a.m. Mayor Samples,
8 Mayor Pro Tempore Pellegrino, and Councilmembers Childs, Johnson, Mabry, Magliette, and Stevens were in
9 attendance. A quorum was present. Others present: Administrator Fellner; Town Clerk Herrmann; Finance Director
10 King, and Police Chief Keziah.

11
12 **2. PUBLIC COMMENTS – AGENDA ITEMS.**

13
14 Mr. Vernon Murray, 9th Avenue North, said he previously spoke with the mayor about parking permits. He
15 purchased a car and had it licensed here and received a parking permit for it. But because he is non-resident
16 property owner, he was not allowed to have a parking permit for his golf cart that was also purchased here. His
17 house is not rented. He had the option to purchase another parking permit for \$40; but that was unacceptable
18 based on his higher tax assessment. The Moby carts are another concern. He pays monthly for the Moby carts,
19 but only put it curbside six times in the last three years. He believes adjustments should be made for non-use of
20 sanitation services. He suggested if the water was zero; then, the sanitation should be zero. Mr. Murray had no
21 problem with a tax increase, because the town has some of the best employees he has ever met in all the cities in
22 which he had lived. They deserve what they earn and the town's status quo should be maintained. He cautioned
23 council to be prudent in its spending, and asked that council reconsider the non-resident property owner's parking
24 permit policy.

25
26 Mr. Rod Smith, 14th Avenue North, said he opposed a 6 mil increase, which was over 15-percent, but
27 supported a 4 mil increase, which was 10-percent. He served on Town Council last year; council wanted to have a
28 very lean budget to determine whether an increase was necessary in the next year. He supported 4 mils so
29 employees could be given a pay raise; no raise was given last year, because council wanted to make sure the
30 general fund was lean and there would be a surplus. The year ended with \$300,000-plus surplus. He disagreed
31 with the newspaper report that council spent all the money. "Obama Care" is causing increases for health
32 insurance premiums. The town has to pay its portion. Government should operate on a lean budget.
33 Governments spend money unwisely when there were large surpluses. Last year the town had \$400,000 extra
34 because bonds were paid off the previous year. He asked how that additional \$400,000 was spent. He said to be
35 careful about raising taxes unnecessarily. Keep the town small; keep employees working efficiently, and keep a
36 lean budget. He did not support the franchise fee and asked council to vote against that. Mr. Smith retired from a
37 private company and had only two increases in retirement pay over the past 17 years. Government employees
38 receive an increase annually. The private sector retirees and those living on nothing but social security are the
39 ones council should be concerned about. The parking meters generate \$14,000 in revenue; he suggested keeping
40 them.

41
42 Ms. Catherine Price, Atlanta, Georgia, said her family has owned property in the Surfside Beach area
43 since the 1920s. She showed the 50th Anniversary magazine and said that the photo captioned "Children at Play
44 1930s" on page 26 was her mother, and her grandparents, "Kenneth and Dess Creel 1920s." Their vacation home
45 on 16th Avenue South was purchased in 1962, and they also have a rental property. Taxes were a big concern and
46 she asked that council consider approving a 4-mil increase, instead of 6-mils. That increase together with school
47 taxes is significant that are paid by non-resident homeowners. Some people buying homes in town are wealthy;
48 but, her parents purchased here when property cost much less. Her mother is on a fixed income, and the tax
49 increase would be a burden. Ms. Price believes the family would lose a treasured vacation home, and that the
50 nature of the town and character of the beach would change, because people buying property now might raze
51 those houses. People come to Surfside Beach, because they want a small family beach, which can be maintained
52 if some consideration were made to equalize the burden amongst everyone. She encouraged council to accept the
53 budget cuts recommended by Mr. Stevens, which she found justifiable. She has a vested interest in the town, and
54 wants the family beach feel to continue.

55
56 Ms. Holly Watson, North Oak Drive, said her road was scheduled to be paved in last year's budget, but was
57 not done so the money should be moved into this year's budget. There were about five sources of revenue

58 showing increases, and she did not understand where the money went. She and an individual that lives on 16th
59 Avenue South are State Guard volunteers that are being trained for FEMA search and rescue. That information
60 might offset the need for the CRS permanent part-time employee at a cost of \$25,000. This is a reassessment year
61 for Horry County, so property values and county taxes will both go up. Flood insurance premiums have also gone
62 up, and there will be an increase on homeowner's insurance. She encouraged Town Council to do everything
63 possible to avoid a tax increase.

64
65 Mr. Charles Lee, property owner and president of the Islander Association, 8th Avenue South, said
66 residents' tax rates were considerably lower than non-resident property owners. He understood that year-round
67 core services needed to be supplied. The council should consider the budget carefully and eliminate any "wish list"
68 items. The Islander Association has one parking space over its water cutoff, and he asked if there was some way
69 that could be designated as no parking so they could get to the cutoff in an emergency. He was told that it could
70 not be, and ask council to address that particular space.

71
72 Mr. Tom Dodge, 15th Avenue North, said he did not want a tax increase. He wanted spending decreases.
73 He also was over 80 and on a fixed income. He suggested cutting the Ford F150 truck for \$20,000; purchase a
74 used vehicle. His used truck was 18 years old and it was fine. Absolutely do not spend \$250,000 on Highway 17; it
75 does not belong to the town. Cut the backhoe, \$60,000; side-loader garbage truck, the town has three side-loader
76 trucks; do not spend money on a pier addition. The town should sell the pier. The pier does nothing but cost the
77 town money. There is no replacement cost insurance; only liability insurance. Those amounts equal \$810,000
78 savings. Parking meters bring in revenue, but council wants to remove them. There were three people on council
79 when there was an \$8 million surplus. It was a spending spree. The answer was then and is now cut spending.
80 There was a sunset on the 5 mil stormwater taxes last June. Sunset means the tax ends; but it did not end, so that
81 in effect was a 5 mil tax increase. Cut spending, please.

82
83 Ms. Beth Kohlmann, 1610 South Ocean Boulevard, asked councilmembers to consider that many people in
84 town were second home and rental property owners who do pay significantly higher taxes. She understood that
85 year round residents had no problem paying another \$50 on a \$200,000 house. She believed that the face of town
86 would be changed. She came from an area where something similar happened, and the housing market went the
87 other direction. The council would kill the "golden goose," because people that are buying them now and sharing
88 their homes are also sharing their money with the town through business licenses, property taxes, accommodations
89 taxes, hiring local employees to perform cleaning and maintenance, and more other ways. Many visitors end up
90 buying property here, and eventually move here to raise their families. People were already trying to sell their
91 houses. She encouraged members to talk with the second home owners whose tax bills were as much as six times
92 higher. Second home owners should be treated equally.

93
94 Mr. Ron Ott, 7th Avenue North, was concerned with elderly citizens who had fixed incomes. Prices were
95 increasing for groceries and everything else.

96
97 Ms. Janine Gorline thanked Ms. Mabry and Mr. Magliette for replying to the email message that she sent to
98 all councilmembers. Other speakers have expressed her opinion that non-resident property owners have no voice.
99 She asked the council to be prudent in raising taxes. There is a point where second homeowners will have to
100 decide whether the cost is worth keeping the home. Personal budgets do not have bottomless pits, and even
101 though her family loves it here, if taxes and spending keep going up, she will have to justify her family's expense to
102 keep their home. She has not had a raise in the last eight years, because the hospital where she works was cutting
103 the budget. Town staff was wonderful, but an annual raise is not guaranteed to anyone.

104
105 Mr. Harry Kohlmann, 1610 South Ocean Boulevard, understood that raising taxes was necessary
106 sometimes, but he did not trust the council with his money. Over the last years much of the money was wasted.
107 He has two teenagers that waste enough of his money. A pier was purchased without an inspection, which cost the
108 town a lot of money to repair. He agreed with Mr. Dodge that the pier should be sold. Government should not be
109 operating businesses; there is only councilmember with business experience. Last year \$750,000 was going to be
110 used to pave a state road. Mr. Kohlmann reiterated that he did not trust council with is money. The department
111 directors get everything they ask for; a truck has 60,000 miles, but a new truck is needed? His personal truck had
112 140,000 miles and operated just fine.

113
114 Ms. Sandra Elliott, 5th Avenue North, kept hearing that \$8 million was wasted. In August 2013 she
115 prepared a report showing that the town spent almost \$6 million in stormwater repairs on the south end of town,

116 because of the severe flooding. A fire house was built. There should have been an appraisal done on the pier.
117 Perhaps it was a bad investment, but she did not think it could be sold for the purchase price. The town is a public
118 entity and is not in the business to make money, only to provide services. Ms. Elliott could not say whether trucks
119 or backhoes were needed, but she did want the second homeowners to know that \$8 million dollars was not
120 wasted.

121
122 **3. BUSINESS.** Fiscal Year 2014-2015 Municipal Budget.
123

124 Mayor Samples explained that council would be asked to approve or deny individual items by consensus
125 so direction could be given to the administrator. Ms. Fellner gave a slide presentation, a copy of which is on file.
126 Several councilmembers submitted recommendations for budget changes as requested during the June 5th
127 workshop.
128

129 Mr. Pellegrino explained that the budget has multiple funds that were created to fund the purchase of
130 equipment or vehicles or to repave roads. When those funds were used to replace equipment and/or vehicles, it
131 had no impact on the general fund. He mentioned that he also has a second home, and understands the impact to
132 the non-resident property owners.
133

134 Mayor Samples said that was correct. The budget has generally restricted funds. The road funds are
135 generated by the \$30 registration fee paid when vehicles were registered. That money can only be used for road
136 projects. In this budget, there are about 4-miles of roads proposed to be repaved. In fact, Oak Drive North is the
137 first road on the list to be paved. The capital improvements fund was established to set aside 3 mils for capital
138 replacement. Sanitation funds are generated by the monthly service fee, and those monies go directly into the
139 sanitation fund, with a small amount being paid to the town for the administration cost. Funds cannot arbitrarily be
140 moved from restricted funds to supplement the general fund for day-to-day operations and maintenance. Mayor
141 Samples said 1-mil is allocated to stormwater projects in this fiscal year, 4-mils were diverted to the general fund.
142 Stormwater projects were very expensive, and while funds were budgeted to complete projects promised as many
143 as three years ago, they were placed on hold due to lack of funds. The engineering and upfront cost estimates
144 have been done. Bids were in and they are \$440,000 more than budgeted, before any change orders were made.
145 Once a stormwater project began, there were always unforeseen problems, particularly in the older part of town.
146 Bids for the projects were not included in this budget and council must decide whether to award those projects. If
147 they are awarded, money will be used from unrestricted accounts to fund them.
148

149 Ms. Mabry said accounting standards strongly recommend that the town have at least three months
150 reserves so the town can continue to operate when disaster hits. Those reserves were not supposed to be used to
151 balance the budget. Since the town is a coastal community, she believed there should be a larger amount in
152 reserves. Second homeowners pay a tax that the State of South Carolina mandates; the town has no control over
153 that amount. If the town is not kept clean, safe, and a place where people want to visit, those people will lose their
154 investment. The town is working on the Community Rating Service program that in some cases would more than
155 offset the amount of tax increase by the savings on flood insurance premium.
156

157 Mr. Childs said the stormwater projects were vitally important to the town, especially in the lower areas. An
158 individual on 3rd Avenue has damage to his house foundation, because of flooding. In his opinion, this was one of
159 the town's most important tasks, i.e. to insure there were no stormwater problems.
160

161 **Town Council Concurred or Denied the following recommendations:**
162

- 163 1. Denied cutting and deferring one Ford F150 truck, \$20,000
- 164 2. Denied cutting and deferring 1 side loader garbage truck, \$280,000
- 165 3. Denied cutting and deferring civic center cleaning service, \$6,500
- 166 4. Denied cutting and deferring backhoe, \$60,000
- 167 5. ***Never included in the budget*** - \$250,000 for Highway 17 engineering
- 168 6. **Concurred to cut and defer welcome signs in the amount of \$50,000**
- 169 7. Denied cutting and deferring MASC analysis, \$5,000
- 170 8. Denied cutting and deferring wages - one year wage freeze, \$102,000
- 171 9. Denied cutting and deferring portion of beach renourishment, \$50,000
- 172 10. **Already removed from budget** - capital building project, \$200,000
- 173 11. Denied cutting and deferring uniform cleaning service, and purchasing steel toed boots

- 174 12. Denied selling the pier and associated land as a revenue source
175 13. Denied increasing town franchise fees as revenue source
176 14. Denied cutting November visioning meeting, \$5,000 and hold it in town along with budget meeting
177 15. **Concurred to do a study on Caropines trash service** (see direction #1 below)

178
179 **Recess at 10:32 a.m. - Reconvened at 10:40 a.m.**

180
181 16. Denied pursuing annexation more aggressively – leave on-going test case as approved (letters sent;
182 next staff will make personal visits)

183 17. **Concurred to have the parking committee consider selling parking permits at \$60 each to**
184 **surrounding neighbors** (see direction #2 below)

185 18. **Concurred to discuss business development plan and Surfside Beach marketing plan in more**
186 **detail at visioning retreat, and continue working on throughout the year**

187 19. **Concurred to research sale of the pier – meeting next week with individual interested in**
188 **purchasing**

189 20. **Concurred to adopt an ordinance that clearly defines financial policy identifying funds for**
190 **beach renourishment, capital replacement, and other allocated monies** (see direction #3 below)

191 21. **Concurred to direct staff to prepare an ordinance regarding beach renourishment funds in**
192 **compliance with the CRS program** (see direction #4 below) Mr. Johnson explained beach renourishment funds
193 were depleted, because Town Council received false information about the federal government funding available
194 for beach renourishment.

195 22. **Concurred to purchase a street department dump truck, \$125,000**

196
197 Ms. Fellner explained that from an accounting perspective, there is \$195,000 unallocated funds. Reserved
198 and assigned are allocated funds, and cannot be used interchangeably. Essentially, Mr. Pellegrino was correct that
199 the general fund shortfall is \$68,000 plus or minus.

200
201 **Council directed staff to:**

202
203 1. Present a consideration paper as soon as practical to reconsider offering Caropines town trash pickup
204 services, including rates, etc. Mayor Samples said, for the record in response to a comment by Mr. Johnson that
205 Caropines residents were 'burned' when the town stopped offering service, "They were given 90-days notice."

206 2. Directed administrator to ask parking committee to consider selling parking decals at \$60 each to
207 surrounding areas and its recommendation be added to forthcoming recommendations

208 3. Directed administrator to prepare an ordinance for council consideration as soon as practical that
209 identifies sources of funds for beach renourishment, capital replacement, and other allocated funds along with
210 numeric values to be debated by Town Council

211 4. Directed administrator to prepare an ordinance regarding beach renourishment as it relates to the CRS
212 program for Town Council consideration.

213
214 Ms. Fellner asked Town Council to consider funding for the north side stormwater projects, as 1-mil is not
215 sufficient to pay for them all. The monies currently available will only pay for Phase 1, but there are four phases.
216 Mayor Samples explained that Phase 1 was 16th Avenue North; Phase 2 was 3rd Avenue/Poplar area; Phase 3, 3rd
217 Avenue South, and Phase 4 was 17th Avenue North. Phase 1 has to be completed before it can be determined
218 whether Phase 4 is necessary. Mayor Samples said the initial engineered designs for stormwater totaled about \$4
219 million. The direction that was given to staff was to narrow the projects down to the essential pieces. These four
220 phases were identified and accepted by Town Council as the essential pieces. Council budgeted in the current
221 fiscal year for some of that work. Ms. Fellner said \$410,000 was budgeted, but in the meanwhile other problems
222 arose and now there is \$374,000. That amount will pay for Phase 1, but no others. Mayor Samples believed the
223 first three phases should be funded. Mr. Childs said these promises were made long ago and residents are getting
224 frustrated. Mayor Samples said Mr. Dodge mentioned that council unanimously voted to move stormwater millage
225 into the general fund last year. This is an example of why a millage increase was necessary. In the current year
226 budget, Town Council reduced stormwater millage from 5 mills to 1 mil, with the 4 mills moving into general
227 operations. Unrestricted reserves can be used to pay for these projects, and Mayor Samples believed that the
228 town should do so, but he also believed a full millage increase was necessary, because there will be other
229 problems. A swash on the north end needs attention. It was part of project about ten years, but was deferred,
230 because it was too expensive to repair at the time.
231

232 Ms. Mabry said every time someone says be responsible and pick the 'bones' clean, general maintenance
233 suffers. Lean budgets do not include any funds for projects and/or equipment. Council has operated on such a
234 lean budget that things have been neglected, and money has not been set aside for projects. The town can fall
235 apart little-by-little or it can be maintained. It was no longer a choice.
236

237 Mr. Magliette asked for the cost of the each phase. Ms. Fellner said Phase 1 lowest bid was \$182,353.40;
238 Phase 2, \$308,906.35; Phase 3, \$169,077.45, and Phase 4, \$154,715.45. The town needs about \$300,000 more
239 to complete Phases 1 through 3, without doing Phase 4 and without any change orders. Mayor Samples said Town
240 Council should anticipate that \$300,000 would be the minimum to get a firm commitment for the construction of the
241 three phases. Mr. Magliette asked what the time frame was from start to completion. Ms. Fellner said the plan was
242 to complete them in one year. Mr. Magliette said this needed to be funded for the upcoming fiscal year. Mr.
243 Johnson said that some of these stormwater issues were intense; residents were having major problems. Mr.
244 Magliette asked if there was a plan for future capital projects. Mayor Samples said a plan was developed by a
245 former administrator, but the infrastructure committee should revisit it. Ms. Fellner said outfall pipes were being laid
246 in North Myrtle Beach and until long-term test data was received, it was not prudent for the town to propose similar
247 projects.
248

249 Ms. Mabry moved to allocate \$300,000 in the capital projects fund in the 2014-2015 Municipal Budget for
250 stormwater projects Phase 1 through Phase 3. Mr. Childs seconded. Mayor Samples and Councilmembers Child,
251 Johnson, and Mabry voted in favor. Mayor Pro Tempore Pellegrino and Councilmember Magliette voted against.
252 Mayor Pro Tempore Pellegrino said although he supported the goal, he voted against because it would be an
253 unreserved increase in the general fund. **MOTION CARRIED.**
254

255 Ms. Fellner asked how Town Council wished to fund the approved stormwater expenditure. Mayor
256 Samples said the first reading of the ordinance to adopt the Fiscal Year 2014-2015 Municipal Budget included a
257 6.22 millage increase, which represents a 15-percent increase in property taxes. Of all Horry County municipalities,
258 only North Myrtle Beach has a lower tax millage than the town's rate. North Myrtle Beach charges its citizens and
259 businesses monthly a stormwater fee. Combining North Myrtle Beach's millage and the additional monthly fees
260 shows that the Town of Surfside Beach has the lowest tax millage/fee structure in the county. Taxes have not been
261 raised for 12 years. There are some issues and everyone wants to solve them. No one wanted to raise taxes, but
262 this was the time for Town Council to raise taxes.
263

264 Ms. Mabry moved to increase the tax millage by 6.22 mills. Mr. Johnson seconded. Mr. Pellegrino said
265 currently the general fund had monies being taken out for planned expenses, but as far as unassigned funds, the
266 emergency operations fund, with the decisions made today, only \$18,000 was being used out of it. There were
267 many good revenue generating ideas discussed today that would more than compensate for that \$18,000. Mayor
268 Samples reminded him that council approved \$300,000 for stormwater projects just now. Ms. Mabry said the
269 stormwater projects came up today, but by the end of the year, other things will be presented that will cost money.
270 It always does, and that was called maintaining the town. Health and safety are number one. The town would
271 become derelict, if maintenance was not done. Good people and smart businessmen would not want to move into
272 a town that was let go.
273

274 Mayor Samples said it was prudent to plan and consider things for the future; marketing, business
275 development, eyesores on Highway 17, and services to be provided to citizens. All of those things cost money. In
276 his opinion, citizens like what they have and want to sustain it and depend upon Town Council to do so. The town
277 is well managed, but council cannot control the cost of materials and supplies, and State law is very specific how
278 some funds can be used. A citizen suggested that local option sales tax be implemented. State Law stipulates that
279 local option sales tax can only be implemented by county wide referendum. The town is only guaranteed 50-
280 percent of monies collected in the town; the rest was distributed by population throughout the county. Myrtle Beach
281 adopted the tourism development tax, but those funds can only be used for tourism development outside of the
282 state. Neither of those options was good for the town. The town had not increased business license fees in 17
283 years, because the geographic area is so small. A business can open just outside the town limit to pay a lower fee
284 and have the benefits of being in town. There was a consensus to start charging for fire inspections, and re-
285 inspections; however, Mayor Samples did not support the inspection fee program. He said the mechanism for
286 municipalities to raise revenue was property tax.
287

288 Mayor Samples and Councilmembers Child, Johnson, and Mabry voted in favor. Mayor Pro Tempore
289 Pellegrino and Councilmember Magliette voted against. **MOTION CARRIED.**

Town Council Special Meeting – FY2014-2015 Municipal Budget
June 14, 2014

290 Mr. Childs said the last council hassled with the budget, down to counting papers and pencils and came up
291 with a general consensus that a tax increase was needed. In fact, one of the most conservative members said he
292 would vote to raise taxes. Now, there are three new councilmembers having to be the 'bad guys.' He did not think
293 it was fair, but understood that was how the system ran. The two newest members were not familiar with the
294 outcries for late trash pickup, or why equipment needs to be replaced and taxes should be increased for the first
295 time in 12 years. Mr. Childs said it was a burden for the new council that had only met three times. He believed
296 council should have increased the millage last year.
297

298 Ms. Mabry commented that council had wrestled with this budget; everyone has used their conscience, and
299 studied it extensively. There are some great things coming out of this budget. The town is actively working in the
300 CRS program to lower flood insurance premiums, which will offset the tax millage increase. The town will be able
301 to build reserves to at least a healthy three month balance. The town will be maintained, and hopefully encourage
302 people by doing economic development outreach to bring in new businesses. She suggested that council
303 concentrate on the positive. Council should educate the public that the town will be in great shape and there are
304 many positive things are coming.
305

306 Mayor Samples said second reading will get the town on track for beach renourishment and stormwater
307 projects. Town Council has to make tough decisions. The town needs to take care of the employees that perform
308 well. In his opinion, adopting this budget as is will be a spring-board for the new council and future councils to be
309 able to plan and take a longer view than has been done over the last several years.
310

311 4. **ADJOURNMENT.** Mr. Johnson moved to adjourn at 11:36 a.m. Ms. Mabry seconded. All voted in
312 favor. **MOTION CARRIED**
313

314 Prepared and submitted by,

315 _____
316 Debra E. Herrmann, CMC, Town Clerk
317

318 Approved: June 23, 2014
319

320 _____
321 Douglas F. Samples, Mayor
322

323 _____
324 David L. Pellegrino, Mayor Pro Tempore
325

326 _____
327 Robert F. Childs, Town Council
328

329 _____
330 Mark L. Johnson, Town Council
331

328 _____
329 Mary Beth Mabry, Town Council
330

331 _____
332 Ralph J. Magliette, Town Council
333

330 _____
331 Randle M. Stevens, Town Council
332

333 Clerk's Note: This document constitutes **action** minutes of the meeting that was digitally recorded. Appointments
334 to hear recordings may be scheduled with the town clerk, or you may bring a flash drive to obtain a copy of the
335 audio recording. In accordance with FOIA, meeting notice and the agenda were distributed to local media and
336 interested parties. The agenda was posted on the town website, the entry door at Town Council Chambers, and in
337 the Town Hall reception area. Meeting notice was also posted on the Town marquee.
338