



**County Council of
Beaufort County
Finance Committee
Meeting**

Chairman
CHRIS HERVOCHON

Vice Chairman
MARK LAWSON

Committee Members
GERALD DAWSON
STU RODMAN
PAUL SOMMERVILLE

County Administrator
ASHLEY M. JACOBS

Clerk to Council
SARAH W. BROCK

Staff Support
RAYMOND WILLIAMS
ALICIA HOLLAND

Administration Building
Beaufort County Government
Robert Smalls Complex
100 Ribaut Road

Contact
Post Office Drawer 1228
Beaufort, South Carolina 29901-1228
(843) 255-2180
www.beaufortcountysc.gov

Finance Committee Minutes

Monday, April 20, 2020 at 2:00 PM

Council Chambers, Administration Building Beaufort County
Government Robert Smalls Complex 100 Ribaut Road, Beaufort

CALL TO ORDER

Chairman Hervochoch called the meeting to order at 2:00PM

FOIA

Chairman Hervochoch noted that Public notification of this meeting had been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act.

APPROVAL OF AGENDA

Motion: It was moved by Council Member Passiment, Seconded by Council Member Dawson to approve the agenda. Voting Yea: Council Member Passiment, Council Member Sommerville, Council Member Covert, Council Member Dawson, Council Member Flewelling, Council Member Rodman, Council Member Glover, Chairman Hervochoch, Council Member Howard, Vice Chairman Lawson and Council Member McElynn. The motion passed.

APPROVAL OF MINUTES

Motion: It was moved by Council Member Passiment, Seconded by Vice Chairman Lawson to approve the minutes from February 18, 2020. Voting Yea: Council Member Passiment, Council Member Sommerville, Council Member Covert, Council Member Dawson, Council Member Flewelling, Council Member Rodman, Council Member Glover, Chairman Hervochoch, Council Member Howard, Vice Chairman Lawson and Council Member McElynn. The motion passed.

PRESENTATION ITEMS

Collections Update from the Beaufort County Treasure- Maria Walls

Discussion:

Maria Walls: A lot of decisions we have coming up depends on what our volume is going to be. We are growing in volume as a whole but we are seeing a decrease in walk in traffic. In office payments processed was almost at \$60K. 2019 was the first year that, across the board, import payments exceeded walk in traffic. Collections as of March 3, 2020 is 94.66%.

Council Member Flewelling: Could you tell us the County operations percentage, County debt percentage collected versus last year?

Maria Walls: County operations 96.14%, County debt 96.14%. 2019 County operations 95.80%, County debt 95.78%.

Council Member Covert: We've billed more than the Ordinance; how did that happen?

Maria Walls: The Ordinance amount is only a projected amount. Money is not revenue until it is billed. When You passed your ordinance it was on anticipated revenue for the fiscal year. There is going to be a portion of this You aren't going to see or collect this year. Unfortunately, things become delinquent and collected in a future fiscal year.

Council Member Covert: Maybe this question is for the auditor, why are you telling us \$106M, that is what was voted on, and we are at \$110M? These numbers are never going to match.

Maria Walls: I would encourage you, if you have questions for the Auditor, that you ask him to present to County Council. I am presenting facts. The fact is at the moment in time this data was generated County Operations was \$110M. I have no control over that. I am collecting what I am directed too. We want these figures as close as possible so it doesn't look like we are billing more than what is necessary. At the time that number is created it is a projection. We are the collectors, we aren't assessors, auditors, etc. and I don't have the authority to make that less or more. From a collections stand point, regarding your questions, we are not going to reach \$110M by June 30, 2020 and collect at 100%.

Council Member Flewelling: Does any of this data collected include delinquent taxes?

Maria Walls: No

Council Member Glover: Budget is actually \$106M so we've collected \$105M. Are you saying we should meet the \$106M budget by the end of the fiscal year and anything over budget would be in fund balance?

Maria Walls: In an ideal world, yes. But what isn't factored in is that our customers are going to continue to file appeals and exemptions and that results in a refund from these dollars. If the refunds netted out against collections between now and June 30, 2020 and resulted in collecting more than the original ordinance anticipated. That excess would be up to Council or your financial policy. Liquidity, operating is completely liquid cushion of \$60M is highly liquid. Our process is to keep enough cash in our account for two weeks because it is earning very little. We keep the majority of our funds in a local government investment pool account ran by the State Treasures Office. Each liquidity level is an indicator that those dollars are actively invested outside of the government pool in an actual investment vehicle. The level indicates how liquid an item is. Level I active \$22M investment is still very liquid but during a short duration. Level IV is the longest duration with \$25M and the least liquid. Total is around \$80M on average during this time of year. These investments are monitored weekly, all of our investments have appreciated in value and if under extreme circumstances the County needed funds beyond the operating and cushioned level we would easily be able to identify investments to sell and not at a loss. We are doing very well and healthy in that department.

Council Member Flewelling: How is the cushion invested?

Maria Walls: With the local government investment pool with the South Carolina Treasurers Office. It functions like a money market fund and is available within 24 business hours of the request.

Council Member Glover: Level IV, what is the long term? 5 years?

Maria Walls: Between 3-5 years. Investment Update. As of March 31, 2020 \$4,298,874.00 and expects to well exceed last years \$4,700,399.00.

Council Member Covert: Investment returns don't roll over and add consecutively?

Maria Walls: If you are talking about compound interest, none of it does, not because we are spending a good portion of the amount we are investing at some point in time. The amount you are seeing \$4,298,874.00 is for all agencies not just for County Operations.

Council Member Covert: At the end of the year, what document in CAFR do we look at to see where the money is made, the growth pattern and what account that goes in?

Maria Walls: It would be in the CAFR and throughout the year the dollar amounts are recorded in an undistributed interest account in the general ledger. It remains untouched inside this account. At the end of the fiscal year and end of finances closing they perform an allocation of those earnings to various general ledger funds based on average cash volume that the fund had.

Vice Chairman Lawson: We have a \$60M cushion, \$83M in investments and \$6M made in investments this year. It is amazing and I commend you on that.

Maria Walls: Thank you.

Council Member Howard: Is the School Board District part of this cushion?

Maria Walls: The Finance Department allocates the funds and based on my review of last year's allocation, a good portion did go to the School District and they are a part of this cushion. They also have other investment earnings outside of equity pooled cash because we are very conservatively investing funds for them.

Chairman Hervochon: Looking at our budget book and the interest revenue numbers here for the general fund, for fiscal year 2019 actual, it has \$719,249.00 it would seem as though it is a portion of that \$4.7M?

Maria Walls: Yes, keep in mind that the general fund is not the only County fund that has money in equity and pool cash. The County has multiple funds and there all pieces of a whole. The County as an organization received more than just the \$700K, Yes, the general fund did receive that.

Chairman Hervochon: That is a little more than 1/6 of the investment return. They budget for 2020 was \$442,805.00 which would seem to be about 1/10 of that \$4.3M or so. Can you help me understand that, going from 1/6 to 1/10 and then the \$4.3M, how are we expecting that to be impacted by the lower interest rate environment that we have right now with COVID 19 and the increased reserves?

Maria Walls: The anticipated budget, I did not set that budget amount for the County general fund so I can't speak to that. If I had, I would have set something a little bit higher from a budgetary stand point but due to the unpredictable nature of rates you want to over budget in this area and under deliver. I am limited on what I can do. What we are good at is managing the cash flow, making it work the minute we get it until the minutes it walks out the door. That is where I have the most opportunities to influence what has happened. From an investment option stand point I have no control over that. From a budgetary standpoint it's probably safer to be conservative in the budget amount. For the \$4.3M this is not the first time we've been in a low rate environment. Going back to cash flow if you can never make a quality investment decision, if you don't know what money you need and when, you don't need to bother with investing because you could set yourself up for disaster. When you know what you need and when it allows you the purview and the freedom to make investments when the timing is right. Right now, unless you think the rates are going to go lower, it might not be the best time to buy and we need to be more strategic at using other options which we are currently considering. The only thing we have not utilized is free purchase agreement. We are working with an outside Attorney to see what that option may look like. I'm not

prepared to say at the moment that it's an option because we are still in that research phase. Right now we have a very solid process and I don't want to alter it or incorporate anything that might detract from what we already have going on. At this lower rate environment, we should expect low rates on returns. How did we prepare ourselves and hedge that, is that we were very fortunate to lock in our earnings credit rate at a healthy rate for two years when we move to the new Financial Institution. We are still earning that ECR on the cash that we are keeping at the bank. We have a compensating balance agreement and it works as a credit. Instead of earning interest we are earning dollars that can be put toward our bank fees.

Chairman Hervochon: From a collections perspective do you have any concerns relative to the environment we find ourselves in with COVID.

Maria Walls: Everyone is impacted. Do I know exactly what to expect, no. It won't be a typical year but it also won't be our worst case scenario and it is too soon to say where in that spectrum we are going to fall. The County, from tax collections standpoint only, that we could come up with a projection based on different property types. For instance are you going to pay your water craft taxes before your house taxes, probably not, but it would be a projection. We are going to be affected but I can't tell you how much. Right now I am not concerned because we are above where we were last year. When that starts to drop and even out with last year's number then I will be concerned. I don't know from a tax perspective if we will be able to tell what it has cost Beaufort County as a whole for months. Delinquent collections methods. As we are dealing with this we will see an increase in delinquent collections. There will not be any more penalties between now and August 31, 2020. The three main delinquent categories; delinquent tax sale, debt set off, and third party collections. They are very different and used for different property types. We send out multiple communications before going through these programs. At this I'm not expecting a different outcome with the tax sales this year. Delinquent tax sales are quicker at achieving collections, debt set off and third party collections are a waiting game and time consuming. We hope we aren't going to see a huge uptake in delinquencies. Each person will respond/recover differently. But the big picture here is that we are at 99% collection eventually.

Council Member Covert: Where are we at with 2019 tax year.

Maria Walls: We are at 94.66%. It is less, but this is from March. Are we going to reach 95.93% like 2018? I can't say, there is a clear progression through the years. The target for us internally would be an average of the past 5 years which would be about 95%. I don't know if that is achievable in this situation because I don't know if we are back to normal, whatever that may be.

Council Member Covert: There has to be a certain percentage that median can be applied? April, May, June of last year and a percentage of the last quarter. Could we be able to gauge off that for this year?

Maria Walls: The last quarter ended March 31, 2020 at 94.66%. Total collections and 95.8% for the County from last year. The total tax dollars' collection rate tends to be lower than the County because of the exemptions that don't affect the County but affects the school district. Each agency is affected differently if you look at the details. Operations Rate. We are at the end of the banking service transition rate. We are evaluating our current and future needs. Regardless of what our new normal looks like we will continue to focus on staff development and technologies. We can't lose site of the people and technology that allows us to create and provide great customer service. I view us as a support function, we need to our job so you can do your job.

Council Member Glover: March 31, 2020 was the deadline for delinquent penalties. If anyone sends theirs in by mail would it be honored as on time?

Maria Walls: Yes, the post mark date is honored as the payment date.

PRESENTATION ITEMS

Hungry Hearts ATAX/HTAX Funding Request- Council Member Flewelling

Request for \$25,000,00 from the County H/Tax fund.

Discussion:

Council Member Flewelling: Low Country Strong.com started an organization to purchase meals from an open restaurant for people in the service industry that are out of work. They are asking for H/Tax Funds. Legal has said that this doesn't qualify for A/Tax- H/Tax. Is there another fund that could be allocated?

Chairman Hervochon: Is this a 501C3?

Council Member Flewelling: It is a 501C3 and has been receiving funding from Low Country Community Foundation.

Council Member McElynn: We do have the ability to fund non-profits through the Community Service grants through the Community Services Department. If the organization wants to file an application for the grant I would ask Monica Spells to get in touch with them.

Council Member Covert: Community Foundation does distribute to them and to a huge amount of other non-profits. They are spending \$20K a week to fee service industry individuals that are out of work. Restaurants are not making any money off of this. If we could consider this, seriously, and move forward with it.

Council Member McElynn: I want to clarify that I will contact the County Administrator and have her reach out to speak with Monica Spells.

Discussion of Internal Audit- County Administrator, Ashley Jacobs.

Chairman Hervochon: Last year \$65K was allocated to this year's budget for an internal audit ordinance to look at the budget. It has not moved forward. That is the purpose for today, to look at some areas and their cost.

Ashley Jacobs: *(No sound via County Channel or Facebook live)*

Council Member Flewelling: There may be some efficiencies gained by looking at the court system and the way fines are calculated and received and make sure we are doing it correctly and taking advantage of technology.

Council Member Passiment: It should come from the County Administrator, where we need to focus and then we need to narrow it down to areas and amount that can be easily accomplished.

Council Member Rodman: I think the suggestion of the A-Tax/H-Tax is a good one in the sense that we agree to re-open the ordinance and take a look at them.

Chairman Hervochon: If we could get about five ideas from the County Administrator and how to get this going, it would be super helpful.

Ashley Jacob: *(No sound via County Channel or Facebook live)*

FY 2021 Budget Status Update- Alicia Holland, Director of Finance

Discussion:

(No sound via County Channel or Facebook live)

Council Member Howard: Does this include the Sheriff's Department?

Alicia Holland: No, it does not. This is a general fund vehicle and equipment request excluding the Sheriff's Department. I could share theirs but I feel they would need to speak to their specific needs because they maintain their rotation of vehicles and all the details related to that.

Council Member Sommerville: Can you explain incumbent and how it applies?

Alicia Holland: If it is in the incumbent column that means there is a purchase order in our system but we have not received the item or received an invoice to pay for those items.

The next thing is FY 2019 capital assets sold. This is a 5-page document with a list of the assets that were sold, the specifics of the assets the price it was sold for and the commission which is generally 6% or 7%. Final price is the net that the county receives. Page 3 we sold to Daufuski Island Fire District and The Town of Yemassee Police and transferred some assets to Burton Fire District. The rest of the assets were sold online. The specifics about the communication equipment is on page 4 and 5. Next item is #4 FY20 regarding assets sold.

I want to answer a question Council Member Flewelling asked regarding the impact of waiving business licensing fees. Page 1 in the budget binder shows licensing fees at a proposed amount of \$1.6M. that is a decrease compared to what we appropriated for FY20 in accordance with our decrease and projected revenue. \$1.6M is the amount currently in the FY21 budget place holder.

Council Member Flewelling: My concern is the current fiscal year right now. Clearly you have a projection for next year's budget we are about to prepare. Any change to be made and we zero that as general revenue. If we were to do away with business licensing completely and state law lets us charge a flat rate of \$25, \$50, \$75 instead of the percentage. So I am looking at next year if we charged a flat rate per business. How much have we received from the business licensing program? I think with COVID19 it may be helpful to stop with the business licensing for the remainder of the year and find some way to return the revenue already collected. Has that question debated and until we know the ramification? So how much has been collected currently and how much remains to be collected?

Alicia Holland: On an annual basis we have around 5,600.00 business licensing renewals in the unincorporated part of the County.

Ashley Jacobs: From the last time we spoke with Mrs. Stevenson there hasn't been any slowdown in the payments.

Alicia Holland: Yes, the payments are still coming in. Our revenue to date is around \$800k-\$900k out of a \$2M appropriation but the dead line originally was the end of May and has been extended to sometime in June because of COVID19.

Council Member McElynn: There were 5,600 business in unincorporated is it accurate to say if the business is located in a municipality conducts business in the unincorporated areas in Beaufort County that they must obtain a Beaufort County business license?

Alicia Holland: Yes, that is correct. The business license determination is based on where the revenue is generated in the unincorporated part of the County.

Council Member McElynn: I just wanted to clarify that the business doesn't have to be located in the unincorporated part of the County to obtain a license.

Council Member Rodman: If we were to refund business it would be the entire \$2M?

Alicia Holland: Yes, if we were to refund businesses it would be the entire FY20 to date and obviously not collecting anything more.

Councilman Hervochon: Would it be possible to see the business stratified by revenue size? So we can see what is possible to abide or reduce certain fees for certain size businesses.

Alicia Holland: I can get that in the next day or two if that information is available.

There was a request for a total summary consolidation of accounts. I created one for revenue and one for expenditures. How Does finance close out the month and when that occurs. Also I received a question about the YTD

number in the book. There is a fiscal year end date on the headings of those columns. Where the column says YTD actual for June 30, 2020 those are the YTD actuals for the year 2020. Those columns in the budget book are annual columns. We generally close the month around the third or fourth week of the following month. Between revenue that takes place and fifty different sources received income it takes three to four weeks to get everything into finance.

Chairman Hervocho: Is every group in the budget book updated through the same date FY20?

Alicia Holland: That data is pulled from June 30, 2020.

Chairman Hervocho: I'm curious about the timing of these expenditures and if they are happening sporadically, beginning of the year, end of the year?

Alicia Holland: They were pulled at the end of March 2020. You have some March data in those numbers, you have some data for the whole year in those numbers because of the transfers.

Chairman Hervocho: So, I'm getting that there have some column with March data and some that don't?

Alicia Holland: Yes, if you are looking for a monthly cut off, the monthly interim financial report post online is a better source for that.

Document number 8. Council Member Covert suggested that I ask the County Auditor to take our current County operations millage rate and apply them to the values that were known today. April 9th. So I provided a 1-page summary and hope that answers some questions that were related to the \$110M billed in County operations a why our ordinance is \$1.6M. There is a lot of difference between what totally gets billed and what is available for the County operations to be recognized as revenue. Column for preliminary taxable value, our current County operations millage rate, multiplied provides us with an estimated grand total \$112.4M. Which is equivalent to this years \$110M. There is a 2% reduction for real property, a 10% reduction for personal motor vehicle and water craft and that reduced \$112.4M by \$3.1M. We are down to \$109.3M net levy. That \$109.3 total is not recognized 100% as County operations revenue because to the tax increment financing. Tax increment financing participation and multi county industrial park agreements. The projected TIF participated for Port Royal is 100% and the Hilton Head TIF we participate at 100%, The increment in those is \$935,300.00 and \$47.2M respectively and that equates to tax dollars at \$50,785.00 and \$2.5M almost \$2.6M to these TIFS and if we didn't participate that money would go to County operations revenue. Multi County industrial park participation is \$168K.

Council Member Flewelling: Is that a net amount that comes to the County or gross, the \$50,785.00 and \$2.563M?

Alicia Holland: Those amounts are part of the \$109M collected but go into a different pot of money to fund the debt service for the TIF.

After reducing the \$109.3M by the TIF participation and the multi county industrial park participation it comes down to \$106.5M. The estimates do not take into consideration any changes in value during the tax year 2020. The preliminary taxable value, all the growth that has happened from the last tax year to this tax year is already in those numbers. Once we have the assessor's numbers of real property, add in new construction, take into consideration all ATI's, the changes we see throughout the tax year is a decrease in value by appeal or percentage change. None of those potential changes are taken into account. I did this to help answer some questions and help everyone understand the flow of information and why that \$112.4M of what is billed is different than what we budget and expect to recognize in the County operations.

Council Member Covert: That preliminary taxable value, is that also interpreted as the value of 1 mill?

Alicia Holland: The gross value, because if you want to find out what the mill produces you could take that \$106,498,625.00 divide that by the 54.3, that would give you your mill value. That produces revenue of a mill that produces the total amount of billed but the county operations, there are a lot of things that happen to the county operations number before the County operations get down to it's pieve of the pie at \$106M.

Council Member Covert: It seems we are not starting off with the same number we end with, can you explain why?

Alicia Holland: We are not starting off on the same number because of different variables, collection reduction, TIF participation etc.

Council Member Covert: Every month we the County closes is there an accrual process in those books? Im' trying to understand where the data is compared.

Alicia Holland: When we do a monthly financial statement, we are only pulling the data until the end of that month. Example: February 28th only pulls to February 28th. If we have posted accruals for the whole 12 months the next March, April, May and June months accruals are not going to pull into that data for February 28th end date.

Council Member Covert: Ok, so in April, you take your YTD or year to February 28, you are going to get the months up to that. If you are going to do it in May and you go to March backwards a year it's going to go to March at the end of 12 months when you are reconciling for the whole year. Do you take every months accrual into consideration when you are reconciling the budget?

Alicia Holland: Yes.

Council Member Covert: So the foundation we started on, the balance doesn't magnify over that 12 month period. I'm trying to understand growth.

Alicia Holland: These amounts I am showing are for the entire year. When the TIF reconciliation happens, it is on a monthly basis and that current months activity is what gets recorded in the general ledger not the full \$2.5M or the full \$50K.

Council Member Glover: Las year when we were building our budget a lot of collection rates were thrown around 8-%, 94% 95% no one ever talked about 98%. Are we building our budget on a low collection rate with the anticipation of a higher collection reality?

Alicia Holland: Maria showed that the collection rate at the fiscal year was 95%. Then she showed at the end of the tax year it was a higher percentage. While she is showing you current collections happening in this fiscal year we also have delinquent tax collections that come into play that were not collected from years ago. I take that into account when doing budget projections because that was revnue to us in that fiscal year even though that may be pieces of a puzzle from 4 or 5 years ago. That helps to offset that collection rate.

Council Member Passiment asked about workman's coverage in case of catastrophic losses and we do, called Stop Loss in the amount of \$3M.

Chairman Hervocho: What is the timing for an updated budget book?

Alicia Holland: We are aiming for the first week of May.

ACTION ITEMS

An Ordinance to Amend Beaufort County Ordinance 2019/32, FY 2019- 2020 Beaufort County Budget, to appropriate \$695,000.00 from the General Fund to provide funds to settle litigation captioned 2019-CP-07-01642.

Motion: It was moved by Council Member Rodman, Seconded by Vice Chairman Lawson to approve an ordinance to Amend Beaufort County Ordinance 2019/32, FY 2019-2020 Beaufort County Budget, to appropriate \$695,000.00 from the General Fund to provide funds to settle litigation captioned 2019-CP-07-01642. Voting Yea: Council Member Passiment, Council Member Sommerville, Council Member Covert, Council Member Dawson, Council Member Flewelling, Council Member Rodman, Council Member Glover, Chairman Hervocho, Council Member Howard, Vice

Chairman Lawson and Council Member McElynn. The motion passed.

CITIZEN COMMENTS

CITIZEN COMMENTS

No Citizen Comments

ADJOURNMENT: 4:07 PM

Meeting Ratified by Committee: May 18, 2020