

UPTOWN

Responsible tax reform

As predictable as Old Faithful, an election year always brings out several tax reform proposals. This election year is no different. There are several bills being considered by the General Assembly that would radically change the taxation system used to fund schools, the state and local government. Most include changes to the system local governments use to tax real (your house) and personal (your car) property.

The state legislature should not disrupt this stable local government tax system. Revenue from these taxes fund local government services, which are not the responsibility of state elected officials. As recent history proves, the state legislature is eager to reduce taxes to local governments while reluctant to reduce state taxes. A study by the University of South Carolina indicates

the 40 percent reduction in the car tax assessment rate, enacted by the state legislature in 2000, will cost local governments \$39 million annually. The study also shows the reduction in telecommunications taxes will cost local governments \$20 million annually.

Property taxes provide a stable funding base for municipal government. Most proposals being considered by the General Assembly would replace the property tax with a sales tax increase. These proposals don't address how the revenue from a state-collected sales tax would replace the locally collected property tax.

If reducing the property tax is the true goal of the General Assembly, the Local Option Sales Tax (LOST), available to local governments since 1990, is the best choice. Twenty-seven counties are using

the LOST to reduce citizens' property tax burden. The formula in the LOST is designed to equitably return the proceeds of the sales tax to local government.

Making municipal government dependent on state allocation of sales tax revenue would disconnect the service provider from the funding source. Municipal elected officials are held accountable by municipal voters. Local control of the revenue base is required for local elected officials to meet local standards.

As our legislators debate the tax reform proposals, they should focus their efforts on state responsibilities. The education system is a state responsibility. A statewide tax, such as the sales tax, should be used to fund statewide responsibilities.

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Temporary replacement for officials on active duty

Is your council a little short-handed because a councilmember has been called to active duty? A seldom-used or known-about section of the South Carolina Code of Law may have your answer.

Chapter 7 of Title 8 of the S.C. Code addresses "Absences in Military Service." The Chapter is meant to protect an elected or appointed employee's position if they are called to active duty. Section 8-7-40 also allows for the

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Before making any major changes to the taxation system, legislators must consider several unresolved issues that could have a major fiscal impact on the state. A court case on school funding is currently winding its way through the judicial process. Similar cases in other states have resulted in court-ordered changes in school funding, requiring major changes in funding sources. Likewise, the explosive growth of Internet sales may require changes in the sales tax as local merchants attempt to compete with this federally mandated tax-free haven.

Taxes are never an easy topic to grapple with. But as Justice Oliver Wendell Holmes said in an opinion on taxes, "Taxes are the dues we pay for a democratic society." These dues educate our children, protect our lives and property, and provide for our quality of life.

Temporary replacement

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governor, upon the recommendation of the mayor and city council, to appoint a person to fill the temporary vacancy caused by military service.

South Carolina has several thousand members of the Reserves and National Guard on active duty. If your municipality has an elected official on active duty and temporarily unable to serve in the office to which they were elected, you may want to consider the procedure available in Title 8, Chapter 7. The council's ability to gather a quorum and the continued representation of the municipality's citizens are good reasons to have your attorney dust off this section of the code.

Central Supply helps municipalities save tax dollars

by Nicki Breon, Public Information Director for the State Budget and Control Board's General Services Division

Over the last few years, everyone has felt the pinch of the tight economy, particularly state and local governments. Always mindful they are holding the public purse strings, municipalities are forced to pinch pennies even more. Shopping around to find the lowest bidder on supplies and services is an essential part of being a good steward of taxpayers' money. A place you may not think to shop is the General Services Division of the Budget and Control Board. Central Supply, one of the programs offered by General Services, sells office and janitorial supplies at costs usually lower than those in the private sector. By leveraging the buying power of all its customers, Central Supply can negotiate higher discounts than a municipality may be able to do on its own.

Research by Central Supply has shown that its customers save an

average of 19 percent versus the *best* prices available from their top three competitors. Even when shipping costs are considered, the savings equal a minimum of 10 percent.

Central Supply stocks more than 700 line items. It can also special order an item not in the catalog. It offers online ordering and accepts the state procurement card if this is the preferred method of payment. It also accepts orders that are faxed or mailed and will invoice customers who do not utilize the procurement card.

By handling the procurement process, Central Supply can save a municipality time and effort. A municipality's purchasing agent would no longer need to get bids or estimates; they can buy directly from Central Supply on an as-needed basis.

The online catalog can be found at www.ogs.state.sc.us/supply. To sign up for Central Supply, call 803.898.9934.

Sending mail to the Voting Section of the U.S. Department of Justice

The U.S. Department of Justice Civil Rights Division's Voting Section has a single mailing address. All mail to the Voting Section must have the full address as listed below:

Chief, Voting Section
Civil Rights Division
Room 7254 — NWB
Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530

Deliveries by overnight express service, such as Airborne, DHL, Federal Express or UPS, should be addressed to:

Chief, Voting Section
Civil Rights Division
Room 7254 — NWB
Department of Justice
1800 G Street, N.W.
Washington, DC 20006

For more information, call the Voting Section at 800.253.3931.

Municipal officials and their role in the legislative process

A common goal of municipal leaders is a desire to improve the quality of life in their communities. Sooner or later, local officials realize that much of what happens within their own borders is directed by others outside their jurisdiction, primarily the state legislature.

The reality is that in order to be an effective municipal leader today, you must recognize the significant role played by the legislature and the other branches of state government in regulating and funding the activities of local government.

Your municipal responsibilities must involve representing your community's interests before the legislature. You must make your own opportunities to influence legislative actions that have an impact on your city's or town's quality of life.

Get to know your legislators

Don't jump in with the heavy issues before you've gotten to know your legislators. If at all possible, your first contact should be in person, not by phone or letter. At that first meeting, find out what issues they're interested in and their political views. Give them the background facts on your community and your local government. You and your legislators have one important thing in common — you serve the same constituents. You are all elected officials, dedicated to serving the public's interest, not a special interest. Invite your legislators to city council meetings and important local events.

Build grassroots support

Make sure you keep your citizens informed about the issues. Explain the issues and have a periodic legislative

report at council meetings. Make sure citizens know what services you provide. Write a column for your local paper or develop a newsletter describing and giving updates about your services.

Know the issues

Before you talk to your legislator about an issue, you need to know the facts about the issue. Look for information in materials provided by MASC, such as the weekly *Legislative Alerts* during the session, *Uptown* newsletter and the Web site. Attend MASC legislative events, such as the Hometown Legislative Action Day and Hometown Connection.

Express your opinion

Be prepared to present the municipal side of the issue firmly and succinctly. Be sure to identify the bill by number and subject, as there are thousands of bills introduced each session. Put the issue in your own words. Make sure you support your view with solid, specific examples from your community. Don't exaggerate or overstate the facts. This will undermine your credibility. Be prepared to respond to counter-arguments or alternative suggestions.

Ask for action

Ask your legislator to take specific action and ask for a reply. Let him/her know what action you would like taken. There is always something a concerned legislator can do, and asking for a reply can help get a response.

Ways to contact

Don't be afraid to visit your legislators in person. Get to know your legislator's staff, because if you cannot get your concerns to your legislator,

talking to a staff member who knows you is the next best thing. If meeting with your legislator is not possible, you can contact them by phone, regular mail or e-mail. You can find a list of legislators' e-mail addresses in MASC's *2004 Municipal Officials and Legislative Directory* or on MASC's Web site at www.masc.sc.

Make it personal

If you are writing a letter or sending an e-mail, make it a personal letter written in your own words. Even though MASC may provide you with a sample letter, don't use it word-for-word. Legislators pay more attention to a personal letter than a form letter.

Follow up

After a meeting or phone call, write a follow-up letter. This gives you an opportunity to make your points again and to thank your legislator for talking with you. Indicate you will be back in touch soon to check on progress. Keep MASC informed on your legislator's position concerning bills of municipal interest.

Give credit and say thanks

Whenever a legislator supports your position, say thanks. Drop him/her a short note. Better yet, thank him/her publicly in your hometown.



Classifieds

■ The Town of Moncks Corner is seeking applicants for the position of town administrator. Submit resumé to Marilyn Baker, Clerk-Treasurer, PO Box 700, Moncks Corner, SC 29461, or e-mail mbakermc@homexpressway.net.

Municipal borrowing: It's not business as usual

The owner of a small business can walk across the street, shake hands with the local banker and sign up for a simple line of credit or a two-year business loan. Your city council can't do this without running afoul of state law.

Many local elected officials (and bankers) are unaware of their legal limitations and continue to attempt to run their respective governments like a business. Unfortunately, it's a lot more complicated than that. Local governments are bound by constitutional and statutory restrictions. Local governments are restricted as to the size of their debt, their sources for borrowing money, their sources for earning revenue, the ways they may invest public money and even how they account for and spend their funds.

Local governments are limited to the following forms of debt:

- General Obligation bonds
- Revenue bonds
- Tax increment financing
- Debt secured by accommodations and/or hospitality fees
- Debt secured by capital projects sales tax proceeds
- Lease-purchase agreements
- Tax Anticipation Notes
- Bond Anticipation Notes

Other loans and business lines of credit are unavailable to local governments. All forms of borrowing require passage of an ordinance with two readings, and some even require special public notice and a public hearing.

GO bonds

General Obligation bonds (GO bonds) are secured by the municipality's taxing power. Municipal General Obligation bonds must be secured by *ad valorem* property taxes and are generally paid from such taxes. Municipalities may issue General

Obligation bonds only for a "public purpose" or a "corporate purpose."

No public hearing is required; however, a municipality should publish a notice of its intent to issue GO bonds. Without a notice, the ordinance can be repealed by a citizen initiative up to 60 days following the ordinance's adoption. (With public notice, a citizen initiative to recall the ordinance must be initiated within 20 days following publication.) Requirements of the notice are spelled out in Section 11-27-40(8), S.C. Code of Laws.

Debt over \$1,500,000 and repayable longer than 10 years must be sold at a public competitive sale. Notice of the sale must be published in a general circulation newspaper in South Carolina (e.g., *The State*) or in New York City (e.g., *The Bond Buyer*). Depending on the type of issue, notice must be published at least seven days prior to the sale date. In the case of a private sale, the municipality must publish a notice of sale at least seven days prior to the closing date.

The state constitution caps the amount a municipality may borrow at 8 percent of the municipality's assessed tax base.

Because of the 8 percent cap, municipalities have turned to alternate forms of borrowing, such as revenue bonds, lease-purchase agreements, and Tax or Bond anticipation notes.

Revenue bonds

Revenue bonds, unlike GO bonds, are secured by a designated revenue stream. The most common are those secured by a utility system. State law mandates holding a referendum to issue revenue bonds. No public hearing is required. Revenue bonds may be publicly or privately sold. In a negotiated sale, the underwriter is compensated with a commission, which generally

comes from bond proceeds. This commission is referred to as "underwriter's discount" and is expressed as a dollar amount per \$1,000 of principal issued.

The municipality has certain restrictions for operating and maintaining the system whose revenues are being used to repay the bonds. For example, the municipality must charge rates adequate to sustain the system and support the debt, to deposit certain revenues of the system with a custodian bank and to segregate all revenues into several designated funds.

Many revenue bonds today are sold to the state through one of two programs. The Safe Drinking Water State Revolving Loan Fund Program is designed to assist public water utilities in financing infrastructure costs needed to achieve or maintain compliance with the federal Safe Drinking Water Act. Loans are made on a priority basis based on a S.C. Department of Health and Environmental Control priority list. The Water Pollution Control State Revolving Loan Fund Program is designed to assist public sewer utilities in financing the costs of wastewater-related infrastructure, including, in some cases, stormwater projects.

Tax increment financing

In addition to debt secured by a revenue-producing project, the constitution allows issuing debt payable solely from a special source allowed by the General Assembly (e.g., tax increment financing and fee-in-lieu-of-tax "special source revenue" bonds).

Tax increment financing is used to redevelop areas that are or threaten to become "blighted." The municipality may pay debt service from the additional (or incremental) tax revenues resulting from the redevelopment. Property taxes collected within a

MUNICIPAL DEBT continued on page 5

South Carolina well-represented at national conference



In December 2003, approximately 60 S.C. officials attended the National League of Cities' annual Congress of Cities meeting in Nashville, Tenn. Mayor Joe Riley of Charleston served as a panelist in the session "Collaborating for Student Success: Promising Approaches and Lessons Learned."

MUNICIPAL DEBT continued from page 4 redevelopment project area more than the amount attributable to the "total initial equalized assessed value" of all taxable real property in the project area are paid to the municipality. The municipality deposits the funds into a special tax allocation fund to pay redevelopment project costs and to pay any debts resulting from such costs. This type of debt is not chargeable against the municipality's 8 percent debt limit, but is subject to significant conditions in the authorizing legislation.

Alternatives to traditional forms of debt are debt secured by accommodations and/or hospitality fees or capital projects sales tax proceeds.

Lease-purchase agreements

Lease-purchase agreements (with the exception of those used to purchase land, buildings and fixtures) do not count against the 8 percent debt limit. Lease-purchase agreements are used to finance

equipment and rolling stock. They are also used to refund lease-purchase transactions entered into prior to January 1, 1996, provided that there is a savings achieved. Energy-efficiency projects or guaranteed energy savings contracts can be financed through lease-purchase agreements. Finally, lease-purchase agreements are used to acquire assets for a system that is expected to generate sufficient revenues to pay amounts due under the financing agreement and agreements that are secured solely by accommodations and hospitality fees in accordance with state law.

TANs

Tax Anticipation Notes (TANs) are short-term loans issued in anticipation of property tax payments paid to local governments annually between December and March. TANs must be paid back within 90 days of the tax penalty date, usually by March 15 immediately following the loan. TANs may not be "rolled over" and extended into the following budget year.

BANs

Bond Anticipation Notes (BANs) pledge the proceeds from a subsequent bond sale toward the note's repayment. BANs provide municipalities the flexibility to proceed with portions of bond-funded projects before the actual bond sale. They are especially useful in projects being completed in stages. BANs can be issued in anticipation of General Obligation bonds or revenue bonds for a one-year period. State law allows BANs to be renewed or refunded beyond one year. Such an action should be carefully considered in light of the BANs' interest rate, potential interest rate on the forthcoming bonds and the project's cash requirements.

Margaret Pope and B. Eric Shytle of Haynesworth Sinkler Boyd, PA and Joe Newton of the Appalachian Council of Governments contributed to this article.

Prevention is just what the doctor ordered for SCLGAG and SCMIT

The ever-increasing cost of medical care continues to put pressure on both employers and employees to find ways to keep health care affordable. Traditionally, HMOs, PPOs and discounted pricing were used to contain costs. While these methods are still effective, helping individuals become better health care consumers through wellness and disease management programs is gaining attention.

Too often, the patient blames hospitals, doctors, pharmaceutical companies and insurance companies for the rising cost of medical care. While all these share some of the blame, the fact is that much of the blame rests with the individual. Individuals must take a more pro-active role in managing their health.

Wellness programs provide information to help individuals achieve a healthier lifestyle. Things like diet, exercise, nutrition, smoking cessation and health risk appraisals help individuals understand where they may be susceptible to bad health.

Historically, the private sector has been more pro-active than the public sector in helping its employees achieve better wellness and good health, but this is changing. The City of Aiken began its wellness program in July 2003.

"In addition to providing a \$200 wellness benefit to all full-time employees to encourage annual physicals, we have collaborated with the local hospital to provide screenings and educational seminars," says Al Cothran, Aiken revenue administrator. "There is so much more to it than just getting an annual physical. The more educated we are about health and wellness, the better off we will be."

Some diseases are harder to manage than others, but most can be managed to some extent. When someone is diagnosed with coronary artery disease, diabetes, chronic heart failure, lung disease, cancer or musculoskeletal problems, it is extremely important to try to "manage" these diseases. Without proper management, the quality of one's life can deteriorate rapidly, and medical expenses will likely escalate over time.

To kick off its partnership with the City, Aiken Regional Medical Center offered risk assessments to all City employees. Employees were offered, at no cost to them, more than \$600 of extensive screenings and blood work. A local cardiologist and heart surgeon then met one-on-one with each individual to discuss the results.

"Two of the employees were classified as critical for cardiac problems. The doctor called his office to get them put on his schedule for the next morning," says Cothran. "Hopefully, we were able to offset something down the road and save the life of an employee."

The City and hospital are planning cancer screenings and educational seminars on such topics as colonoscopy, breast examinations and healthy

cooking. To encourage employees to exercise, the City reimburses employees who take a total body fitness class offered at the local parks and recreation center. "We felt we needed to have some incentives for employees to get started," Cothran says.

The South Carolina Local Government Assurance Group (SCLGAG), MASC's self-funded health care program, recently conducted a study of its claims data. The review revealed that SCLGAG members had a higher-than-national average occurrence in the following disease categories: coronary artery disease, diabetes, chronic heart failure, lung disease, cancer and musculoskeletal problems. Using this data, the SCLGAG board of trustees approved hiring a staff person to help members develop wellness programs for their employees and to implement a disease management program.

Recognizing that a healthier employee is generally a safer and more productive employee, the board of the South Carolina Municipal Insurance Trust (SCMIT), MASC's self-funded workers' compensation program, agreed to share the cost of implementing the new wellness program. Medical costs now contribute approximately 50 percent of all costs for workers' compensation coverage.

"If employees can be assisted and challenged to improve their health, hopefully workers' compensation claims can be reduced and medical costs can be lowered," explains Harvey Mathias, director of risk management services.

The old saying, "You can pay now or pay later," has a lot of truth in it. Dollars spent on prevention can result in bigger dollars saved down the road.

SCLGAG and SCMIT plan to have the new staff person on board by early April, with action programs in place by July 1.

News Briefs



■ Councilmember G. Robert George of Charleston was recently selected to serve on the Leadership Training Council as part of the National League of Cities' 2004 Leadership Team.

■ MASC's 2004 Municipal Officials and Legislative Directory is here! The cost is \$15. To order, send money and contact information to: Municipal Association of South Carolina, Attn: Nancy Brown, PO Box 12109, Columbia, SC 29211.

Achievement Awards program recognizes local government excellence

Each year, MASC honors outstanding local government projects in South Carolina. In 2003, 17 municipalities entered the Municipal Achievement Awards program. The seven winners — Trenton, Bluffton, Cheraw, Greer, Orangeburg, Lexington and Cayce/West Columbia — were featured in previous issues of *Uptown*. Following is a description of other 2003 entries. Descriptions will continue in the April issue of *Uptown*.

City of Aiken

The City of Aiken found a win-win situation with its Senior Tax Work-Off Program. The City accomplished many tasks for a fraction of the usual cost, and experienced senior citizens found a way to reduce their tax bill while doing something useful to help their City. To qualify, citizens must be at least 60 years old, own property in the City and live at the location where property taxes are due. Seniors complete an application listing their occupation, hobbies and preferred areas of work. City personnel match seniors with jobs submitted by City departments. The number of hours the seniors work depends on the amount they owe in property taxes. To completely pay off a \$515 property tax bill, a senior would work 100 hours. Many continue volunteering even after their taxes are paid. Imagine paying engineers, computer programmers, business executives and even lawyers only \$5.15/hour. The City saves thousands of dollars in wages, and seniors eliminate their property tax bill while providing a much-needed service.
Contact: Roger LeDuc, 803.642.7564

City of Beaufort

The construction of the Woods Memorial Bridge Walkway was a three-year project involving cooperative efforts and funding from the City of Beaufort, Beaufort County, the S.C. Department of

Transportation and the S.C. Department of Parks, Recreation and Tourism.

Linking the City of Beaufort and its neighboring Lady's Island, the pedestrian walkway is a vital part of Beaufort's Greenway Plan. The plan calls for a series of connected trails to provide transportation alternatives and recreational access throughout the City. A 9-inch vertical concrete curb, a post-and-rail system, an access gate and video cameras were added to the bridge for pedestrian and biker safety.
Contact: Susie Wood, 843.525.7072

City of Georgetown

Residents, tourists, City workers and officials noticed a problem washing up on the shores of the City's major asset, the Sampit River. Although river cleanups were held regularly to pick up litter, the problem was overwhelming for volunteers. The City challenged the entire community to get involved in a one-day event, the Sampit River Sweep. City employees volunteered two hours of paid time to clean debris. City trucks, front-end loaders and boats assisted volunteers. Residents, students and several corporate employees got involved by picking up debris by walking the riverbanks or by riding in canoes and kayaks. The chamber of commerce held a picnic lunch overlooking the cleaned-up river to thank volunteers. The first Sampit River Sweep involved more than 100 volunteers who collected 7.5 tons of debris from the river and its banks. Because of its success, the Sampit River Sweep is scheduled to be an annual event.
Contact: Judy Liston, 843.545.4000

Town of Hilton Head Island

Making it through the thick sand between the boardwalk and the hard-packed sand on the edge of the water on Hilton Head Island can be a challenge for

anyone — but it is especially challenging if you are confined to a wheelchair, pushing a stroller or riding a bike. The Town of Hilton Head Island and the Access Disability Action Center teamed up to make the beaches on Hilton Head Island more accessible. They found their answer in Mobi-Mat, a 6'9" x 82' polyester mesh "carpet" that is placed and staked at strategic locations with large staples. The mat runs from the end of the boardwalk to the hard-packed sand. The \$14,000 project was funded through the Town's Beach Preservation Fee. The fee is an additional 2 percent local accommodations tax the Town levies for public facilities related to beach use. Lifeguards ensure the mats are secure and remove any sand buildup. Mobi-Mat has enabled Hilton Head Island to proudly boast that it has an all-access beach.
Contact: Tripp Ritchie, 843.342.4582

Don't drop the ball

Be part of some friendly competition with the 2004 Municipal Achievement Awards program and let others know about the exciting things happening in your municipality. MASC will recognize the winners at the 2004 Annual Meeting in July.

Winning entries are featured in a video shown at the Annual Meeting, in the Achievement Awards brochure, in *Uptown*, during Hometown Network broadcasts and on the MASC Web site.

MASC will mail entry information in March, and this information will be available on MASC's Web site at www.masc.sc under the "Featured Links" section of the home page. Proposals must be submitted by April 9. Judging will take place May 3.



Educational Opportunities

S.C. Association of Stormwater Managers

■ **March 5**, will hold its Quarterly Meeting at the State Museum in Columbia.

S.C. Utility Billing Association

■ **March 10-12**, will hold its Annual Meeting at the Embassy Suites Hotel in North Charleston.

Hometown Connection

■ **March 30**, municipal officials from Aiken, Allendale, Bamberg, Barnwell, Calhoun, Lexington, Orangeburg and Richland counties visit with their state legislators. Officials should meet at MASC's office at 1411 Gervais Street in Columbia at 10:30 a.m.

S.C. Association of Municipal Power Systems

■ **April 14**, will hold its Legislative Event at Seawell's in Columbia.

Hometown Connection

■ **April 27**, municipal officials from Abbeville, Chesterfield, Clarendon, Darlington, Edgefield, Greenwood, Kershaw, Laurens, Lee, Marlboro, McCormick, Newberry, Saluda, Sumter and Union counties visit with their state legislators. Officials should meet at MASC's office at 1411 Gervais Street in Columbia at 10:30 a.m.

Hometown Network

■ **May 6**, will broadcast via satellite "You've Been Elected — Now What?" and "The Freedom of Information Act in South Carolina."

S.C. Community Development Association

■ **May 23-25**, will hold its Annual Meeting at the Myrtle Beach Marriott.

Hometown Connection

■ **May 25**, municipal officials from Beaufort, Berkeley, Charleston, Colleton, Dorchester, Dillon, Florence, Georgetown, Hampton, Horry, Jasper, Marion and Williamsburg counties visit with their state legislators. Officials should meet at MASC's office at 1411 Gervais Street in Columbia at 10:30 a.m.

For more information about these meetings or other MASC meetings not listed, please call 803.799.9574, or visit our Web site at www.masc.sc.



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