

Wm. Weston J. Newton, Chairman
October 28, 2005
State of the County

Thank you and good morning. It is my privilege to stand before you and speak to you on behalf of your Beaufort County Council. Before I begin, please allow me to introduce some of my fellow councilmen - Beaufort County Administrator Gary Kubic and our new County Assessor, Ed Hughes.

I am pleased to report that the past year has brought progress and success to Beaufort County with the continued understanding that there is still much to be done as we prepare for the future and work to protect our quality of life in the Lowcountry.

We have made progress in many areas. Lobbying trips to Washington DC have paid off with healthy federal earmark funding for highways. As a result, transportation improvements through the greater Bluffton area are under construction and additional improvements are in the planning process.

The Congressional earmarks in the multi-year Federal Transportation Bill announced on July 29 included \$26,600,000 for widening and safety improvements to US 278 and \$10,000,000 for improvements to US 17. These Congressional earmarks are the culmination of a multi-year education and advocacy effort led by Beaufort County. We have also been working on other alternatives for generating critical transportation improvement funds and have implemented a new 2 ½ % admissions fee and additional impact fees on new development.

The U.S. 278 widening and intersection improvements project through Greater Bluffton from Buckingham Landing to Simmonsville Rd began in August. It will take 18-months and approximately \$16 million to complete. Funding is coming from a combination of sources including SC DOT, Beaufort County and previous Congressional earmarks. The recent Congressional earmark funding will be utilized to extend the widening and intersection improvements toward SC 170 at McGarvey's Corner. Eventually, with cooperation from Jasper County and the City of Hardeeville, the widening will extend all the way to I-95.

During this first construction phase of 278 there have been issues about traffic delays and public safety. As a result, the county requested regular weekly communications meetings with the contractor and state DOT officials who are managing the project. This has helped reduce travel problems and has improved safety along the construction area. Some of the measures implemented include a new website for motorists at www.highway278.org which contains timely information regarding possible lane closures or delays, construction schedules, an overview of the project, maps and our live county traffic cameras. Roadside electronic message boards and the county AM radio frequency provide further timely updates to people on the highway.

The Bluffton Parkway is an impact fee project. Pursuant to state law only 70% of the costs could be funded from impact fees. 30% had to come from other sources such as property taxes. Due to funding limitations, we sought alternative revenue sources. With the passage of the 2 ½ % admissions fee and Bluffton's new development fees we will be able to move forward with the project. The contract came in \$3.6 million higher than the engineer's estimate of \$19 million. We met with Bluffton representatives and the Town has agreed to provide an additional \$750,000 of its development fees toward the project. On Monday night, we awarded the contract with a projected completion date of Feb. 2007.

Completion of US 278 Alternative to I-95 as a divided 4-lane highway will relieve considerable pressure on US 278 and provide essential alternative access through the Bluffton area and to Hilton Head. Total cost of the entire 19.85 mile project is expected to be approximately \$136 million dollars.

The design phase of the eastern extension - phase 5 - from Burnt Church Road to US 278 at Buckingham Landing should begin by the end of this year with projected costs of approximately \$50 million and includes re-alignment of approximately 2 miles of the current planned Parkway.

Extension of 278 A to the west from SC 170 towards I-95 is currently in the concept stage. This phase of the project is expected to cost approximately \$50 to \$75 million.

Beaufort and Jasper Counties and DOT are working in concert to make these eastern and western extensions eligible for future federal and state funding. Beaufort County recently passed a resolution seeking the project's inclusion on the state STIP list and requested that area municipalities and Jasper County do likewise.

Additionally, the widening and completion of the Buckwalter Parkway in early 2007, expected to cost \$5,200,000, will move forward as a result of the county admissions fee and the new Town of Bluffton development fees. Without the new admissions fee this project, like the Bluffton Parkway, would not move forward without a property tax increase.

Numerous other transportation projects are needed which will require significant funding. Beaufort County continues to discuss how to address these issues, including the possibility of a sales tax referendum in the fall of 2006 to help make our roadways safer and protect our quality of life.

2005 also saw the ground breaking of a new Technical College of the Lowcountry campus to compliment the new 4 year university campus at New River – both leveraged through the \$40 million dollar county Tax Increment Finance district.

Opportunities for higher education do more than enrich our lives. Economic development studies prove they attract new business and industry. They also strengthen our workforce and improve our economy.

For the first time in several years, we have a productive and positive relationship with the Beaufort County Board of Education and are working together to find solutions to flawed state funding formulas and unfunded state mandates that penalize property tax payers in Beaufort County. We established a joint county council/school board committee and by working together, we will accomplish more than we had done in the past, as adversaries. We are examining opportunities for joint records storage facilities and shared technology systems to better serve the citizens of Beaufort County.

Self examination is another way to improve services to the citizens of this county. We added a new internal auditing division this summer to analyze county operations. The division is headed by CPA and Financial Analyst Chad Bee-chum and includes internal auditor Derrick Thornton, who spent 15 years with the City of Philadelphia where he earned a national award for Best Audit. Findings and recommendations are already increasing efficiency and reducing costs.

We have criteria and incentives for the development of affordable and workforce housing. We hired a professional housing coordinator who spent many years working with housing programs at the federal level. She came on board last month and we expect to see our program accelerate.

We have completed all the necessary background studies for the Southern Beaufort County Regional Plan and are reviewing recommendations for funding and implementing the plan. The population of southern Beaufort County is expected to double from approximately 67,000 to 135,000 during the next 20 years. The estimates indicate this growth will cost about \$500 million for transportation, parks, schools and other public facilities. Projections reveal that with existing revenue sources there will be a funding gap of approximately \$360 million.

This is an issue of regional magnitude that needs regional solutions. Our steering committee headed by Emmett McCracken and composed of county and municipal leaders has worked hard – with much public input - to address this far reaching issue. The steering committee is reviewing funding possibilities, including higher impact fees, sales tax referendums, and persuading the state to allow the collection of real estate transfer fees county-wide. But, funding aside, the most important factor in implementing a successful plan is cooperation among the towns of Bluffton, Hilton Head Island and Beaufort and Jasper Counties and Jasper County municipalities.

The real challenge will be implementing the plan at each governmental level. Additionally, the impending development in Jasper County is enormous. Population projections suggest growth from 24,000 to 184,000 in 15 to 20 years with thousands of residential permits already approved. It is more important than ever to address our transportation needs regionally.

As we look to a regional plan as a guide for the future, we can be confident that valuable parcels of land have been preserved and protected from future development. This will be all the more appreciated by the time we reach projected build-out in 2020.

The Beaufort County Rural and Critical Land Preservation Program was enormously successful this year. It earned Beaufort County the honor of being one of three finalists in a national conservation award.

By the end of the year, nearly all of the \$40 million bond money approved by voters for this program will have been spent acquiring, with the help of the Trust for Public Land, in excess of 10,000 acres. In total, \$48 million has been spent for properties valued at more than \$75 million. These valuable parcels are being preserved for buffers, environmental and historic preservation, wildlife habitat, parks and scenic vistas. Land preservation has reduced the impact of development on highway infrastructure and public services and has removed the potential for countless daily vehicle trips.

In addition to being in the top three in a national conservation award, our land preservation program helped us achieve the distinction of being the first local government in the nation to partner with the Department of the Navy for the protection of a Marine Corps facility from encroachment. We did this through the acquisition of a 69-acre parcel adjacent to the Marine Corps Air Station which was funded fifty-fifty by the federal government and the county. For this, the county has been made a national prototype for military-friendly encroachment policies by the Marine Corps and has been commended by the state legislature.

We believe the county's military friendly policies also had a favorable influence on the federal base closure commission when it determined budget cuts at military facilities across the nation. Our military bases, which pump nearly 1/2 billion dollars into our local economy were spared. Although these facilities are located in northern Beaufort County, their economic impact is significant on both sides of the Broad River. County council recently gave final approval to two other sites that will provide additional protection for military operations -- with the federal government's participation at more than 50% of the cost.

It is important to the citizens of Beaufort County and future generations to continue this land preservation program. We have acquired valuable historical sites, waterfront areas and enough parcels to protect the headwaters of the Okatie River. These will eventually become passive parks for hiking, camping, eco-education, photography, picnics, boating, fishing, swimming and scenic vistas. We must find funds for further preservation.

During the coming months, we will be discussing the possibility of another bond or local option sales tax referendum in Nov. of 2006 to allow the continuation of this valuable land preservation program.

Council has also adopted a resident vendor preference ordinance and small and minority business notification program. This effort is intended to promote the use of local and minority contractors and subcontractors on county projects. By promoting opportunity for local and minority businesses we help stimulate our local economy.

I am very pleased to report that the long anticipated county boat landing at Broad Creek – officially named the Cross Island Boat Landing – opened to the public this summer. With a cost of \$1.3 million dollars in capital improvement funds it provides much needed public access to our waterways on Hilton Head.

Other public facilities improvements this year include safety upgrades to the Hilton Head Airport and several major stormwater utility drainage projects which protect us from flooding and help keep our waterways clean. In February, we implemented live, interactive broadcasts between the Hilton Head Library and council chambers in Beaufort during public meetings of county council.

We have identified many challenges and are diligently working on them. They include a push for property tax reform which must be accomplished at the state level.

In part due to the pressure from local governments and tax payers across South Carolina, property tax reform has become a priority for this year's legislative session. State-mandated reassessments will be examined and recommendations from council have been forwarded to the lawmakers in Columbia. County Council passed several resolutions that would greatly improve state funding mandates that impact our economy and local property taxes.

Property tax reform is intertwined with school funding formulas. As you are aware, approximately 2/3 of your property tax goes to public education. The school funding formula under the state Education Finance Act is based on the perceived ability to pay – which is derived from property values. Beaufort County and our legislative delegation fought to influence state lawmakers to restore some of the state funding that was eliminated this year.

Yet, we face even greater challenges next year. County council - along with the school board - is calling for the state to establish minimum funding levels for every school district. Any plan for property tax relief must be executed at the state level.

Take Greenville, for example, which is similar in economic stature to Beaufort County. Greenville offers incentives that reduce property taxes for businesses. When the state formulates the amount of school funding for Greenville based on its “ability to pay” these commercial property values are not included and the picture becomes skewed. A fair method would be for the state to use wages instead of property taxes when determining a county's ability to pay. This is one measure county council is urging state lawmakers to consider.

It is also interesting to note that, despite Beaufort County's relatively high property values, 48 percent of our public school students are on the free and reduced lunch program. Yet, Beaufort County schools received just 17 cents on the dollar in Education Finance Act funding.

County residents paid the state \$177,615,445 last year in income tax and sales tax, but state generated revenues distributed to the county, schools, and municipalities amounted only to \$66,783,133. What happened to the \$111 million the state kept? Apparently, it funded public education in Greenville and elsewhere.

We believe the state should allow us to consider school impact fees for new homes and businesses. We support a minimum funding base from the state of at least 50% per student. We want the state to consider alternative measures, which, if enacted, could result in significant reductions in property taxes and boost our local economy. These alternatives include annual reassessments, point of sale valuations and circuit breakers on property valuations and alternatives to mass appraisals. The mass appraisal methodology does not work in coastal counties and state law needs to be changed. If properties were assessed at the point of sale – long time residents would not be penalized.

South Carolina requires all counties in the state to implement a reassessment program once every 5 years. The next scheduled reappraisal is 2008.

Our new County Assessor, Ed Hughes, came on board Sept. 26 – Nearly 1 month ago to the day. He has made the resolution of 2004 appeals and the correction of neighborhood anomalies in land valuation his first priorities. I ask for your continued patience as it is my understanding that the assessor's office plans to put into play workflow procedures for increased efficiencies. Let me assure you of county council's commitment to working with the assessor in reviewing the faulty processes of the past and changing them.

The harsh reality of appraising 106,000 parcels every 5 years is that some human error will happen. However, numerous mistakes and flaws within the process are unacceptable and I offer you council's commitment to working to fix them for future reassessments.

New admissions fees are intended to come more heavily from tourists and allow essential projects to move forward without adding to the burden of property tax payers. But, further significant safety and transportation funding is essential to our quality of life. Additional impact fees and capital projects sales tax referendums including the possibility of a Local Option Sales Tax for partial property tax relief will be debated in the coming months and likely will be presented to the voters in 2006.

State reform and local initiatives are not enough. We need greater economic diversification. We need to expand the county's commercial tax base. Increasing the number of commercial properties by attracting new industry would also reduce the burden on residential property owners. There are approximately 106,000 taxed parcels in Beaufort County, but only 4 to 5 thousand of them are commercially classified. That's less than 4 % and this is an unhealthy ratio. This need was stressed at council's annual strategic planning retreat as an objective for

attaining our goal of a strong, diversified, sustainable local economy. We are reviewing our Beaufort County zoning ordinances to identify impediments to commercial or economic growth and debate appropriate revisions in appropriate areas of the county.

Other primary objectives for achieving that goal include:

1. Keeping our military bases. We are grateful that this has been accomplished and extremely pleased at our success in this area.
2. Expanded quality educational opportunities. This is crucial to attracting industry. It is the number one consideration when a business decides to open a new site or relocate. We believe the New River higher education campuses will contribute greatly to our ability to bring new and worthy businesses to our area and help to provide a skilled and educated workforce.

We also support our valuable tourism industry. We devised a stable, annual funding plan for our county-wide tourism marketing campaign – South Carolina’s Treasured Coast -- through county accommodations taxes. The treasured coast campaign is a joint project of our 3 local chambers of commerce and is aimed at national markets.

Beaufort County provides approximately \$400,000 annually through the 2 % state accommodations tax for tourism marketing programs and support for events that attract visitors. The county also allocates an additional \$350,000 annually from local 3% accommodations taxes for the Treasured Coast campaign. County council is committed to long term funding of this collaborative marketing effort and has agreed to increase funding as the accommodations tax revenues increase.

We rely heavily on tourism and the military, but we must also look to expanding the service sector, retail, medicine, and technology.

This year Beaufort County Council pledged up to \$1 million dollars for the proposed Tech Park in Bluffton. This would employ more than 200 people in well paying jobs in health care related technology and would benefit this entire region.

The needs of industry have been identified and plans are in place to address those needs. The New River campuses, transportation improvements through Greater Bluffton, and the Bluffton Tech Park, all help set the stage for economic diversity. It won’t happen overnight, but the necessary ingredients are being put in place.

Equally, however, if not more essential, is the protection of those natural assets that brought so many of us here. And, as elected stewards of Mother Nature it is our job to protect our lands and waterways and preserve our quality of life.

The future of southern Beaufort County is directly connected to the growth and development that is occurring in Jasper County. We understand this and have expanded and enhanced intergovernmental relationships with Jasper County and Hardeeville to positively address issues of mutual concern. We must think and plan regionally now or we will look back with deep regret for opportunities forever lost.

Thank you.