

D. Paul Sommerville, Chairman

November 4, 2013

Hilton Head Island / Bluffton Chamber of Commerce – State of the Region

Good Afternoon Governor Haley and fellow democrats. I'd like to thank Governor Haley for coming down to the Lowcountry today. Governor, we truly appreciate your good work. It's an honor to have you here.

When we talk about the state of the region, it is hard for me not to reflect back over the past 151 years -- which is how long my family has continuously resided in Beaufort County. My great-great grandparents, Rubin and Rebecca Holmes and their 10 year old daughter, Abbie Holmes Christensen, my great grandmother, were staunch abolitionists who arrived on Hilton Head by steamship from Boston in 1862 as part of what was known as the Port Royal Experiment to create an educational program for the freedmen, women and children. Throughout history, Beaufort County's economy has faced tremendous challenges but has always overcome its problems with resilience and resourcefulness. Indigo was introduced into Beaufort County in 1744 by the British to avoid having to purchase it from the French in Haiti or from the Spanish in the Dominican Republic. The British were subsidizing Indigo and when the Revolutionary War broke out the subsidy ended and sounded the death knell for Indigo in the Lowcountry. In place of Indigo, in 1790, the first crop of Sea Island cotton was planted on Myrtle Bank Plantation, right here where Hilton Head Plantation is today. Once again, Beaufort County's economy suffered when the Boll Weevil killed the bulk of Sea Island cotton by 1917. Rice planting started in Beaufort County in 1680 on the Combahee, New and Savannah Rivers. Nathaniel Heyward had 15,000 acres of rice along the Combahee River. Unfortunately, pluff mud ended rice production in Beaufort County when mechanized rice planting was introduced into the Red River Valley in Texas and Arkansas during the First World War. You can't run mechanized equipment over pluff mud. Once again, Beaufort County was forced to find another industry. Phosphate mining thrived in Beaufort County from 1870 until 1914. The Coosaw Mining Company, at its height, had over 3,000 workers, mostly African American making \$5.00/day who found this a much more lucrative endeavor than chopping cotton. Although the hurricane of 1893 destroyed much of the phosphate infrastructure, the discovery of a richer vein in Tampa, Florida sealed the fate of phosphate mining in Beaufort County. As the phosphate industry waned, commercial dredging for oysters became a thriving industry between the 1890's and the 1920's. The potential for the industry was significantly diminished when an invasive species called the boarers arrived in our waters and killed all oysters below mean low water. Truck crops, which started after the Civil War ended, became increasingly important and potatoes was the largest of these crops. During World War I Beaufort County was the largest producer of Irish potatoes in the US. The potato market collapsed in 1925 and took down the Bank of Beaufort and all of its depositors, which included my family. In the 1930's, after the demise of potatoes, tomatoes became Beaufort County's most important crop. Hilton Head Island met much of the demand for tomatoes during World War II. Along with tomatoes, commercial shrimping in Beaufort County, which began in 1926, was a significant part of our economy until competition from Asian and South American shrimp farms in the 1980's all but decimated that industry. Today there are no more than a dozen or so commercial trawlers left in Beaufort County. Most are rotting hulks. Full disclosure: I owned and operated several shrimp trawlers during the 1970's and 80's.

Today our economy survives on tourism and the military with limited service and industrial. Our tax base is mostly residential and retail. Absent significant additions of commercial enterprises to our tax base, our ability to provide services is limited and that includes our schools. Beaufort County desperately needs some form of additional economic development. One of the most beneficial effects of such an effort is that it will create demand for the existing homes that have lost value as well as those homes yet-to-be built. Absent more commercial in our tax base, we must rely heavily on sales taxes such as the recently completed road projects sales tax and the currently debated Local Option Sales Tax to give us property tax relief as well as capital projects funding.

There have been challenges in 2013. I have been Chairman of County Council for only 10 months and I have already been Chairman of budget cuts, Chairman of reassessment while the economy is suffering and Chairman of the controversial trash transfer station. Since 2009, we have eliminated 155 full time positions including the 30 or more that we are eliminating this year. What many residents don't know is that the 2013 Beaufort County operating budget, which stands at 99M, is actually less than the Beaufort County operating budget was back in 2009 when it was 105M. When you take inflation into consideration (the Consumer Price Index has risen over 8% during that period) our actual reduction in the county operating costs between 2009 and 2013 is over 13% in inflation adjusted dollars. Wouldn't you like for our friends in Washington to do that?

Reassessment takes place every 5 years. Our homes and properties are now worth less than they were 5 years ago and the county's bonding capacity has been significantly reduced.

Act 388, passed in 2006, altered the manner in which education is funded in South Carolina by exempting owner-occupied residential property from paying school operating taxes in exchange for an additional penny sales tax. Some would argue that the majority of those in SC who have school aged children should be paying for the public schools but are exempt under Act 388 while businesses and commercial properties and those who are not permanent residents in the state are having to pay most of the schools' operating budget. Our legislature has been grappling with this conundrum for some time.

Flow control is another controversial topic Beaufort County has been struggling with this year. Because we are the "lowcountry" and most of our land is in a flood control zone, we have to rely on other counties to provide us with landfill capacity. Currently, Beaufort County has the ability to direct its solid waste to a particular landfill or transfer station. The flow control bill now before the senate, could determine who controls the state's trash: local governments or national trash corporations, such as Waste Management and Republic Services. This bill, which passed the house already is supported by the trash companies because it would limit a county's ability to direct solid waste to certain landfills or transfer stations. County ordinances, including right here in Beaufort County, that now require solid waste to be delivered to specific local landfills would be nullified. Garbage companies say they want a chance to compete for South Carolina's estimated \$500 million a year trash market of which they already control about 70%.

Waste Management currently has a virtual monopoly on solid waste generated in Beaufort County because it owns the only landfill, Hickory Hill, in Jasper County that is within economic hauling distance absent a transfer station. Beaufort County is currently paying

Waste Management a \$42.42/ton tipping fee at Hickory Hill. To put this in perspective, Jasper County is paying around \$13/ton and Charleston County is paying Waste Management \$18.90/ton to dispose of some of their solid waste at another Waste Management landfill, Oak Ridge, in Dorchester County. Advocates of “free enterprise,” of which we are certainly one, overlook the fact that it is not possible to have fair and open competition for solid waste disposal when there is only one privately owned landfill within an economically feasible distance and state law now forbids constructing another within a 75-mile radius. In places like Greenville County where there are a handful of both private and public landfills competing against each other, the capitalist system works fine, but where there is only one privately owned landfill and governments cannot build another, that is not capitalism, that is monopoly and taxpayers suffer. Additionally, this bill would increase the importation of out-of-state garbage into South Carolina, a state with a history of taking the nation’s refuse.

Now that we’ve gotten the negatives out of the way, let’s talk about some positives: Infrastructure. In Bluffton alone, there are 3 major roadway projects in progress: the widening of US 278 and Hwy 170 and the construction of the new flyover for the Bluffton Parkway. If a hurricane or natural disaster strikes Hilton Head Island, all 3 of these roadways will be crucial for the evacuation of the Island and Bluffton. The widening of US 278 should be completed by the end of November. The Hwy 170 project should be completed by spring of next year and the Bluffton Parkway flyover is scheduled to be completed in the spring of 2015.

I’m also happy to report that the re-skinning of the Courthouse by local contractor, Frazier Construction, is almost complete. The building has undergone an amazing facelift and looks fantastic.

Economic Development efforts have been a big part of 2013 when we welcomed EcoDual, Inc. that provides natural gas conversion systems for tractor trailer trucks and diesel locomotives and Duer Industries that uses composites primarily in the marine industry.

Beaufort County is home to three important military installations: Parris Island Marine Recruit Depot, Marine Corps Air Station Beaufort and Beaufort Naval Hospital. The Marine Corps Air Station will soon be the permanent home for the new vertical takeoff F-35B Joint Strike fighter. Two training squadrons will arrive next year and three combat squadrons are expected to follow. These military installations pump over \$1.2 billion dollars into our local economy each year and with the F-35B combat squadrons moving to Beaufort in the coming months, that number could easily rise. Loss of the military for Beaufort County would be catastrophic.

The quality of life for all Beaufort County citizens is improving thanks to the ongoing Rails to Trails pathway. This path can open Beaufort County to hosting marathons and jogging events, bringing more people to our area to spend money in local hotels, restaurants and stores.

We are working closely with USCB to develop and operate a water quality lab to do the water testing that we do as part of our ongoing water quality program. Beaufort County has already contributed \$250K to USCB to purchase testing equipment.

Improving the lives of our special needs population has always been a priority and that’s why I’m pleased to mention the new housing that’s in the works for Beaufort County’s Disabilities and Special Needs residential DSN home on Hilton Head. I’d also like to congratulate the consumers and staff who are part of the work program that DSN has helped grow. Our new program is, “Great

Expectations”. It is a team that has 53 DSN consumers who go out and hold jobs in the community, make their own money, contribute to the community, and make a difference. These consumers do various jobs such as cleaning many of the County PALS buildings as well as work at Goodwill cleaning, sorting and folding clothes. This creates such a huge sense of accomplishment for these adult consumers to be able to do productive work. Governor Haley, we would be honored to have you come down and witness the success of our DSN consumers.

We are proud of the collegial relationships we have with our municipalities and school board. The County Channel now airs the Town of Hilton Head Island’s council meetings along with USCB Sand Sharks baseball games and other events including PALS sports events. Now a Marine deployed in Afghanistan can watch his or her child play sports because of our internet streaming.

Trust is an important part of politics and by trusting each other, the public is more inclined to trust us. We can accomplish so much together and be truly successful in serving our constituents.