

**TOURISM EXPENDITURE REVIEW COMMITTEE
MEETING MINUTES
July 10, 2006
Room 2E21, SCDOR
10 a.m.**

ATTENDANCE:

Committee Members in Attendance: Frans Mustert, Chairman; Lanneau Siegling, Vice Chairman, Rod Swaim, John Curry, Susie Surkamer, Susan Cruse, Toni Nance, Ed Riggs, Lisa Martin, Mark Williams, Kevin Yokim.

Staff in Attendance: Damita Jeter, TERC Staff.

Counsel in Attendance: John Hoefler, Willoughby and Hoefler

Guests in Attendance: Tom Sponseller, Hospitality Association of SC.

CALL TO ORDER /ADMINISTRATIVE TASKS/UPDATES:

- **Minutes Approval:** The Committee motioned to approve the minutes from the May 8 meeting.
- **Travel Vouchers and TERC Budget:** The Committee remitted travel vouchers to Mrs. Jeter. TERC reviewed its expenses for the fiscal year. The Committee asked to see a breakdown of attorney's fees broken down by individual cases where possible.
- **Budget Proviso:** Mr. Sponseller explained that although the Governor vetoed the proviso, his veto was overridden and the proviso stands... everything the State Treasurer's Office has withheld up to July 1, 2006 due to violations of the state accommodations tax oversight act will be returned to the appropriate local government.
- **TERC voted to go into executive session to discuss confidential matters with its attorney. When TERC adjourned from executive session, the following actions were taken:**

1. TERC passed a motion that stated TERC may approve the installation, maintenance and operation of lighting and landscaping where the committee believes it promotes travel and tourism and where the local advisory committee supported such expenditure as tourism related. Susie Surkamer and Lanneau Siegling opposed the motion. TERC will include this information in its guidelines when distributed late summer and the next issue of its newsletter.

2. TERC passed a motion to continue with its appeal with Myrtle Beach in the case dealing with the granting of funds to a for profit entity.

3. TERC passed a motion to draft a letter to Hilton Head Island stating that in its opinion the funding of public tennis courts would not be an appropriate use of funds in accordance to Section 6-4-10 of the S.C. Code of Laws since many privately funded public tennis courts are available to the tourists. The issue of a travel publication sales

representative fitting the hospitality requirement of the local atax committee would be appropriate after further information was provided.

4. TERC passed a motion to draft a letter to Florence County as a follow up to a previous letter stating that TERC will request the state treasurer's office to withhold funds from the County due to the Darlington County Raceway as a recipient of the funds. Not only is the raceway as for profit organization but in addition, TERC voted to direct the STO to withhold funds due to the fact that the monies are being dispersed outside of the County, which is in violation of Section 6-4-10 (4) (d).

5. Florence City Council re-distributed accommodations tax funds, which was returned after an event was cancelled, without following the proper procedure to have the local advisory committee convene and review the expenditure and advise city council prior to approval of such expenditures as per Section 6-4-25 (B) and (C). TERC voted to send a letter to Florence City Council stating that it needed to re-convene the advisory committee and have the recommendations be a part of the record prior to the expenditure being approved by Council.

6. TERC re-examined questions it had of Myrtle Beach's disbursement of funds in the amount of \$58,000.00 to the Planning Department for a feasibility study and purchase of land. It also examined \$2.7 million that Myrtle Beach had used to put in its general fund, which the City says is used in part for police protection. After discussion, TERC voted to direct the STO to withhold \$58,000.00 from future disbursements to the City. Feasibility studies and purchase of land is not tourism related expenditure according to Section 6-4-10.

7. TERC discussed Revenue Ruling 98-22, which it has adhered to as a guideline in the past. TERC decided that it was not bound by the Revenue Ruling.

TERC reviewed the following's FY 04-05 Accommodations Tax Reporting Forms. They will be sent letters questioning various items such as their 65% expenditures, their 30% recipients, accurate coding, balancing issues, their local committee compliance, and various questions TERC had regarding certain expenditures. Those from which TERC voted to withhold funds will receive the chance to provide additional information in person at a TERC meeting or via written correspondence:

Forms reviewed by Susie Surkamer/Rod Swaim

- **Town of Kiawah Island** – TERC will question Kiawah's distribution of funds to the Sanctuary for \$400,000. The Sanctuary is for profit.
- **Charleston County** – okay
- **Town of Santee** – TERC voted to withhold funds in the amount of \$10,400.00 for litter pickup. This is a service that is considered "normal operation of the county or municipality" and is not allowable in an area that does not have a high concentration of tourism activity. Mark Williams cast a dissenting vote. Additionally, TERC will question the legitimacy of Morton Shuler who is with the Santee Resort/Lake Marion Resort. How can Mr. Shuler qualify as the cultural representative on the local accommodations tax committee?

- **City of Goose Creek** – okay
- **City of Dillon** – The City disbursed \$10,000.00 for an expenditure for lighting and fencing. The local accommodations tax committee and the city council had approved \$15,000.00. TERC made a motion to withhold \$10,000.00 for lighting and fencing. After some discussion, the motion failed to pass. The reporting form will not be questioned.
- **Dillon County** – okay

Forms reviewed by Mark Williams/John Curry

- **City of Sumter/Sumter County** – okay

Form reviewed by Susan Cruse/Lisa Martin

- **Beaufort County** – okay

The Committee then reviewed correspondence received from the following entities' regarding their FY 04-05 Accommodations Tax Reporting Forms. The following had been sent letters questioning various items such as their 65% expenditures, their 30% recipients, accurate coding, balancing issues, their local committee compliance, and various questions TERC had regarding certain expenditures.

Correspondence reviewed by Susan Cruse/Lisa Martin:

- **Anderson County** -changed incorrect coding internally, but need to clarify their lodging people – Tillman and Shilts
- **City of Beaufort** -approved all previous questioned expenditures, but will ask the City to switch Mr. Dinkins and Mr. Desai on its local committee report in order to satisfy the lodging requirement
- **City of Clemson** -TERC will further question why the Clemson Child Development Center is the recipient of funds. Are they nonprofit?
- **Greenville County** -TERC approved the explanation that funds disbursed to Bob Jones University and the Bonnes Amies Club were used to advertise/promote certain events to tourists
- **Jasper County** -TERC voted unanimously to uphold its original decision to direct the STO to withhold funds in the amount of \$10,445.00 for the refinishing of a floor at Sgt. Jasper Park. Based on the information TERC received, the expenditure did not have enough tourism data to support it.
- **Newberry County** -TERC approved the local committee members based on the County's additional information.
- **City of Simpsonville** -TERC voted to direct the STO to withhold funds in the amount of \$2,500 which was disbursed to the Simpsonville Little League. Originally, the City had stated that the funds were used for operation of the event and promotion, however, in additional correspondence; the city revealed the funds were used for baseballs and trophies given to the participants as well as banners distributed to promote the event. This expenditure is not an appropriate use of funds according to 6-4-10 of the SC Code of Laws
- **City of Easley** -TERC had originally questioned \$3,300.00 disbursed to the Foothills Playhouse for royalties. Although it was sent additional information by

the City regarding this expenditure, it was still unclear exactly how funds were used. After some discussion, TERC voted to direct the STO to withhold funds in the amount of \$3,300.00. According to 6-4-20 (4b), promotion of the arts and cultural events are acceptable. Royalties are considered operational and are not an acceptable use of funds. The explanation of the addition of Sharon McCall with the Comfort Inn and Rusty Rush with Nanny's Family Restaurant made the local accommodations tax committee compliant with 6-4-25 (a).

Correspondence reviewed by Ed Riggs/Lanneau Siegling/Kevin Yokim:

- **Chester County** –TERC has made several efforts to get additional information from the County including staff phone calls and written correspondence. Because the County has not submitted additional information, TERC voted to confirm its original decision and direct the STO to withhold funds in the amount of \$884.72 from the county based on noncompliant expenditures. Additionally, should TERC not receive the additional information needed to clarify the County's reporting form and local accommodations tax reporting form, it will request the STO to withhold \$500.00 should the appropriate information not be received within 15 days of receipt of the correspondence letter from TERC to the County. This is based on 6-4-25 (b1b).
- **Kershaw County** -TERC corrected all of the County's coding errors internally.
- **City of Spartanburg** -TERC had previously questioned the City because it appeared that several expenditures were coded incorrectly. TERC corrected these internally. In TERC's letter to the City, it will clarify that a code of "1" is used only for the 65% funds for advertising and promotion. The City representative was under the impression, "1" was reserved only for the designated marketing agency. This falls under the 30% funds which are not coded. Additionally, it appears that the City has been receiving funds and then conducting its own "grant" process through the Arts Partnership of Greater Spartanburg (\$8,000.00). This process is incorrect and the City will be notified of the correct action for next year. Finally, TERC will notify the city that the incorrect balance on its form appears that it was a mathematical error. (Line 4 is simply 5% of line 3 and line 5 is simply 30% of line 3). The City can roll this negative balance into future reporting forms.
- **Spartanburg County** – Similarly to City of Spartanburg, the Arts Partnership of Spartanburg received an atax grant of \$8,000.00 from the County. TERC maintains that although the partnership itself is worthy to receive the funds in order to promote and market other organizations, it cannot, per the statute, re-grant and disburse those same funds to its partner organizations. Additionally, TERC will request that the County keep it updated on its attempts to keep a full local committee. Until that time, the local committee may conduct business as long as it has a quorum.
- **Town of Lexington** -TERC voted to direct the STO to withhold \$3,000.00 for the Town's Concert in the Park Series. Although these funds were used for advertising, it appears to only be in local publications and will not reach tourists.
- **Lexington County** –TERC accepted the explanation of the funds in the amount of \$3,500.00 for the Village Square Theater will go to signage and parking lot improvements. Additionally, it appears the County is taking steps to fill the

lodging vacancy on its local committee. TERC will ask the County to keep it notified of its progress.

Correspondence reviewed by Mark Williams/John Curry:

- **City of Hartsville** – TERC had previously questioned \$1,500.00 for the Genealogical Research Library. TERC approved the expenditure as it used for the enhancement of the material for the library, which is a tourist destination in Hartsville.
- **Horry County** – TERC had questioned the Aynor Chamber, the Little River Chamber and the Loris Chamber for disbursement of funds for various events including street lighting. After some discussion, TERC approved these funds due to the fact that the County attempted to document its tourism information. Additionally, TERC will request the County let it know its expected date of disbursement of funds for beach re-nourishment. Rod Swaim abstained from voting.

Correspondence reviewed by Susie Surkamer/Rod Swaim:

- **City of Sullivans Island** – The city now has a complete accommodations tax committee.

The next meeting of TERC will be held September 11 at 10 a.m. at SCDOR.

There being no other business, the meeting adjourned.

Respectfully Submitted,

Damita S. Jeter

Damita S. Jeter, TERC Staff