

COUNTY COUNCIL OF BEAUFORT COUNTY
ADMINISTRATION BUILDING
BEAUFORT COUNTY GOVERNMENT ROBERT SMALLS COMPLEX
100 RIBAUT ROAD
POST OFFICE DRAWER 1228
BEAUFORT, SOUTH CAROLINA 29901-1228
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JOSHUA A. GRUBER
DEPUTY COUNTY ADMINISTRATOR

THOMAS J. KEAVENY, II
COUNTY ATTORNEY

ASHLEY M. BENNETT
CLERK TO COUNCIL

AGENDA
FINANCE COMMITTEE
Monday, January 9, 2017
4:00 p.m.

Executive Conference Room, Administration Building
Beaufort County Government Robert Smalls Complex
100 Ribaut Road, Beaufort

Committee Members:
Jerry Stewart, Chairman
Michael Covert, Vice Chairman
Rick Caporale
Gerald Dawson
Brian Flewelling
Steven Fobes
Stu Rodman

Staff Support:
Suzanne Gregory, Employee Services Director
Alicia Holland, CPA, Assistant County Administrator, Finance
Chanel Lewis, CGFO, Controller

1. CALL TO ORDER – 4:00 P.M.
2. DISCUSSION / THIRD-PARTY COLLECTION AGENCY ([backup](#))
3. TECHNICAL COLLEGE OF THE LOWCOUNTRY / 2006 GENERAL OBLIGATION BOND
([backup](#))
4. UPDATE / \$51,000,000 GENERAL OBLIGATION BONDS
5. UPDATE / FINANCIAL IMPACT OF HURRICANE MATTHEW
6. ADJOURNMENT





BEAUFORT COUNTY TREASURER

P. O. Drawer 487

Beaufort, South Carolina 29901-0487

(843) 255-2600 FAX (843) 255-9444

www.BeaufortCountyTreasurer.com

Proposal to Use American Financial Credit Services for Collection of Delinquent Accounts

Since 2014, the Beaufort County Treasurer's Office has utilized the Setoff Debt Collection Act to collect over \$770,000 in delinquent taxes on personal property accounts. This program has been instrumental in our collection efforts, not only because monies are collected, but because the additional notice to taxpayers allows them an opportunity to pay or resolve the debt prior to collection.

While we intend to continue use of the Setoff Debt Program, it does, unfortunately, have certain limitations. At this time, our office is unable to submit accounts to the Setoff Debt Program unless we can provide a Social Security number to the Department of Revenue (DOR). Generally speaking, businesses cannot be submitted, and therefore remain delinquent, many of which have multiple years due. Furthermore, individual taxpayers must file a tax return in the state of South Carolina and have an income tax refund to garnish in order for Beaufort County to receive funds.

After much research, our office proposes the use of a third party collection agency, American Financial Credit Services (AFCS), which specializes in governmental debt recovery. Initially, we would like to submit nearly 5,000 delinquent business personal property accounts, which total approximately \$14.8 million. These delinquent business personal property accounts total approximately 45% of all delinquent balances.

The Delinquent Personal Property Tax Recovery Program currently offered by AFCS comes at no cost to the county, as the cost will be paid by the delinquent taxpayer directly to AFCS. The cost is 20% of their total debt, which is less than the 22% rate charged to counties, not taxpayers, by the DOR in order to participate in their GEAR program.

At this time, we only intend to submit delinquent debt that has gone through an entire delinquent billing cycle. If an account is recurring, and has a current tax bill due, we will notify AFCS in order to ensure the taxpayer has an additional opportunity to pay or resolve the account, although only delinquent debt will be collected through AFCS.

We will notify taxpayers of our intent to turn over collections to AFCS a minimum of thirty (30) days prior to submission. This notification will happen via a written notice sent to the address of record and a newspaper advertisement similar to that of our annual tax sale. This will allow taxpayers an opportunity to resolve their accounts through adjustment or payment prior to incurring any additional collection costs.

Upon submission of any new account, AFCS will send a second notice of collection to the taxpayer. They will then do everything possible to reach each delinquent taxpayer to not only attempt collection, but assist in correcting any errors or estimated values through educating taxpayers on the proper process through the Department of Revenue. If any adjustments in values are made by the Department of Revenue, they will certify the accounts to the Auditor's Office, who may then make any adjustments necessary in the normal course of business. Our office will monitor accounts that are submitted to ensure that any adjustments or deletions made will be reported to AFCS on a daily basis so the proper amount is collected.

Once accounts have been submitted to AFCS, we will no longer accept payments through our office in order to reduce the chance for duplicate billing. We will, however, allow taxpayers to access the AFCS payment portal in our office. AFCS will notify our office of any payments through both regular reporting and real-time access to their internet portal. As per SC § 12-45-410, all payments received will satisfy the oldest tax year first. Upon payment, AFCS will submit funds via direct deposit to Beaufort County at regular intervals. Additionally, AFCS will notify our office of debt that is likely uncollectable due to circumstances such as death or bankruptcy.

This program will be beneficial to Beaufort County, as well as the county's other tax authorities, including the Beaufort County School District. Furthermore, this program will also be advantageous to taxpayers who may find hardship in paying large lump sums by allowing payment plans to satisfy their accounts.

The long term plan for debt collections is to utilize four to six different delinquent collection methods so that every property type is being pursued effectively.

For the reasons outlined above, we would like to request approval from County Council to enter into a Vendor Service Agreement with American Financial Credit Services, Inc. in order to collect delinquent debt on business personal property (merchant) accounts.



COUNTY COUNCIL OF BEAUFORT COUNTY
FINANCE DEPARTMENT
Post Office Drawer 1228
Beaufort, South Carolina 29901-1228
Phone (843) 255-2297 Fax (843) 255-9422

TO: Councilman Jerry Stewart, Chairman, Finance Committee

CC: Gary Kubic, County Administrator
Josh Gruber, Deputy County Administrator

FROM: Alicia Holland, CPA, CGMA, Chief Financial Officer *JAH*

DATE: January 5, 2017

SUBJECT: Technical College of the Lowcountry, 2006 General Obligation Bond
2013C General Obligation Bond (Refunded 68.29% of the 2006 General Obligation Bond)

In November 2006, Beaufort County issued a 20-year, \$17.5 million General Obligation Bond for various County projects. This bond had varying interest rates ranging from 3.5% to 8.0%. \$1.5 million of this bond was provided to the Technical College of the Lowcountry (TCL) for purposes of funding its southern campus.

Based on the payment history beginning in January 2007 through September 2016, it appears TCL has been paying Beaufort County for its share of debt service related to the \$1.5 million portion of the 2006 General Obligation Bond issued in November 2006. During this time period, TCL has paid a total of \$1,067,655 for principal and interest. This is an average fiscal year payment of \$106,766 (10 year time period). Based on this information, it appears that TCL was provided a payment/amortization schedule based on \$1.5 million for 20 years at a 4.21% interest rate.

In May 2013, the County refunded 68.29% of the 2006 General Obligation Bond. These refunding bonds are known as the County's 2013C General Obligation Bonds and have varying interest rates ranging from 1.5% to 5.0%. The True Interest Cost (TIC) per the 2013C bond documents is 2.02%. The Technical College of the Lowcountry (TCL) has continued to make debt service payments to the County based on the original payment schedule.

Based on the original payment/amortization schedule TCL was to pay \$1.5 million of principal and \$749,092 of interest over the 20 year life of the 2006 General Obligation Bond. When the 2013C General Obligation Bonds were issued in May 2013, if TCL would have been provided an updated payment/amortization schedule the total interest paid over the 20 year term would have been revised to \$602,854, with the \$1.5 million principal remaining the same. Since TCL continued to pay debt service to the County from May 2013 through September 2016 per the original schedule (the next scheduled payment is due March 1, 2017), it appears TCL paid additional principal during this time related to the interest cost difference of the refunding bond debt service.

As of June 30, 2016, the principal balance reflected for TCL's Note Receivable in the County's Comprehensive Annual Financial Report is \$964,286. Therefore additional principal payments are calculated as \$75,747 beginning May 2013 through September 2016, resulting in the principal balance of \$888,539 instead of \$964,286, as of the date of this report.

If a revised debt schedule, based on the preceding information, were to be provided to TCL as of the date of this memo, it would look like the table below.

						\$ 888,538.81
PYMT DATE		INTEREST	PRINCIPAL	TOTAL PYMT		PRINCIPAL BALANCE
3/1/2017		\$ 24,118.93	\$ 78,604.86	\$ 102,723.79		\$ 809,933.95
3/1/2018		\$ 22,022.16	\$ 80,701.64	\$ 102,723.79		\$ 729,232.31
3/1/2019		\$ 19,861.60	\$ 82,862.19	\$ 102,723.79		\$ 646,370.12
3/1/2020		\$ 17,635.07	\$ 85,088.73	\$ 102,723.79		\$ 561,281.39
3/1/2021		\$ 15,340.29	\$ 87,383.50	\$ 102,723.79		\$ 473,897.89
3/1/2022		\$ 12,974.91	\$ 89,748.88	\$ 102,723.79		\$ 384,149.01
3/1/2023		\$ 10,536.48	\$ 92,187.31	\$ 102,723.79		\$ 291,961.70
3/1/2024		\$ 8,022.46	\$ 94,701.33	\$ 102,723.79		\$ 197,260.36
3/1/2025		\$ 5,430.21	\$ 97,293.58	\$ 102,723.79		\$ 99,966.79
3/1/2026		\$ 2,757.01	\$ 99,966.79	\$ 102,723.79		\$ (0.00)
		<u>\$138,699.11</u>	<u>\$888,538.81</u>	<u>\$1,027,237.92</u>		