

The Town of Hilton Head Island
Town Council Public Hearing/Special Meeting
Tuesday, June 9, 2015
Benjamin M. Racusin Council Chambers
6:00 P.M.
AGENDA - REVISED

As a Courtesy to Others Please Turn Off/Silence All Mobile Devices During
the Town Council Special Meeting/Workshop

1. **Call to Order**
2. **FOIA Compliance** – Public notification of this meeting has been published, posted and distributed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
3. **6:00 p.m.- PUBLIC HEARING ON THE MUNICIPAL BUDGET FOR FY2015-2016**
4. **Revised First Reading of Proposed Ordinance 2015-13**
Revised First Reading of Proposed Ordinance 2015-13 to raise revenue and adopt a budget for the Town of Hilton Head Island, South Carolina, for the fiscal year ending June 30, 2016; to establish a property tax levy; to establish funds; to establish a policy for acquisition of rights of way and easements; and providing for severability and an effective date.
5. **Request to File a Rezoning Application Involving Town-Owned Property**
6. **Executive Session**
 - a. Land Acquisition
 - b. Appointment to Board and Commission
7. **Adjournment**



MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

VIA: Stephen G. Riley, ICMA-CM, Town Manager

DATE: June 4, 2015

RE: **Revised First Reading of Proposed Ordinance No. 2015-13 - FY2016 Budget**

Recommendation:

Staff recommends that Town Council approve the **revised** first reading of Proposed Ordinance No. 2015-13 to raise revenue and adopt a budget for the Town of Hilton Head Island, South Carolina for the fiscal year ending June 30, 2016.

Summary:

Council held budget workshops throughout May and in early June to consider the proposed budget for the following funds. Changes from the original budget are summarized below. Millage will increase by .83 mils in the General Fund; total millage is 22.18 mils as summarized below.

Governmental Funds:

General Fund Revised statement attached. Changes include:

- Revenues and Transfers In:
 - \$707,533 increase in Ad Valorem Property Tax associated with a .83 mil increase, and
 - \$500,000 increase in the Transfer from Capital Projects Fund using existing Ad Valorem Property Tax revenues.
- Expenditures:
 - Public Safety – Police – Operating: \$75,000 increase to fund a County Detention Center Reimbursement for operation of holding cells on the Island, and
 - Townwide – Operating
 - \$850,000 to create a placeholder budget account for Town Council Directives to cover Circle to Circle Initiatives, Vision portion of the Islandwide Master Plan, Arts Collaborative Study, Heritage Tourism/Mitchelville, Cordillo Courts, and Public Communication, (Note: As Council directs specific directives and amounts, staff will move the funds from Townwide – Operating to the most appropriate budgetary account.) and
 - \$25,000 to create a budget for Economic Analyses, and
 - Townwide – Grants

- \$500,000 to establish a budget for an Airport Noise Reduction Wall, and
 - \$25,000 to increase the grant to Palmetto Breeze (LRTA) to equal the prior year's grant.
- Reserve Accounts:
 - The future dredging needs account was established in fiscal year 2015 with \$200,000 from Local Accommodations Tax funds.
 - Council approved adding an additional \$200,000 for fiscal year 2016. This is not an expenditure budget; if a need is identified in the future, the Council at that time would adopt budget expenditures using this reserve as the funding source.
- Revised Revenues Over/(Under) Expenditures: \$(1,471,227)

Capital Projects Fund Revised statement attached. Changes include:

- \$50,000 increase in Sunday Permit Fees to cover Pathway Improvements expenditures for safety projects to be determined. Staff to work with proposed projects to avoid issues with public funds on private properties.
- \$500,000 increase in Transfers Out to General Fund funded by existing ad valorem property taxes.
- Revised Revenues Over/(Under) Expenditures: \$(1,232,948)

Debt Service Fund No changes; statement attached.

- Revenues Over/(Under) Expenditures: \$ 1,032,281

Enterprise Fund:

Stormwater Utility Fund: Revised statement attached. Changes include:

- \$9,234 increase in revenues based on revised SFUs with existing rate unchanged for six years,
- \$2,000 increase in expenditures for the County Administration Fees, and
- \$15,000 decrease in Capital Infrastructure expenditures for a project that staff was able to complete in the current year.
- Revised Revenues Over/(Under) Expenditures: \$ (78,121)

Accounting and Financial Policies: No changes; policies attached.

Budget Process Overview: No changes; overview attached.

Summary of Millage Rate and its Impact on Taxes: Millage will increase by .83 mils in the General Fund. The impact on a \$350,000 primary residence is \$11.63. See the table on the following page for comparison by funds.

Millage Rate by Fund	<u>FY 2015</u>	<u>FY 2016</u>	<u>Increase</u>
General Fund	14.37	15.20	
Debt Service Fund	6.14	6.14	
Capital Projects Fund	0.84	0.84	
Total Town Millage	<u>21.35</u>	<u>22.18</u>	<u>0.83</u>
Value of Home	\$ 350,000	\$ 350,000	
Taxable Value (4% Primary Residence)	\$ 14,000	\$ 14,000	
Town Taxes Paid:			
General Fund	\$ 201.18	\$ 212.81	
Debt Services Fund	85.96	85.96	
Capital Projects Fund	11.76	11.76	
Total Town Taxes	<u>\$ 298.90</u>	<u>\$ 310.53</u>	<u>\$ 11.63</u>

ORDINANCE NO. _____

PROPOSED ORDINANCE NO. 2015-13

AN ORDINANCE TO RAISE REVENUE AND ADOPT A BUDGET FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, FOR THE FISCAL YEAR ENDING JUNE 30, 2016; TO ESTABLISH A PROPERTY TAX LEVY; TO ESTABLISH FUNDS; TO ESTABLISH A POLICY FOR ACQUISITION OF RIGHTS OF WAY AND EASEMENTS; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, Section 5-7-260(3) of the Code of Laws for South Carolina 1976, as amended, and Section 2-7-20 of the Municipal Code of the Town of Hilton Head Island, South Carolina, require that the Town Council act by ordinance to adopt a budget and levy taxes, pursuant to public notice; and

WHEREAS, Town Council also desires to set aside funds for an Operating Reserve to provide for emergency-related expenditures and to offset fiscal year tax revenue income stream deficiency; and

WHEREAS, Town Council finds that it would be more economical and efficient to authorize the Town Manager to move forward with construction contract modifications, change orders, contract price adjustments, and execution of contracts for supplies, services, and construction where the contract amount involved does not exceed the budget line item or project budget as approved by Town Council in the Consolidated Municipal Budget.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; AND IT IS HEREBY ORDAINED BY THE AUTHORITY OF THE SAID COUNCIL:

NOTE: Underlined and bold-face typed portions indicate additions to the Ordinance. ~~Stricken~~ Portions indicate deletions to the Ordinance.

Section 1. Adoption of the Budget. The prepared budget of estimated revenues and expenses, a copy of which is attached hereto and incorporated herein, is hereby adopted as the budget for the Town of Hilton Head Island for the fiscal year ending June 30, 2016.

Section 2. Establishment of Property Tax Levy. A tax to cover the period from July 1, 2015 through June 30, 2016, inclusive, for the sums and in the manner hereinafter mentioned, is and shall be, levied, collected and paid into the treasury of the Town of Hilton Head Island for its uses at a rate of mills on assessed value of real estate and personal property of every description owned in the Town of Hilton Head Island, except such property as is exempt from taxation under the Constitution and laws of the State of South Carolina. Said tax levy shall be paid into the Town Treasury for the credit of the Town of Hilton Head Island for its corporate purposes, for the purpose of paying current operational expenses of the said municipality 15.2 mills, Debt Service 6.14 mills, and Capital Projects Fund .84 mills making the total levy of 22.18 mills.

Section 3. Establishment of Funds. To facilitate operations, there shall be established and maintained a General Fund, a Capital Projects Fund, a Debt Service Fund, a Stormwater Fund and other appropriate funds in such amounts as are provided for in the aforesaid Budget, as hereby adopted or as hereafter modified pursuant to law.

Section 4. Acquisition of Rights of Way and Easements. The Town Manager is charged with the duty of executing all necessary documents to obtain rights of way, easements, and other property interests necessary to complete duly authorized Capital Improvement Projects. Capital Improvement Projects based on the ownership and life expectancy of the assets or improvements or based on the funding source authorized may be budgeted in the General, Capital Projects or Stormwater Funds. If expenditures are expressly authorized for an approved Capital Improvement Project in any of the budgeted funds, then the Town Manager is hereby authorized to execute all necessary documents and to expend such funds as are approved pursuant to the Capital Improvement budgets. Provided, however, in the event that the costs of an acquisition of such real property interests materially exceeds the amount budgeted in the approved Capital Improvement Project and the Town Manager is unable to shift additional funds from other authorized sources, the Town Manager shall be required to obtain the approval of Town Council for such additional expenditures. Nothing herein shall obviate the requirement that no condemnations shall be commenced without the appropriate approval of the Town Council for the Town of Hilton Head Island.

Section 5 Severability. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 6. Effective Date. This Ordinance shall be effective upon its enactment by the Town Council for the Town of Hilton Head Island.

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF
HILTON HEAD ISLAND ON THIS _____ DAY OF _____, 2015.**

David Bennett, Mayor

ATTEST:

Victoria L. Pfannenschmidt, Town Clerk

First Reading: May 5, 2015

Public Hearing: _____

Revised First Reading: _____

Second Reading: _____

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

General Fund

2016

	2012	2013	2014	2015		FY 2016 Budget	% change		
				Revised Budget	Estimated Actual		FY 2015 Budget	FY 2015 Est. Actual	
Revenues									
Property Taxes	11,585,070	11,500,914	11,447,533	11,810,750	11,722,600	12,948,587	10%	10%	
ATAX Local 1%	2,420,698	2,499,067	2,798,783	2,833,000	2,833,000	2,917,990	3%	3%	
Business Licenses:									
Business Licenses - Town	2,926,327	3,388,636	3,428,367	3,500,000	3,530,000	3,635,900	4%	3%	
Business Licenses - MASC	4,217,999	4,385,502	4,367,542	4,532,000	4,498,000	4,632,940	2%	3%	
Franchise Fees:									
Cable	905,811	763,434	817,454	787,000	787,000	787,000	0%	0%	
Beach Fee	22,161	21,811	24,234	25,750	25,750	25,750	0%	0%	
Recycling	112,081	150,324	135,231	-	-	-	0%	0%	
Permit Fees:									
Construction	270,363	481,110	588,868	547,000	566,600	575,099	5%	2%	
Development	5,700	13,212	6,615	6,180	6,180	6,180	0%	0%	
Other	676,476	873,844	782,456	895,000	802,500	814,538	-9%	1%	
Intergovernmental	678,370	800,659	805,027	800,000	795,000	800,000	0%	1%	
Grants:									
Beaufort County - Hazmat	11,677	11,677	11,677	11,677	11,677	11,677	0%	0%	
Beaufort County - E911	109,779	140,328	171,401	144,200	140,000	90,000	-38%	-36%	
DHEC	3,387	6,261	3,990	4,000	4,000	4,000	0%	0%	
Miscellaneous Revenue:									
Beach Services	207,182	223,196	230,839	225,500	238,690	245,851	9%	3%	
Donations	450	155	273	300	300	300	0%	0%	
Municipal Court	308,708	262,022	224,447	230,000	218,750	220,000	-4%	1%	
Other	152,348	325,209	255,218	259,200	208,000	259,200	0%	25%	
Public Safety - EMS	1,340,787	1,198,868	1,059,918	1,314,000	1,272,200	1,314,000	0%	3%	
Public Safety - County D/T	54,441	53,758	55,103	56,500	56,500	56,500	0%	0%	
Town Codes	296	246	230	250	140	250	0%	79%	
Victim's Assistance	50,142	42,477	36,980	45,000	45,000	45,000	0%	0%	
Transfers In:									
Beach Preservation Fee Fund	969,390	981,705	1,111,138	1,111,138	1,111,138	1,111,138	0%	0%	
Capital Projects Fund:									
Sale of Equipment	-	-	-	-	-	175,000			
Ad Valorem Taxes	-	-	-	654,000	654,000	1,238,000			
Lease	-	-	-	12,000	12,000	-			
Sunday Liquor Fees	37,500	37,500	359,703	418,150	418,150	37,500	-91%	-91%	
Hospitality Tax Fund	2,975,271	2,974,237	3,570,012	4,726,069	2,953,069	3,745,069	-21%	27%	
Tax Increment Financing Fund	181,480	182,930	163,775	169,398	169,398	169,398	0%	0%	
State Accommodations Tax Fund	1,085,776	1,178,148	1,270,356	1,264,324	1,264,324	1,264,324	0%	0%	
Non-Major Governmental Funds	83,602	82,551	121,216	87,878	5,000	87,878	0%	1658%	
Stormwater Utility Fund	235,330	236,130	74,258	94,258	94,258	94,258	0%	0%	
Investments	1,865	2,732	2,662	2,700	2,700	2,700	0%	0%	
Total Revenues	31,630,467	32,818,643	33,925,306	36,567,222	34,445,924	37,316,027	2%	8%	
Increase/Decrease	720,881	1,188,176	1,106,663	4,936,755	2,815,457	2,870,103			
%	2.33%	3.76%	3.37%	15.61%	8.90%	8.33%			

	2012	2013	2014	2015		FY 2016 Budget	2016	
				Revised	Estimated		% change	
				Budget	Actual		FY 2015 Budget	FY 2015 Est. Actual
Expenditures								
General Government:								
Town Council	307,268	374,955	433,654	506,845	455,389	458,143	-10%	1%
Town Manager	574,843	593,550	626,486	644,663	644,074	650,746	1%	1%
Total General Government	882,111	968,505	1,060,140	1,151,508	1,099,463	1,108,889	-4%	1%
Management Services:								
Administration/Legal	424,396	379,630	457,520	518,974	507,482	499,375	-4%	-2%
Administrative Services								
Administrative Support	209,676	171,549	183,724	276,445	272,271	229,751	-17%	-16%
Municipal Court	371,047	376,951	392,215	426,614	418,499	424,928	0%	2%
Information Technology	1,576,388	1,813,267	2,082,435	2,263,877	2,263,422	2,021,197	-11%	-11%
	2,157,111	2,361,767	2,658,374	2,966,936	2,954,192	2,675,876	-10%	-9%
Finance								
Administration	247,858	282,117	294,043	310,398	294,075	317,541	2%	8%
Accounting	538,530	546,355	571,742	626,488	607,911	608,769	-3%	0%
Revenue and Collections	569,734	677,526	676,921	812,652	576,127	865,030	6%	50%
	1,356,122	1,505,998	1,542,706	1,749,538	1,478,113	1,791,340	2%	21%
Human Resources	486,730	526,428	522,982	587,477	572,209	587,080	0%	3%
Total Management Services	4,424,359	4,773,823	5,181,582	5,822,925	5,511,996	5,553,671	-5%	1%
Community Services:								
Community Development								
Administration	593,454	562,959	541,550	546,324	483,642	494,757	-9%	2%
Comprehensive Planning	347,178	366,297	466,354	525,194	522,039	529,308	1%	1%
Development, Review and Zonin	633,069	625,143	650,162	732,753	642,026	760,104	4%	18%
Building	615,000	664,599	636,046	701,677	660,353	692,457	-1%	5%
CD Services	268,333	274,914	287,873	306,500	303,969	323,716	6%	6%
Total Community Development	2,457,034	2,493,912	2,581,985	2,812,448	2,612,029	2,800,342	0%	7%
Public Projects and Facilities								
Administration	233,415	239,381	248,101	260,417	256,657	263,635	1%	3%
Engineering	654,347	723,367	577,278	1,477,697	1,304,540	1,085,539	-27%	-17%
Facilities Management	2,426,992	2,539,756	2,999,443	3,669,282	3,641,738	4,028,369	10%	11%
Total Public Projects and Faciliti	3,314,754	3,502,504	3,824,822	5,407,396	5,202,935	5,377,543	-1%	3%
Total Community Services	5,771,788	5,996,416	6,406,807	8,219,844	7,814,964	8,177,885	-1%	5%

	2012	2013	2014	2015		2016		
				Revised	Estimated	FY 2016 Budget	% change	
				Budget	Actual		FY 2015 Budget	FY 2015 Est. Actual
Public Safety:								
Fire								
Administration	321,194	308,546	390,652	368,716	340,698	364,243	-1%	7%
Operations	9,068,353	9,148,029	9,262,673	9,638,104	9,559,102	9,416,581	-2%	-1%
Fire Prevention	491,236	540,727	559,669	610,880	574,624	596,125	-2%	4%
Fleet Maintenance	570,639	504,545	541,097	580,214	567,023	610,389	5%	8%
Communications	1,080,123	1,136,446	1,089,587	1,152,077	1,144,995	1,134,951	-1%	-1%
Training	683,782	701,681	698,039	722,708	718,570	715,277	-1%	0%
Planning	-	-	-	208,047	197,248	204,324		
Emergency Management	160,819	122,290	134,141	141,204	134,541	140,753	0%	5%
E911 Communications	232,094	238,152	246,373	284,973	284,869	291,724	2%	2%
Support Services	737,170	760,132	943,494	1,630,252	1,359,997	1,308,894	-20%	-4%
Total Fire & Rescue	13,345,410	13,460,548	13,865,725	15,337,175	14,881,667	14,783,261	-4%	-1%
Sheriff/Other Public Safety								
Police Services Contract	2,763,628	2,806,906	2,771,833	2,853,320	2,853,320	3,059,030	7%	7%
Beach Services	192,058	203,339	215,090	232,065	232,065	233,322	1%	1%
Stipend	111,300	112,000	107,100	118,000	118,000	118,000	0%	0%
Victims' Rights	57,640	59,492	59,035	60,728	60,728	64,664	6%	6%
New Position Request	-	-	-	-	-	-		
Total Sheriff/Other Public Safety	3,124,626	3,181,737	3,153,058	3,264,113	3,264,113	3,475,016	6%	6%
Total Public Safety	16,470,036	16,642,285	17,018,783	18,601,288	18,145,780	18,258,277	-2%	1%
Townwide (non-departmental):								
Personnel	185,617	123,582	136,365	200,485	185,173	340,673	70%	84%
Operating	1,356,867	1,364,555	1,403,305	1,669,931	1,499,451	2,501,425	50%	67%
Capital	-	-	28,349	41,651	42,000	42,000	1%	0%
Grants	1,612,417	1,459,306	1,958,303	2,514,572	2,514,572	2,804,434	12%	12%
Total Townwide (non-departmental)	3,154,901	2,947,443	3,526,322	4,426,639	4,241,196	5,688,532	29%	34%
Total Expenditures	30,703,195	31,328,472	33,193,634	38,222,204	36,813,399	38,787,254	1%	5%
Net change in fund balances	927,272	1,490,171	731,672	(1,654,982)	(2,367,475)	(1,471,228)		
Fund balance - beginning	14,886,285	15,813,557	17,303,728	18,035,400	18,035,400	15,667,925		
Fund balance - ending	15,813,557	17,303,728	18,035,400	16,380,418	15,667,925	14,196,697		

*The amount proposed for dredging is not a FY16 budgeted expenditure. The proposal is to set aside \$200,000 each year from Local Accommodations Tax (Local ATAX) to be available for future dredging needs. Future Town Councils would have the authority to adopt the future annual set-aside amounts as well as budget expenditures as the needs arise.

Town of Hilton Head Island
 Budget Workbook for Debt Service Fund
 Year Ending June 30, 2016

% change

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Revised Budget	FY 2015 Estimated Actual	FY 2016 Budget	FY 2015 Budget	FY 2015 Est. Actual
Revenues:								
Ad Valorem Property Taxes	5,548,642	5,493,152	5,064,976	5,047,962	5,047,962	5,230,346	3.61%	3.61%
Issuance of Bonds	20,635,000	-	-	-	-	-		
Bond Premium	228,064	-	-	-	-	-		
BABS Subsidy	191,713	189,634	171,155	164,880	168,142	163,391	-0.90%	-2.83%
Investment Income	114,656	76,527	57,136	36,905	36,905	36,905	0.00%	0.00%
Transfers In:								
Beach Preservation Fees	2,853,015	3,113,645	3,106,277	4,378,838	4,378,838	2,828,938	-35.40%	-35.40%
Hospitality Fees	2,115,452	1,637,313	1,562,670	1,629,813	1,629,813	1,628,113	-0.10%	-0.10%
Tax Increment Financing	4,040,446	4,064,432	4,093,289	4,122,960	4,122,960	-	-100.00%	-100.00%
Real Estate Transfer Fees	1,863,828	2,152,296	2,169,797	2,268,727	2,268,727	2,294,953	1.16%	1.16%
Capital Projects Fund	1,100,000	-	-	-	-	-		
Series 2011 Hospitality Bond	-	1,061,140	-	-	-	-		
Series 2013 General Obligation Bonds	-	664,056	-	-	-	-		
Lease Revenue	-	-	119,782	65,336	10,889	65,336	0.00%	500.02%
Total Revenue	38,690,816	18,452,195	16,345,082	17,715,421	17,664,236	12,247,982	-30.86%	-30.66%
Expenditures:								
Administrative	20,575	23,625	17,025	19,000	19,000	11,025	-41.97%	-41.97%
Payment to Escrow Agent	21,675,878	-	-	-	-	-		
Debt Issue Costs	387,940	-	-	-	-	-		
Principal	12,105,000	11,645,000	12,950,000	12,995,000	12,995,000	7,420,000	-42.90%	-42.90%
Interest	3,914,974	4,265,011	4,080,573	3,702,756	3,702,756	3,784,676	2.21%	2.21%
Total Expenditures	38,104,367	15,933,636	17,047,598	16,716,756	16,716,756	11,215,701	-32.91%	-32.91%
Net Change in Fund Balance	586,449	2,518,559	(702,516)	998,665	947,480	1,032,281		
Beginning Fund Balance	6,001,545	6,587,994	9,106,553	8,404,037	8,404,037	9,351,517		
Ending Fund Balance	6,587,994	9,106,553	8,404,037	9,402,702	9,351,517	10,383,798		

Town of Hilton Head Island
Budget Workbook for Capital Projects Fund
Year Ending June 30, 2016

	FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Budget	FY 2015		% change	
					Estimated Actual	FY 2016 Budget	FY 2015 Budget	FY 2015 Est. Actual
Revenues:								
Ad Valorem Property Taxes	692,418	685,501	667,370	689,244	689,244	715,552	3.82%	3.82%
Investment Income	3,378	3,269	3,099	-	2,000	2,000		
Grants	944,854	27,622	-	-	275,000	-		
Contributions	100,000	20,000	-	-	-	-		
Sunday Permit Fees	332,230	381,015	349,169	478,150	350,000	625,000	30.71%	78.57%
Traffic Impact Fees	151,989	100,572	141,157	36,019	155,000	35,000	-2.83%	-77.42%
Park Impact Fees	36,366	63,160	107,576	-	105,000	-		-100.00%
Beaufort County Bond	-	-	-	-	-	-		
Bond Premium	742,421	664,056	-	-	-	-		
Bond Proceeds (Beach Preservation)	11,000,000	-	-	-	-	20,000,000		
Bond Proceeds (Hospitality)	15,250,000	-	-	2,208,884	2,525,574	150,000	-93.21%	
Bond Proceeds (TIF)	-	-	-	-	-	3,250,000		
Bond Proceeds (2013 General Obligation)	-	9,000,000	-	103,201	103,201	-	-100.00%	
Bond Proceeds (2014 General Obligation)	-	-	-	4,379,511	-	5,550,000	26.73%	
Lease Revenue	46,979	208,998	127,938	245,336	165,000	65,336	-73.37%	-60.40%
Other Revenue	-	-	-	200,000	-	-	-100.00%	0.00%
Reimbursement of Prior Year Expenditures	-	-	458,479	-	-	-	0.00%	0.00%
Sale of Property & Equipment	264,930	266,622	175,000	-	348,808	-		-100.00%
Transfers In:								
Beach Preservation Fees	608,882	642,078	2,327,672	1,700,188	1,700,188	500,000	-70.59%	-70.59%
Hospitality Fees	888,292	273,575	2,374,820	168,454	933,198	190,000	12.79%	-79.64%
Tax Increment Financing	3,436,996	1,594,527	1,844,358	6,424,315	11,018,842	2,515,000	-60.85%	-77.18%
Debt Service Fund	-	-	-	-	54,557	-		
Real Estate Transfer Fees	821	-	-	-	-	-		
Total Revenue	34,500,556	13,930,995	8,576,638	16,633,302	18,425,612	33,597,888	101.99%	82.34%
Expenditures:								
Beach Maintenance	11,357,778	711,634	2,326,444	1,700,188	1,700,188	20,500,000	1105.75%	1105.75%
Existing Facilities	1,853,680	1,220,283	4,118,687	790,433	790,433	240,000	-69.64%	-69.64%
Park Development	849,814	765,811	707,641	1,888,975	1,888,975	5,700,000	201.75%	201.75%
New Facilities	1,426,274	1,340,995	2,601,826	3,890,704	3,890,704	2,130,000	-45.25%	-45.25%
Pathway Improvements	510,075	1,354,262	1,436,506	1,657,426	1,657,426	50,000	-96.98%	-96.98%
Roadway Improvements	1,297,646	1,669,550	1,548,043	3,264,556	3,264,556	4,295,000	31.56%	31.56%
Land Acquisition	8,909,874	6,080,118	19,752	2,500,000	2,500,000	0	-100.00%	-100.00%
Bond Issue Costs	525,364	127,167	114,997	125,000	0	250,000	100.00%	0.00%
Transfers Out	1,137,500	4,215,828	479,485	1,009,486	1,009,486	1,515,836	50.16%	50.16%
Total Expenditures	27,868,005	17,485,648	13,353,381	16,826,768	16,701,768	34,680,836	106.11%	107.65%
Other Financing Sources:								
Bond Proceeds Previously Recognized	-	-	-	(2,208,884)	(2,628,775)	(150,000)	-93.21%	
Net Change in Fund Balance	6,632,551	(3,554,653)	(4,776,743)	(2,402,350)	(904,931)	(1,232,948)		
Beginning Fund Balance	13,841,517	20,474,068	16,919,415	12,142,672	12,142,672	11,237,741		
Ending Fund Balance	20,474,068	16,919,415	12,142,672	9,740,322	11,237,741	10,004,793		

* - For actual reporting purposes, all bond proceeds are recognized at the time of issuance and are therefore reflected in the beginning fund balance. For budgetary reporting purposes, bond proceeds are recognized to the extent the proceeds are utilized for capital projects. Therefore to reconcile between the two presentations it is necessary to adjust the Fund Balance by the previously recognized Bond Proceeds.

Town of Hilton Head Island
Budget Workbook for Stormwater Fund
Year Ending June 30, 2016

	FY 2013 Actual	FY 2014 Actual	FY 2015 Budget	FY 2015		<u>% change</u>	
				Estimated Actual	FY 2016 Budget	FY 2015 Budget	FY 2015 Est. Actual
Revenues:							
Stormwater Fees	3,574,933	3,564,300	3,564,900	3,564,900	3,574,134	0.26%	0.26%
Miscellaneous Income	5,512	-	-	10,505	-	0.00%	-100.00%
Investment Income	253	394	-	425	-	0.00%	-100.00%
Total Revenue	3,580,698	3,564,694	3,564,900	3,575,830	3,574,134	0.26%	-0.05%
Expenditures:							
Total Personnel	154,100	269,278	357,399	347,908	370,797	3.75%	6.58%
Operating:							
Travel	-	972	5,100	5,100	5,200	1.96%	1.96%
Meetings & Conferences	-	2,586	3,100	3,100	3,100	0.00%	0.00%
Public Education	6,507	19,954	15,000	15,000	7,000	-53.33%	-53.33%
Mapping Update	-	58,980	-	-	-	0.00%	0.00%
General Operating Expenses	3,201	4,485	29,900	29,900	13,900	-53.51%	-53.51%
Beaufort County SWU Admin Fees	90,039	89,700	91,992	91,992	105,000	14.14%	14.14%
Street Sweeping Contract	-	-	-	-	106,000	100.00%	100.00%
Vehicle Purchase	-	-	-	-	28,000	100.00%	100.00%
Beaufort County Stormwater Master Plan	-	-	-	-	147,000	100.00%	100.00%
Permitting	-	-	25,000	25,000	-	-100.00%	-100.00%
Water Quality Monitoring	42,353	36,514	153,751	153,751	120,000	-21.95%	-21.95%
Total Operating	142,100	213,191	323,843	323,843	535,200	65.27%	65.27%
Projects:							
Infrastructure and Capital	662,236	553,843	1,020,564	1,020,564	387,000	-62.08%	-62.08%
Inventory and Modeling	522,127	326,633	586,258	586,258	150,000	-74.41%	-74.41%
Maintenance and Repairs	264,092	373,183	775,557	775,557	713,000	-8.07%	-8.07%
Pump Station Costs	249,884	455,300	551,000	551,000	250,000	-54.63%	-54.63%
Total Project Costs	1,698,339	1,708,959	2,933,379	2,933,379	1,500,000	-48.86%	-48.86%
Debt Service:							
Principal	780,000	805,000	825,000	825,000	850,000	3.03%	3.03%
Interest	366,077	333,245	322,000	321,121	299,000	-7.14%	-6.89%
Other Charges	2,500	2,500	3,000	2,500	3,000	0.00%	20.00%
Total Debt Service	1,148,577	1,140,745	1,150,000	1,148,621	1,152,000	0.17%	0.29%
Total Expenditures	3,143,116	3,332,173	4,764,621	4,753,751	3,557,997	-25.32%	-25.15%
Transfer to General Fund	236,130	74,163	94,258	94,258	94,258	0.00%	0.00%
Total Expenditures and Transfers Out	3,379,246	3,406,336	4,858,879	4,848,009	3,652,255	-24.83%	-24.66%
Net Change in Fund Balance	201,452	158,358	(1,293,979)	(1,272,179)	(78,121)		
Beginning Fund Balance	3,691,780	3,893,232	4,051,590	4,051,590	2,757,611		
Ending Fund Balance	3,893,232	4,051,590	2,757,611	2,779,411	2,679,490		

Accounting and Financial Policies

Accounting Policies

General Guidelines

The Comprehensive Annual Financial Report (CAFR) presents the status of the Town's finances on a basis consistent with Generally Accepted Accounting Principles (GAAP), i.e., the governmental funds use the modified accrual basis of accounting and the proprietary funds use the accrual basis. The CAFR presents the Town's funds on a GAAP basis in the Government-wide and Fund Financial Statements. The Town adopts a formal budget for the General, Capital Projects, Debt Service and Stormwater Funds. In order to provide a meaningful comparison of actual results with the budget, the Town presents budget and actual statements for its four budgeted funds in the Other Supplementary Information section of the CAFR. The budgets are adopted on a modified accrual basis including the Stormwater Fund; the budget and actual statement is reconciled to the full accrual basis fund statement.

Government-Wide Statements (CAFR)

The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. The Town reports its Stormwater Fund, an enterprise fund in the Proprietary Fund Group, as business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements (CAFR)

The fund financial statements provide information about the Town's funds of which all except the Stormwater Fund are considered governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. This fund is used to account for all financial resources except those required to be accounted for in another fund. Its primary operating expenditures are general government, administrative services, sheriff/other public safety, fire, community services, and public projects and facilities.

Debt Service Fund. This fund is used for accumulating resources for the payment of interest and principal on general long-term obligation debt of the governmental funds.

Fund Financial Statements (CAFR) (continued)

Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Tax Increment Financing (TIF) Fund (Special Revenue Fund). This fund is used to account for the revenues and expenditures associated with the Town's redevelopment districts.

Local Accommodations Tax Fund. This fund is used to account for the Town's receipts from the one percent (1%) tax levied on rentals of transient accommodations within the corporate limit. According to statutory provisions the purpose of these funds is to pay, in whole or in part, for the current and future needs of the town, for the following items: tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and re-nourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; water and sewer infrastructure to serve tourism-related demand; and, the operation and maintenance of those items previously enumerated, and police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

State Accommodations Tax Fund (Special Revenue Fund). This fund is used to account for the Town's receipts from the two percent (2%) tax levied on rentals of transient accommodations within the corporate limit. According to statutory provisions, these funds are used for the promotion of tourism and the arts.

Beach Preservation Fee Fund (Special Revenue Fund). This fund accounts for the Town's receipts from the two percent (2%) fee levied on the gross proceeds derived from the rental for any rooms, campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients within the corporate limit.

Hospitality Tax Fund (Special Revenue Fund). This fund is used to account for the Town's receipts from the two percent (2%) percent tax imposed on the gross sales price of prepared meals and beverages sold in establishments and also on the gross sales price of sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine. The tax is imposed throughout the corporate limits of the Town. According to statutory provisions, the purpose of these funds is to pay, in whole or in part, for the current and future construction, enhancement, preservation and maintenance of tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and re-nourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; and water and sewer infrastructure to serve tourism-related demand.

Real Estate Transfer Fee Fund (Special Revenue Fund). This fund accounts for a fee equal to one quarter of one percent (.0025) of the purchase price upon the transfer of any real property interest in any real property situated within the corporate limits of the Town.

Fund Financial Statements (CAFR) (continued)

Real Estate Transfer Fee Fund (Special Revenue Fund) (continued).

These funds are used (a) to acquire fee and less than fee interest in land while it is still available to be held in perpetuity as wildlife preserves or believed to be needed by the public in the future for active and passive recreation uses and scenic easements, to include the following types of land: ocean, harbor and pond frontage in the form of beaches, dunes and adjoining backlands; barrier beaches; fresh and saltwater marshes and adjoining uplands; land for bicycle paths; land protecting existing and future; public water supply, well fields, highway buffering and aquifer recharge areas; and land for wildlife preserves; and land for future public recreational facilities and (b) to acquire already developed land or development rights in order to convert its use to a public use, to restore the property to open space, or to redefine that property in accordance with the town's current comprehensive plan and dispose of it as soon as possible.

Non-major Funds. The Town reports the Palmetto Electric Franchise Fees and the Home Grant as Special Revenue funds under non-major governmental funds.

Note on Funds without Formally Adopted Budgets. The Town does not formally adopt budgets for its Special Revenue Funds. These funds have minimal direct expenditures; instead, the majority of the sources in these funds are transferred to the three budgeted governmental funds and expended from those funds. The Tax Increment Financing Fund (TIF), Accommodations Tax Fund, Beach Preservation Fees Fund, Real Estate Transfer Fee Fund, and Electricity Franchise Fee Fund budgets are reflected in the General Fund, Capital Projects Fund (CIP), and Debt Service Fund as “transfers in”. Any additional funds expended from these funds are approved at the time the funds are expended.

The Town reports the following enterprise fund:

Stormwater Utility Fund. The Clean Water Act, signed into law 1973, requires local governments to manage stormwater pollution. As a result of this federal mandate Beaufort County established a Stormwater Management Utility (SWU). The utility is responsible for protecting the health of our valuable waterways and for reducing flooding due to storms in our vulnerable low-lying region. The Town sets the fee and notifies Beaufort County to include the fee on its property tax bills. The County collects the Stormwater fee and remits the funds to the Town minus an administrative overhead fee. The Town uses these funds for drainage infrastructure maintenance and any associated debt service costs. The Town currently operates on a pay as you go basis.

Measurement Focus and Basis of Accounting

The Town maintains all budgeted funds during the year using the modified accrual basis of accounting. The proprietary fund uses this same basis for budgetary purposes but is converted to accrual basis at yearend for the CAFR.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Measurement Focus and Basis of Accounting (continued)

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxpayer-assessed income and gross receipts are recognized as revenue when in the hands of intermediary collecting governments (state shared revenues, sales and accommodation tax revenue). Business license revenues are recognized when measurable and available. Property tax revenues are recognized when received or available for payment of liabilities of the current period. The Town considers property taxes as available if collected within 60 days after year-end.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting as described above for the government-wide financial statements. The operating statement does not report the issuance of debt, debt service principal payments and capital outlay.

Cash and Cash Equivalents

The Town considers cash on hand, cash with fiscal agents, demand deposits, and all other short-term investments that are highly liquid to be cash equivalents. Highly liquid short-term investments are those readily convertible to a known amount of cash, that at the day of purchase, have a maturity date no longer than three months.

Investments

In accordance with the provisions of two South Carolina Statutes, S.C. Code Ann. § 6-5-10 and S.C. Code Ann. § 11-1-60, the Town is authorized to invest in the following instruments:

- Government National Mortgage Association (GNMA)
- Federal Home Loan Banks (FHLB)
- Small Business Administration (SBA)
- U.S. Maritime Administration (MA)
- Tennessee Valley Authority (TVA)
- U.S. Export-Import Bank (Eximbank)
- Farmers Home Administration (FHA)
- Federal Financing Bank (FFB)
- General Services Administration (GSA)
- Department of Housing and Urban Development (HUD)
- Repurchase agreements whose underlying purchased securities consist of the afore-mentioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The Town's primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

Investments (continued)

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held by Wells Fargo Bank in an interest-bearing depository account. As such, they are collateralized per Section 6-5-15 of the SC Code which outlines securing bank deposits.

Restricted Assets

Certain debt proceeds as well as certain resources that are set aside for their repayment are classified as restricted assets because their use is limited by applicable bond covenants.

Capital Assets and Depreciation

In general, all capital assets including land, buildings, machinery and equipment, and infrastructure with an original cost of \$5,000 or more will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. Software licenses and other intangibles of a consumable nature the value of which is \$50,000 or more and an estimated useful life of at least two years following the date of acquisition will be considered capital items.

Capital assets are reported in the applicable governmental column in the government-wide financial statements.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where costs cannot be determined from the available records, estimated historical costs have been used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair value at the date of acquisition. Most of the Town's road network is owned by the State or deeded by the Town to the County and is not included in the Town's capital asset inventory. The remaining Town-owned roads are carried in the capital asset inventory.

Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

Buildings	30 years
Infrastructure	25 years
Vehicles	8-15 years
Furniture, fixtures, equipment	5-20 years
Land	20-30 years
Roads	25-30 years
Waterway	30 years
Software	10 years

Physical Inventory

An annual inventory will be conducted to ensure the replacement, maintenance, and capital improvement program projections are accurate, and that sufficient internal control over capital items is exercised.

Compensated Absences

The Town has a policy to accrue compensated absences for employees when the obligation relating to the employee's rights to receive compensation is attributable to the employee's services already rendered, when the rights vest and accumulate and when the payment is payable. Vacation pay meets the above criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee reaches retirement eligibility. In accordance with GASB no liability is recorded for non-vesting accumulative rights to receive sick pay benefits.

Sick leave benefits are not paid to terminating employees who have not reached retirement eligibility. Employees who retire (as defined by the employee's primary retirement plan) or who die after reaching retirement eligibility receive a contribution equal to 100% of the value of their accrued sick leave to a Vantage Care Retirement Health Savings Plan account. The balance in this account may be used for payment of retiree medical expenses.

Long-Term Obligations

In the government-wide financial statements and the fund financial statements for the proprietary fund, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Bond Discounts/Issuance Costs/Deferred Charges on Advance Refunding

As mentioned above in the fund financial statements, bond discounts and issuance costs for governmental funds are recognized in the current period. For proprietary funds, bond discounts, issuance costs, and deferred charges on advance refunding are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred charges on advance refunding are presented as a reduction of the face amount of the bonds payable, whereas issuance costs are recorded as deferred charges in accordance with Governmental Accounting Standards Board Statement No. 23, Accounting and Financial Reporting for Refunding of Debt Reported by Proprietary Funds.

In the government-wide financial statements, bond discounts, issuance costs and deferred charges on advance refunding are accounted for in the same manner as in the proprietary funds.

Budgetary Accounting

Annual appropriated budgets are formally adopted for three governmental funds: the General Fund, Debt Service Fund, and Capital Projects Fund. The Town also adopts a formal budget for its proprietary fund: the Stormwater Fund operating as an enterprise.

The State Accommodations Fund budget is determined by Town Council when it awards its grants in the middle of the fiscal year. These grants from 65% of the total fund are awarded for the calendar year. The remainder of the fund is established by State law (first \$25,000 and 5% are transferred to the General Fund, and 30% is designated for marketing to the Hilton Head Chamber of Commerce – Visitor and Convention Bureau).

The budget book also includes special revenue funds' plans as well. Budgets are not formally adopted for the various special revenue funds. However, they provide major sources of funds for the three major governmental funds. The Town presents this funding as transfers out of the special revenue funds and transfers in to the formally budgeted funds. The Town's special revenue funds are the State Accommodations, Tax Increment Financing (TIF), Beach Preservation Fees, Hospitality Tax, Real Estate Transfer Fees (RETF), and Palmetto Electric Franchise Fees. The Town does not budget grants generally as it has few recurring grant funds. Beginning in fiscal year 2015, the Town established a special revenue fund for grants. A budget will not be formally adopted for this fund.

The Town Manager submits to Town Council a proposed operating budget for the General Fund, Debt Service Fund, Capital Projects Fund, and the Stormwater Utility for the year which includes proposed expenditures and the means of financing them.

Public hearings are held for taxpayers' comments regarding the budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and the Stormwater Fund.

The budgets and related millage rate are legally enacted by resolution.

Budgetary transfers between departments in the General Fund may be authorized by the Town Manager. Changes or amendments that alter the total expenditures of any fund must be approved by Town Council.

The Town prepares and adopts budgets on a basis consistent with generally accepted accounting principles and basis of accounting. All appropriations lapse at year end; however, encumbrances and amounts specifically designated to be carried forward to the subsequent year are re-appropriated in the following year.

Financial Policies

Revenues

The Town estimates its annual revenues by objective and analytical processes. Revenue forecasts for the General Fund for the next three years shall be conservative and will be reviewed and updated annually.

The Town shall maintain a diversified and stable revenue system to the extent provided by law to insulate it from short run fluctuations in any one revenue source.

The Town will avoid dependence on temporary revenues to fund day-to-day municipal services. One-time revenues will generally be used for one-time expenditures/expenses.

All potential grants will be carefully examined for matching requirements (both dollar and level-of-effort matches).

Current revenues will be sufficient to support current expenditures/expenses (balanced budget).

Expenditures/Expenses

All current operating expenditures/expenses will be paid for with current operating revenues. Budgetary procedures that fund current expenditures/expenses at the expense of future needs, such as postponing expenditures/expenses, accruing future revenues or rolling over short-term debt, will be avoided.

All assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs.

The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital infrastructure and equipment.

All equipment needs and replacements for the next five years will be projected and the projection will be reviewed and updated each year.

Future operating costs and maintenance will be determined to the extent estimable prior to construction of all new capital facilities.

Before any actions are taken or agreements are entered into that create fixed costs, the current and future years cost implications (both operating and capital) will be fully determined.

Where practical, performance measures and productivity indicators will be integrated into the budget.

Expenditure forecasts for the General Fund and Stormwater Fund for the next three years shall be all-inclusive and will be reviewed and updated annually. Debt service costs are forecast for the next five years and will be reviewed and updated annually.

Incorporating the Capital Improvement Plan (CIP) into the Capital Projects Fund (CPF)

The Town is required by State law to develop a ten-year Capital Improvements Plan (CIP) and update it annually. The CIP is a separate document from the Capital Projects Fund (CPF) budget; however, the CIP is the initial source for developing the formal CPF.

State law recognizes millage as either operating or debt. The Town chooses to establish separate millage for the General Fund and CPF; however for State millage purposes, both are combined into the operating millage.

The Town adopts an annual (current year only) Capital Projects Fund budget based on the multi-year CIP. The Town determines its available funding and submits a prioritized CPF budget in accordance with the adopted CIP.

The Town must coordinate development of the CPF budget with development of the General Fund budget. Future operating costs associated with capital improvements will be projected and reported in the General Fund budget.

The CPF budget section will contain a ten-year projection of expenditures. However, the Town only formally adopts the first year of the CPF.

Projects funded with bonds, loans, or short-term notes will continue until the project is finished and closed on the general ledger. Staff must re-appropriate the budgets for these projects annually through the budget process. Projects funded by cash will expire at year end with no funding roll-forward unless approved by Town Council. Excess funds shall be used to fund future capital projects, over budget projects, or to refund financial instruments.

Incorporating the Capital Improvement Plan (CIP) into the Capital Projects Fund (CPF), Cont'd

Projects that will exceed budget must have a revised budget and request for additional funding submitted to Finance at the earliest possible time. Additional funding identified through savings on other capital projects or other means is adopted in accordance with the budget transfer policy.

Contingency

The Town will establish a contingency in each year's budget to:

1. Provide for temporary funding of unforeseen needs of an emergency or nonrecurring nature;
2. Permit orderly budgetary adjustments when revenues are lost through the action of other governmental bodies;
3. Provide a local match for public or private grants; or
4. Meet unexpected small increases in service delivery costs.

Debt Management Policies

Market Review

The Town reviews its outstanding debt annually for the purpose of determining if the financial market place will afford the Town the opportunity to refund an issue and lessen outstanding debt.

Debt Issuance

When the Town finances capital projects by issuing bonds, it shall amortize the debt over a term not to exceed the average useful life of the project(s) financed.

The Town may confine long-term borrowing to capital improvements and projects that have lives of 4-50 years, (in accordance with the estimated useful life definition of a capital asset).

When appropriate, the Town may use special assessments or self-supporting bonds, so those benefiting from the improvements will bear all or part of the cost of the project financed.

Debt Service Levels

General statutes limit the amount of general obligation debt that a unit of government can issue up to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The Town may incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law.

Based on the April 2015 County-wide assessment, the total assessed value is \$851,847,905. The legal debt margin for the Town of Hilton Head Island is \$68,147,832. Town Council has imposed an 80% cap which further limits this to \$54,518,266. The Town has \$7,748,889 in bonds issued at June 30, 2015, which are applicable to this cap, leaving \$46,769,377 available.

Debt Management Policies (continued)

Bond Ratings

The Town shall periodically review possible actions to maintain or improve its bond ratings by various rating agencies. The Town shall follow a policy of “full disclosure” in its Comprehensive Annual Financial Report and bond prospectuses.

As a result of the Town’s prudent financial management, it has been rewarded with excellent bond ratings by all three rating agencies.

Moody’s Investor Service	Aaa
Standard and Poor’s	AA+
Fitch	AA+

These ratings reinforce confidence in our efforts to maintain a fiscally sound operation through uncertain economic times.

Financial Reserves

In an effort to maintain a sound fiscal condition, the Town continues to maintain stringent expenditure controls. Another measure of the Town’s financial strength is the level of fund surpluses (i.e. revenues exceeding expenditures). For several years, the General Fund reserves have continued to grow as a result of growth related revenues, improved productivity and prudent financial management policies. These funds are held in reserve to protect the Town’s assets against catastrophic events or to fund unplanned expenditures.

To the extent there is an imbalance between revenues and budgeted expenditures, it is important that reserves are used carefully and judiciously, since reserves are a one-time, nonrecurring funding source. Just as reserves are built up over time, drawing down on reserves should be done in measured amounts. The long-term health of the fund requires that a structural imbalance must be addressed promptly. If an imbalance occurs a plan should be developed to address the imbalance concurrently with the planned draw down of reserves.

Disaster Planning Reserves

To protect its assets against catastrophic events, the Town established the following reserves.

Operating Reserve

The Town will establish and maintain an operating reserve based on a range with a **minimum of 25%** up to a **maximum of 30%** of the Town’s adopted fiscal year operating budget. The operating reserve may be utilized for emergency purposes in post-disaster occurrences; to offset an early fiscal year tax revenue income stream deficiency; and to avoid emergency Town borrowing or use of tax anticipation notes. The Director of Finance is authorized to transfer the amount of undesignated fund balance above the 30% maximum into the debt service reserve fund to maintain an account reserved for the reduction of the Town’s general obligation debt. This account shall be called debt defeasance. A report shall be given each year to Town Council, at the close of the fiscal year, identifying the potential excess funds that could be transferred. In the event there are no outstanding GO debt issues conducive to early retirement, the excess funds may remain in the general fund until needed for operations and debt reduction.

Disaster Planning Reserves (continued)

Restricted for Advertising

The Town shall maintain a Restricted Advertising Account for the purpose of having ready access to funds for special advertising needs in cases of, a) a near miss of a hurricane, b) for advertising in response to a declared disaster, c) for other such targeted advertising needs as determined by Council on a case-by-case basis, and d) for supplemental annual tourism advertising.

The Town shall deposit two percent (2%) of the local hospitality tax revenues and five percent (5%) of the local accommodations tax, (ATAX), revenues collected annually into the Restricted for Advertising account. Annual interest earned shall be deposited into the account. The Town will maintain at least one million dollars in the account. Deposits into this account shall first be used to replenish the Restricted Advertising Account to a minimum of one million dollars if the account has fallen below that threshold.

The Town may distribute the funds in the following manner.

- A. The Town Manager may authorize advertising expenditures associated with responding to a near miss or declared disaster and are the only expenditures authorized to take the account below one million dollars.
- B. Following a vote of Town Council, funds may be distributed for other such targeted advertising needs as approved. In no case shall such a release of funds for such purposes take the account below one million dollars.
- C. At the end of each fiscal year, the Town Manager shall review the amounts deposited into and distributed from the account for that year. Any remaining amount above one million dollars shall be made available to the Town's designated tourism promotion agency for supplemental tourism advertising during the subsequent fiscal year.

The local ATAX reserve is a component of the General fund. Beginning in Fiscal Year 2013, the Hospitality component has been held in the Hospitality Fund balance.

Debt Service Levels

General statutes limit the amount of general obligation debt that a unit of government can issue up to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The Town may incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law. In addition, Town Council has imposed an 80% cap on this amount. The remaining 20% is reserved for additional bonding associated with disaster recovery.

Real Estate Transfer Fee Debt Service Reserve

The Town will set aside \$1 million of real estate transfer fees into a disaster debt service reserve account in the Real Estate Transfer Fee Fund. The funds will be used to fund debt service payments during a disaster or financial crisis.

Disaster Planning Reserves (continued)

Beach Preservation Reserve

The Town will hold in an interest bearing account a portion of the amounts on deposit in the Town of Hilton Head Island Beach Preservation Fee Account. The amount to be held in this reserve account shall not exceed \$12 million.

Funds held in the reserve account may be used for the following items.

- A. Direct expenditures to pay costs of any project or purposes identified in Section 4-9-70 as such may be amended of the Municipal Code and in Section 6-1-50 of the Code of Laws of South Carolina 1976 as amended.
- B. To pledge as security for or to use as debt service for any debt or financial obligation of the Town incurred for a purpose as identified in subsection (A) above.
- C. To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Town Council shall have a reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state or federal source.

Authorization to utilize monies from the reserves shall be by resolution duly adopted by the Town Council if circumstances allow for the convening of a meeting of Town Council. In the event circumstances do not allow for the convening of a meeting of Town Council, the Town Manager may authorize the utilization of monies from the reserves, provided that such utilization is presented to Town Council at the first practicable opportunity for ratification.

The Town will adopt the following ordinances/resolutions in the event of a disaster.

1. Temporary non-residential occupancy of structures ordinance – This is an emergency ordinance to allow the use of manufactured modular structures as temporary replacement structures for local businesses.
2. Temporary housing ordinance – This is an emergency ordinance to allow the use of manufactured homes and travel trailers as temporary residences.
3. Declaration of local state of emergency (resolution).
4. The Town of Hilton Head Island succession list in the event of a disaster (resolution).
5. If necessary, the Town will adopt an emergency reimbursement resolution to provide immediate access to funds in the event of a disaster.
6. In an effort to expedite disaster recovery efforts, the Town currently has a contract in place for the purpose of providing disaster storm debris removal services.

Budget Calendar

Budget Calendar

January 27, 2015	Budget kick-off departmental budget packages distributed
February 23, 2015	Department budgets due to Asst Town Manager for initial review
March 5, 2015	Budgets due to Finance Department for budget integration
April 24, 2015	Finalize budget proposals and staffing requests
May 5, 2015	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 15–June 2, 2015	Town Council workshops
June 9, 2015	Public hearing; revised first reading of the budget ordinance by Town Council
June 16, 2015	Second and final reading of budget

Budget Process Overview

The budget is a tool with which the Town can allocate its financial, human and capital resources in an effective and efficient manner to meet residents' needs. The process incorporates the development, implementation and evaluation of a plan for the provision of services and capital assets. Through the budget process, the Town makes decisions on the allocation of human and financial resources to achieve long and short-term goals and objectives as set forth by the Town Council. These resource decisions address desired quality of service, staffing levels, technology needs, equipment and capital improvements, and programs considered to be priorities by the Town Council. The Town of Hilton Head Island's fiscal year starts on July 1 and runs through June 30. To make these decisions, the Town uses the budget model described below.

Policy and Strategy Phase

The Council's goals and directives set the tone for the development of the budget. At an annual workshop, the Council identifies priorities, issues and projects that will provide the direction and framework of the budget. These key policy issues are presented at the "budget kickoff" meeting as are budgeting guidelines for the operating and capital budgets, timelines and an overview of fiscal constraints and resources available for allocation. Within this general framework, departments identify and formulate the more specific budgetary issues.

Assessment Phase

As part of the budget process, departments evaluate performance towards meeting current and past goals and objectives and assess current conditions, programs and needs. Various financial analyses, as well as productivity and staffing analyses, are performed. Programs and services are also reviewed thoroughly to assess their value and priority to the residents of the Town. These internal analyses are necessary to determine service needs and delivery improvements, cost savings opportunities and required staffing levels. Additionally, departments identify possible trade-offs in an attempt to provide the "best fit" for resources between service and workload estimates. Departments also establish departmental goals, objectives and performance measures corresponding to the goals, objectives and specific actions established by Town Council.

Format of Department Budgets

1. The department's budget is separated into the following components.

Mission Statement

The statement must identify the particular purpose for the department and how it relates to the Town's overall mission.

Core Services

A listing of the fundamental services that the department is designed to provide.

Current Fiscal Year Accomplishments

A broad statement of what was accomplished in the current fiscal year.

Format of Department Budgets (continued)

Goals

A broad statement of intended accomplishments or a description of a general condition deemed desirable.

Objectives

An objective is a task to be undertaken to attain a goal. The objectives focus on particular program accomplishments that will be attained within the current year.

Performance Measures (not all departments report this information)

Specific quantitative and qualitative measures of work performed as an objective of the department.

2. Department Expenditures by Division and Category

The budget for a department is summarized by division, if applicable, and by category of expenditure.

Categories of expenditures are as follows:

Personnel – salaries, overtime, other pay including holiday pay and temporary wages, FICA, retirement contributions, and health and other benefits;

Operating – contract and professional services, consulting; printing and publishing; uniforms and protective gear; travel, meetings and conferences; office and operating supplies; repairs and maintenance; capital outlay for equipment and furniture costing less than \$5,000 and software purchases costing less than \$50,000;

Capital Outlay – equipment and furniture costing \$5,000 or more, and software purchases costing \$50,000 or more.

The Townwide – Non-departmental Budget is used for centralized expenditures and purchases not assigned to a department or division. The Town distinguishes the expenditures in the budget in the following categories.

The *personnel* category reports employees' Palmetto Pass; retiree expenditures; short-term temporary salary and benefits including most summer interns; and workers' compensation deductibles (not premiums).

In the *operating category*, the Town reports most utilities, insurance, maintenance contracts, Palmetto Pass for Town vehicles, copier leases and supplies, and vehicle fuel.

The *grants* category includes Town funding for its affiliated organizations such as the Island Recreation Center; Coastal Discovery Museum management fee and turtle watch program; Solicitor's Office for career criminals program and drug court; Lowcountry Regional Transportation Authority, (LRTA); and the Hilton Head Island Economic Development Corporation.

The *capital outlay* category includes equipment and furniture costing \$5,000 or more, and software purchases costing \$50,000 or more which is not directly associated with a specific department. An example is for security cameras throughout the Town.

3. Department Expenditures by Division and Category (continued)

The *debt service* category is used for short-term debt such as capital leases or bank notes for equipment, vehicles, or software. Currently, the Town does not have any debt service in the General Fund.

Approach to the Budget Review Process

The budget process begins by reviewing all current services in comparison to the Strategic Plan. Are current services sufficient or necessary? What new initiatives should be undertaken to meet basic requirements? Based on this analysis, a list of recommended changes is developed, creating the basis for the operating budget (business plan).

The mission statement for the department is the basis of the department's budget and lays down the direction of the department. A department's proposed budget is developed based on the previous year's budget, adding new initiatives and removing discontinued services.

From there, a department identifies specific goals, objectives and performance measures (not all departments report this information) to be accomplished within the upcoming year.

Based on the aforementioned analysis, departments submit staffing requests to the Human Resources Department. The Human Resources Department along with the Finance Department develops the personnel budget for each department including anticipated benefit costs. The proposed staffing models will then be reviewed and approved for each department.

It should be noted that departments not only develop a budget for the upcoming fiscal year, they develop a three-year expenditure forecast beyond the upcoming fiscal year as well. This includes any anticipated staffing adjustments that may be necessary. This information is incorporated with the three-year financial model developed by the Finance Department, with assistance from the departments, to create the Town's three-year financial forecast that is incorporated in the budget document.

At the same time the operating budgets are being created, the Public Projects and Facilities Director and staff are developing the ten-year Capital Improvement Program (CIP) for Planning Commission approval. This budget is submitted to the Finance Department and incorporated as part of the budget document.

The Director of Finance, in conjunction with the Deputy Director of Finance and Department Directors, develops the revenue budget.

The Debt Service Budget is developed in accordance with legal bond requirements.

The Stormwater (Proprietary) Fund budget is developed in conjunction with two of the Town's major governmental funds (General Fund, Capital Projects Fund). Revenue projections are developed along with any proposed rate increase necessary to support the funding of capital improvements, debt service costs, and project management costs charged by the General Fund.

The Finance Department staff consolidates the operating budgets for the Town's three major governmental funds: General Fund, Debt Service Fund, and Capital Projects Fund; as well as the Stormwater (Proprietary) Fund budget into the Town's upcoming fiscal year business plan. In addition, a three-year financial forecast is created for the General Fund and incorporated into its upcoming fiscal year business plan.

Budget Approval Process

During the months of March and April, the Town Manager reviews the proposed budget for the upcoming fiscal year with department directors and makes final adjustments to the budget. The Finance Department staff prepares the final Town Manager's Consolidated Municipal Budget to be submitted to Town Council at its first meeting in May.

During the months of May and June, Town Council reviews the proposed budget. The Town Council either approves or makes changes to the budget and returns it to staff for further review.

Public hearings and final adoption of the budget occurs by June 30 in accordance with state law.

Monitoring the Budget

The Finance Department prepares a monthly financial report for Town Council comparing actual expenditure activity to the budget.

Budget Transfers, Amending the Budget and Encumbrances

Budget Transfers – the Town Manager is authorized to transfer funds as follows:

- a. Make any budget line item transfer within a department in the General Fund.
- b. Transfer up to One Hundred Thousand Dollars (\$100,000) between departments in the General Fund.
- c. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Capital Projects Fund.
- d. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Tax Increment Financing Fund (TIF).
- e. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved line items in the Debt Service Fund.
- f. Any other transfers between a department's line items or capital projects exceeding the thresholds outlined above will be submitted to Town Council for approval.
- g. No budget transfers shall (a) be made from one fund to another fund (General Fund, Capital Projects Fund, Debt Service Fund, Tax Increment Financing Fund (TIF)), or (b) conflict with any existing Bond Ordinances.

Contract Authority – the Town Manager is authorized to enter into Town contracts if the total contract amount does not exceed the budgeted line item by ten percent (10%) or One Hundred Thousand Dollars (\$100,000), whichever is less. If the total contract amount exceeds said thresholds, the funding proposal must be submitted to Town Council for approval.

Budget Amendments – any change in the adopted budget which would increase or decrease the total of the combined authorized revenues or expenditures must be approved by Town Council.

Budget Transfers, Amending the Budget and Encumbrances (continued)

Encumbrances – appropriations are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. While appropriations lapse at the end of each fiscal year, re-appropriation of encumbrances of the fund balance will be provided through an amendment of the new fiscal year budget to increase the revenues (funds from previous fiscal year(s)) and increase the appropriated budget expenditures. The threshold for encumbrance roll-over is \$1,500. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.

MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, Town Manager

DATE: June 5, 2015

RE: Proposed Shelter Cove Towne Centre Revised Land Swap

The Mayor and Blanchard & Calhoun (B&C), the developers of Shelter Cove Towne Centre (SCTC), have been in conversations about possible changes to the size and location of the apartments that are part of the previously approved project. These conversations have reached the point where B&C is interested in pursuing changes that would relocate the apartments and reduce the height and footprint of the units that had been approved for the current town park site. In part, this would involve a new land swap with the Town.

To facilitate public review and discussion of this concept, B&C seeks to file a rezoning application and amended Development Agreement for consideration by the Planning Commission and Town Council. Since this application involves, in part, land not owned or under the control of B&C, it is necessary to get the owner's consent to the rezoning application. As the owner, a vote of Town Council is required to enable the staff to accept and process the application.