



The Town of Hilton Head Island Finance & Administrative Committee Meeting

**Tuesday, August 2, 2016
2:00 PM – Conference Room 3**

AGENDA

As a Courtesy to Others Please Turn Off All Cell Phones and Pagers during the Meeting

- 1. Call to Order**
- 2. Freedom of Information Act Compliance**
Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 3. Approval of Minutes**
 - a. Finance and Administrative Committee Meeting, July 19, 2016.
- 4. Unfinished Business**
None
- 5. New Business**
None
- 6. Executive Session**
 - a. Discussion Regarding the Town Manager Annual Performance Review.
 - b. Discussion Regarding the Town Attorney Annual Performance Review.
- 7. Adjournment**

Please note that a quorum of Town Council may result if four (4) or more of Town Council members attend this meeting.

TOWN OF HILTON HEAD ISLAND
FINANCE AND ADMINISTRATIVE COMMITTEE MEETING

Date: July 19, 2016 **Time:** 2:00 p.m.

Members Present: John McCann, *Chairman*; Bill Harkins and Tom Lennox, *Council Members*

Members Absent: None

Staff Present: Steve Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*; Susan Simmons, *Director of Finance*; John Troyer, *Deputy Director of Finance*; Brian Hulbert, *Staff Attorney*; Nancy Gasen, *Director of Human Resources*; Tom Fultz, *Director of Administrative Services* and Cindaia Ervin, *Finance Assistant*

Others Present: David Ames, *Council Member*; Frannie Heizer, *McNair Law Firm*; Brent Robertson, Esq., *Stifel, Nicalous & Company, Inc.*; Charles Brown, *Marriott*; Eleanor O'Key, *Lowcountry Inside Track*; Gil Campbell, *Venue Committee*; and other members of the community.

Media: None

1. Call to Order:

The meeting was called to order at 2:00 p.m.

2. FOIA Compliance:

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Minutes:

Mr. Harkins moved to approve the minutes from the Finance and Administrative Committee Meeting on June 7, 2016 at 2:00 p.m. Mr. Lennox seconded, and the motion passed with a vote of 3-0.

4. Unfinished Business:

None

5. New Business:

a. General Discussion of Fund Balance Policy.

Steve Riley, Town Manager, spoke to the Committee Members regarding the history of the Town's fund balance policy. Mr. Riley stated that when he began with the Town the fund balance was 15%. Mr. Riley stated that Town Council later adopted a policy that stated that the Town would retain a minimum of 25% and any amount over that would be used to pay off debt. Over time, the policy evolved to a minimum 25% and maximum 30%. In recent years, the Town has held a fund balance between 30 and 50%. Brent Robertson, Stifel, Nicalous & Company, spoke with the Committee regarding the Town's fund balance policy. Mr. Robertson stated that rating agencies rate a community's liquidity and fund balance in six to seven ways. He also stated that the most important is looking at fund balance as it relates to the percent of revenues. He provided an overview of a credit report compiled by Moody's Investor Service (MIS) which highlighted the Town's standing. As of May 2013, MIS stated that the Town holds a rating of Aaa; Moody's evaluation of the Town is that the Town holds a strong

financial position - supported by comprehensive fiscal policies, ample fund balance levels, long-term operating stability, and a low direct debt burden. Mr. Robertson highlighted that the Town has exceeded the required minimum fund balance reserve which has ultimately helped maintain the rating of Aaa over the years. He stated that he believed MIS would have a different outlook if the Town's reserve had stayed at or near the minimum 25%. Mr. Robertson stated that he researched Aaa rated cities/towns in the U.S. There are a total of 177 and only four in South Carolina: Hilton Head Island, Greenville, Charleston and Mt. Pleasant. He stated that the most important factors in maintaining the Town's top rating is liquidity ("Cash is King") and high fund balance reserves. All four S.C. Aaa-rated municipalities have comparable liquidity and reserves, leading him to believe that is the expectation for Moody's. He further stated that given Hilton Head's smaller size and higher dependency on a single industry (tourism) that Hilton Head would need to stay high in the rankings with its peers. Overall, Mr. Robertson stated his opinion that the appropriate level of fund balance for the Town is 35%-45%. He believes that the Town is in good standing with an Aaa rating, and he suggested that the Town continue to strive exceed its fund balance annually. Ms. Frannie Heizer, Town's Bond Counsel, confirmed the information presented by Mr. Robertson and concurred with his recommended range of fund balance.

Bill Harkins, Committee Member, requested guidance related to the possible creation of an arts venue on Hilton Head with the Town being the guarantor for financing; particularly, Mr. Harkins wanted feedback on the potential impact on the Town's bond ratings if such a partnership for financing and or operations occurred. Frannie Heizer stated that for the Town there is far more flexibility on the debt service side but not on the operating side. She stated that the Town legally through Act 388 has limited abilities to raise additional operating funds and suggested that if the Town did partake in such project that the Town's contribution be a debt financing arrangement. Mr. Harkins feels that it is important to demonstrate to the community that such a project is adding value and beneficial to all if created. He asked Mr. Robertson and Ms. Heizer follow up with the Committee with information regarding the financial alternatives, the pathways to perform such project, and also the +/- of each alternative. The amount to use for the financing scenarios is \$40M. Mr. McCann thanked Mr. Robertson and Ms. Heizer for their time and attendance.

b. Review and Recommendation of the Beaufort County Sherriff's Office Performance Audit Firms.

Tom Fultz, Director of Administrative Services, shared with the Committee Members an update of the request for proposal (RFP) for an audit of the Town's contract with the Beaufort County Sheriff's Office (BCSO). He stated that upon review, eight firms responded and three firms are within the proposed budget of \$30K. The three firms that are considered to be eligible are: Public Safety Strategies Group, Alexander Weiss Consulting and Management Partners. Mr. Fultz stated that he and Greg DeLoach, Assistant Town Manager, reviewed the applicants individually and collectively. Overall, they believe that Public Safety Strategies Group based on references and the criteria presented is the most qualified firm to perform the audit of the BCSO. He explained that the as a part of the audit, the firm would analyze data from the BCSO dispatch records system prior to arriving and once on site spend 3-4 days collecting additional data which will result in a report and recommendations. The Committee members expressed concurrence based on the presentation and materials presented.

Mr. Lennox made a motion to recommend to Town Council the Public Safety Strategies Group to perform the audit on the Beaufort County Sheriff's Office; Mr. Harkins seconded. The motion passed with a vote of 3-0.

c. General Discussion Regarding Current Town Employee Vacancies.

Greg Deloach, Assistant Town Manager, explained to the Committee Members current open positions at the Town. Of the ten positions, six are within the past month and those positions will be filled in a standard amount of time. He reminded everyone that this issue arose based on a gap between budgeted and actual expenditures for personnel; he stated that the primary area causing the issue relates to turnover and vacancies within the Finance Department.

Susan Simmons, Director of Finance, shared with the Committee Members that there has been a reorganization within the department that allowed the deputy position to be filled in November with a highly qualified candidate. With current year hires, the Accounting and Administration areas of the Department are fully staffed, leaving only vacancies in Revenue & Collections (R&C). Ms. Simmons further stated that she recently has approval to fill the remaining positions and will do this in coordination with State-level legislation that will create a need for project work in R&C. The part-time R&C Project Manager would work on updating the Town Codes and implement any changes necessitated by state legislation. She plans to begin filling positions with the Business License Official/R&C Manager and the Project Manager. She anticipates some of the vacancies will be filled through promotions creating a cascading impact on other positions, resulting in up to six months needed to fully staff R&C.

Mr. Lennox asked Ms. Simmons once the positions mentioned are filled, will she be completely staffed; her response was yes. Mr. McCann asked what the difficulty, if any, would be in filling the positions. Ms. Simmons replied that it is difficult to recruit in this area due to the higher cost of living and to recruit those with government experience due to the Town not being a part of the State pension system. She further stated it is necessary to be more creative in the hiring process. Mr. Harkins urged Ms. Simmons to consider recent retirees who have relocated to Hilton Head. Mr. McCann thanked Ms. Simmons and Mr. DeLoach for their time.

6. Adjournment:

Mr. Harkins made a motion to adjourn and Mr. Lennox seconded. The motion passed with a vote of 3-0. The meeting was adjourned at 3:10 p.m.

Approved:

Respectfully submitted:

John McCann, Chairman

Cindaia Ervin, Secretary