

Town of Hilton Head Island, South Carolina



**Consolidated Municipal Budget
Fiscal Year
July 1, 2007 through June 30, 2008**

**TOWN OF HILTON HEAD ISLAND, SC
CONSOLIDATED MUNICIPAL BUDGET
FISCAL YEAR ENDED JUNE 30, 2008**

ELECTED OFFICIALS

MAYOR

The Honorable Thomas D. Peebles

TOWN COUNCIL

Kenneth (Ken) S. Heitzke, Mayor Pro Tempore

Willie (Bill) Ferguson

W.J. (Bill) Mottel

John D. Safay

George W. Williams, Jr.

Drew Laughlin

ADMINISTRATION

Stephen G. Riley

Steven D. Markiw

Charles O. Hoelle, Jr.

Gregory DeLoach

Curtis Coltrane

Thomas M. Fieldstead

Charles F. Cousins

Nancy H. Gasen

Frank P. Hodge, Jr.

Town Manager

Acting Director of Finance

Deputy Town Mgr./Director of

Public Projects and Facilities

Assistant Town Manager/Director of
Administration

Assistant Town Manager

Fire Chief

Director of Planning

Director of Human Resources

Director of Building and Fire Codes



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Hilton Head Island
South Carolina**

For the Fiscal Year Beginning

July 1, 2006

President

Executive Director

FY 2008 Consolidated Municipal Budget

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Reader's Guide

This reader's guide is intended to assist those readers not familiar with the Town's budget document in gaining an understanding of how the budget document is organized and what information is presented. The budget document is divided into the following sections:

Town Manager's Letter

This section provides a general overview of the Town's budget.

Town Vision

This section identifies goals for the upcoming fiscal year.

About Hilton Head Island

This section provides an overview of the rich history of the Island.

General Information

This section includes the Town's organizational chart, budget calendar, map, and Hilton Head Island at a Glance.

Accounting and Financial Policies

This section includes the operating budget policies, operating reserve policy, financial reserves/bond ratings, disaster planning policies, major policy considerations, performance measurement policy, financial modeling tools, capital improvement program policies, debt management policies, revenue policies, reporting and analysis policies, investment policies, and fixed asset policies.

Budget Process Overview

This section includes information pertaining to the business plan, budget methodology, approach to the budget review process, budget approval process, monitoring the budget, budget transfers and amending the budget.

Consolidated Budget

This section includes an introduction, Fiscal Year 2008 consolidated budget, where the money comes from (chart), where the money goes by program (chart), where the money goes by category (chart), trend analysis of expenditures by fund (chart), description of major governmental funds, description of restricted major governmental funds, description of other governmental funds, historical overview of revenues and expenditures (schedule), budget highlights, property tax analysis, millage rate historical analysis (chart), and staffing changes.

General Fund

This section includes the department expenditure summary (schedule), historical overview of revenue and expenditures (schedule), two-year comparison (schedule), detail revenue two-year comparison (schedule), general fund major revenue source review, general fund expenditures (chart), expenditure trend analysis by program (charts), department budgets, and the five-year General Fund Plan.

Capital Projects Fund (CIP)

This section includes an overview and summary of major revenue sources, expenditures by category, a two-year revenue and expenditure comparison, the Town's capital plan for the upcoming year, and the ten-year Capital Improvement Plan.

Debt Service Fund

This section includes a revenue analysis, expenditure analysis for the upcoming fiscal year, two-year revenue and expenditure comparison, calculation of legal debt limit, a list of outstanding debt issues, and the planned debt position for the next five years.

Appendix - Glossary of Terms

This section provides definitions of key terms used throughout this document.



Town Manager's Letter

Town Council Members
Town of Hilton Head Island
One Town Center Court
Hilton Head Island, SC 29928

June 5, 2007

Dear Council Members:

We respectfully present the Fiscal Year 2008 Budget for the Town of Hilton Head Island, South Carolina, to the Town Council for review. This year the budget proved to be particularly challenging due to the slow down in the real estate market. The effect on the Town's budget is less revenue from building permits and business licenses. This budget represents an annual funding plan which responds to the needs of the Town while maximizing a limited resource of funds.

Budget Summary

The Fiscal Year 2008 Budget represents a funding plan designed to meet the needs of the Town's citizens. The total consolidated budget amount is \$93,154,110.

The General Fund budget maintains the current level of high quality service with additional funds being provided for merit increases, the results of the compensation study, an increase in workers' compensation costs, computer software improvements, new and replacement equipment, the addition of two positions in the Finance Department and one in the Public Projects and Facilities Department, an increase in maintenance contract costs, and an increase in the police services contract with the Sheriff's Office.

The Capital Projects Fund (CIP) reflects the Town's continued focus on road and facility improvements accounting for 65% of the capital budget. The largest component is \$20.4 million earmarked for roadway improvements.

The Debt Service Fund budget has increased over last fiscal year. The major reason for the increase was the issuance of \$19.0 million in bonds funded by Beach Preservation Fees.

Funding to maintain the high quality services provided to the citizens of the Town will continue to be a challenge because revenues are not projected to grow at the same rate as the demand for services.

Millage Rate

The total millage rate for Fiscal Year 2008 is the same as last fiscal year. The chart below reflects the millage rates by fund for Fiscal Years 2007 and 2008.

	<u>FY 2007</u>	<u>FY 2008</u>
General Fund	12.33	12.48
Debt Service	5.82	5.67
C.I.P.	0.85	0.85
Total Millage Rate	<u>19.00</u>	<u>19.00</u>

In the General Fund, Debt Service Fund, and the Capital Projects Fund (CIP), an increase in the use of revenues from other sources and fund balance will offset the need to increase property tax revenues. Other sources of revenue are accommodations taxes, beach preservation fees, hospitality taxes, stormwater utility fees, and tax increment financing (TIF).

Financial Plan

As outlined above, the Town’s budget consists of three separate fiscal accounting funds. These funds are created to provide for the following specific activities of the Town:

- The General Fund is the operating fund of the Town and accounts for all financial resources of the Town except those required for capital improvements and debt service.
- The Capital Projects Fund accounts for the financial resources used to acquire land and facilities; and to construct and improve public facilities, including roads, bike paths, and fire stations; vehicle replacement; drainage improvements; and park development.
- The Debt Service Fund accounts for the accumulation of resources and the payment of debt.

The following table shows the amount and percent of change to these three funds over last fiscal year:

Comparison of the Fiscal Year 2007 Revised Budget with the Fiscal Year 2008 Budget

	General Fund	Capital Projects Fund	Debt Service Fund	Consolidated Municipal Budget
FY 2007 Revised Budget	\$ 30,000,794	\$ 54,109,112	\$ 10,811,155	\$ 94,921,061
FY 2008 Budget	\$ 32,471,960	\$ 47,366,000	\$ 13,316,150	\$ 93,154,110
Amount of Increase/(Decrease)	\$ 2,471,166	\$ (6,743,112)	\$ 2,504,995	\$ (1,766,951)
Percent of Increase/(Decrease)	8.24%	-12.46%	23.17%	-1.86%

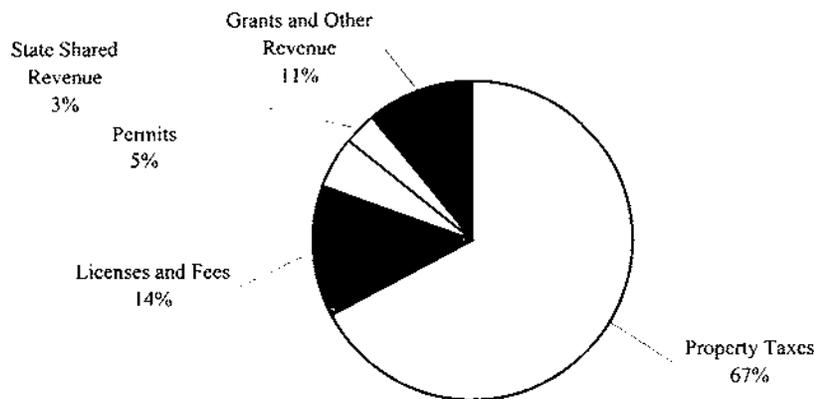
Budgets by Fund as a Percent of the Total Budget

	General Fund	Capital Projects Fund	Debt Service Fund	Consolidated Municipal Budget
FY 2007 Revised Budget	31.61%	57.00%	11.39%	100.00%
FY 2008 Budget	34.86%	50.85%	14.29%	100.00%

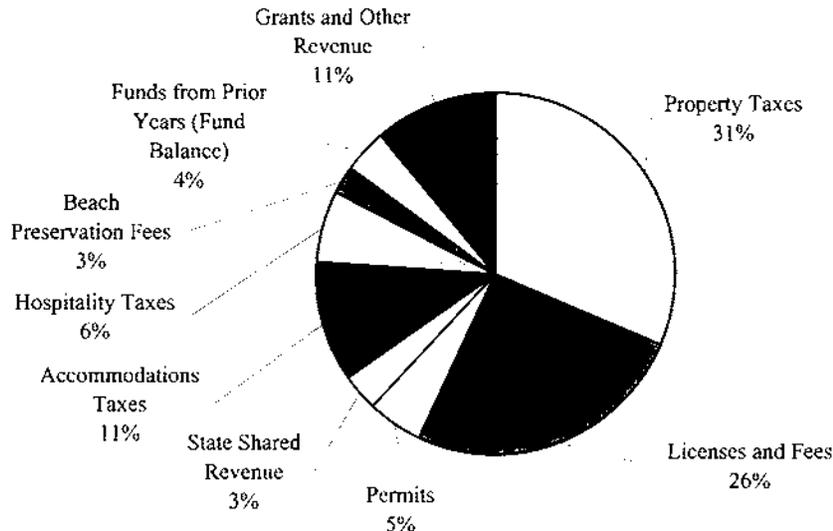
General Fund

A mix of property taxes, other fees and taxes, local accommodations tax for public safety, funds from prior years (fund balance) supports the General Fund budget of \$32,471,960. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund. The charts below provide a comparison of the actual revenues collected for Fiscal Year 1994 compared to the Fiscal Year 2008 Budget. These graphs highlight the progress made to lessen the reliance on a high percentage of property tax revenue from 67% in Fiscal Year 1994 as compared to 31% in Fiscal Year 2008. Additional funding is provided through, licenses and fees, local 1% accommodations tax, state accommodations tax, beach preservation fee, hospitality tax, stormwater fee, electricity franchise fee, funds from prior years (fund balance), and tax increment financing (TIF). The increase in funding provided through these other sources demonstrates the Town's ability to expand the diversity of its funding sources through the years.

FISCAL YEAR 1994 GENERAL FUND BUDGET



FISCAL YEAR 2008 GENERAL FUND BUDGET



General Fund - Major Revenues

The chart below reflects the anticipated growth in the General Fund's major revenue sources:

Revenue Source	FY 2007 Budget	FY 2008 Budget	\$ Change	% Change
Property Taxes	\$ 10,134,510	\$ 10,170,620	\$ 36,110	0.36%
Business Licenses & Franchise Fees	7,513,450	8,346,260	832,810	11.08%
Permit Fees	1,735,900	1,640,000	(95,900)	-5.52%
Funds from Prior Years (Fund Balance)	368,984	1,235,320	866,336	234.79%
Local Accommodations Tax	2,140,000	2,293,850	153,850	7.19%
Transfers In:				
State Accommodations Tax	1,081,420	1,264,550	183,130	16.93%
Hospitality Tax	2,278,090	2,036,100	(241,990)	-10.62%
Beach Preservation Fee	855,360	895,850	40,490	4.73%

General Fund - Expenditures

The chart below reflects the budgets by category for Fiscal Years 2007 and 2008:

Expenditure Category	FY 2007 Budget	FY 2008 Budget	\$ Change	% Change
Personnel	\$ 19,141,070	\$ 21,029,030	\$ 1,887,960	9.86%
Operating	7,478,774	8,226,360	747,586	10.00%
Capital Outlay	448,960	137,090	(311,870)	-69.46%
Debt Service	71,000	70,650	(350)	-0.49%
Police Services	2,860,990	3,008,830	147,840	5.17%
Total	\$ 30,000,794	\$ 32,471,960	\$ 2,471,166	8.24%

The \$1.9 million increase in total personnel costs includes the addition of three (3) full-time positions, representing an increase in total FTE's from 258.80 to 261.80. The proposed salary budget increase is 10.40% and includes proposed new staff, a 4.50% increase for merit and miscellaneous pay adjustments, and a 5.0% increase representing the impact of proposed compensation study implementation. Medical premiums are budgeted to increase by 7.50% while workers' compensation costs are expected to increase 39.0%. The workers' compensation increase is due to a combination of rising SC Municipal Insurance Trust fixed costs (i.e. Second Injury Fund assessments) and Town experience (i.e. rising medical costs, number of claims, payroll increases).

The chart below reflects the increases in the **operating** category of expenditure budgets by department:

Expenditure Category	FY 2007 Budget	FY 2008 Budget	\$ Change	% Change
Town Council	\$ 299,000	\$ 360,200	\$ 61,200	20.47%
Town Manager	32,450	36,250	3,800	11.71%
Human Resources	213,165	196,230	(16,935)	-7.94%
Administration	920,840	1,027,670	106,830	11.60%
Finance	145,220	178,920	33,700	23.21%
Planning	143,780	147,050	3,270	2.27%
Building and Fire Codes	113,590	114,900	1,310	1.15%
Fire	1,869,845	1,987,310	117,465	6.28%
Police Services	2,860,990	3,008,830	147,840	5.17%
Public Projects and Facilities	1,748,984	1,897,630	148,646	8.50%
Townwide	1,991,900	2,280,200	288,300	14.47%
Total	\$ 10,339,764	\$ 11,235,190	\$ 895,426	8.66%

Capital Projects Fund - CIP

The Capital Projects Fund Budget (CIP) budget reflects revenues and expenditures for Fiscal Year 2008 as well as a ten-year projection of anticipated new projects. The hard work and input of the Planning Commission and Parks and Recreation Commission in developing this proposal is acknowledged.

This appropriation of \$47,366,000 is funded with property taxes, transfers from special revenues, grants, funds from prior years (fund balance) and the 2% hospitality tax. Road improvements are the largest element of the FY 2008 capital improvement plan.

The appropriations for this fund provide for:

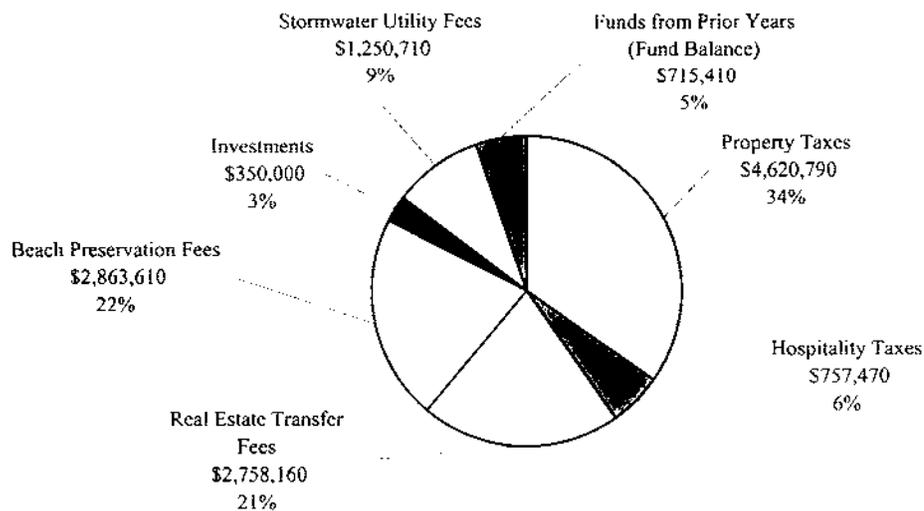
Project Category	FY 2007 Budget	FY 2008 Budget	\$ Change	% Change
Pathways	\$ 4,666,107	\$ 2,752,000	\$ (1,914,107)	-41.02%
Drainage Improvements	2,282,606	1,975,000	(307,606)	-13.48%
Roadway Improvements	12,148,873	20,391,000	8,242,127	67.84%
Park Development	3,096,538	2,996,000	(100,538)	-3.25%
Existing Facilities/Infrastructure	6,603,436	10,622,000	4,018,564	60.86%
New Facilities/Infrastructure	7,168,671	6,204,000	(964,671)	-13.46%
Beach Maintenance	17,672,881	1,795,000	(15,877,881)	-89.84%
Land Acquisition*	470,000	631,000	161,000	34.26%
Total	\$ 54,109,112	\$ 47,366,000	\$ (6,743,112)	-12.46%

*This budget is amended by Town Council as land purchases are accomplished.

Debt Service Fund

The Debt Service Fund is established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest payments. In FY 2007, the Town issued \$19.0 million in bonds to be re-paid through Beach Preservation Fees. Proceeds from the bonds were used for the Town's beach re-nourishment project.

Sources of funding for debt service in FY 2008 are as follows:



Debt service costs for Fiscal Year 2008 are as follows:

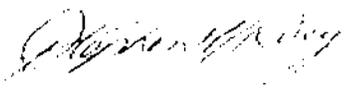
	Interest	Principal	Total
Certificates of Participation	\$ 257,668	\$ 1,050,000	\$ 1,307,668
General Obligation Bonds	3,085,698	4,040,000	7,125,698
Revenue Bonds	1,942,288	2,920,000	4,862,288
Sub-total (Debt Service Fund)	5,285,654	8,010,000	13,295,654
* 2004 TIF Bond	* 294,112	710,000	1,004,112
Grand Total	\$ 5,579,766	\$ 8,720,000	\$ 14,299,766

* Funding for and payment of debt service related to this bond is in the TIF fund.

Summary

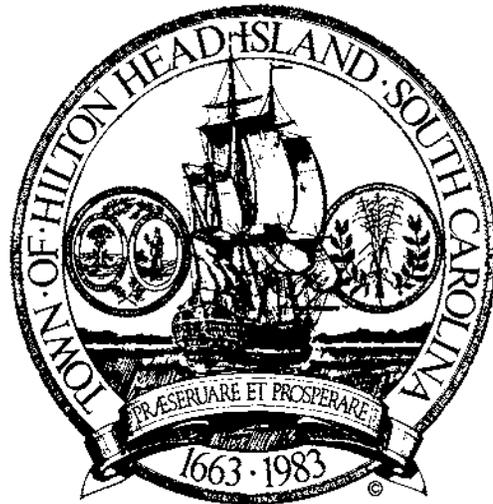
The budget's development proved to be challenging, but we have diversified financial resources with which to sustain our Town programs. Through this budget process, we are able to demonstrate that such a successful community can create a budget that continues the Town's progressive focus. While the pressures of growth and the demands of a substantial number of visitors each year have a significant impact on this financial plan, it still provides for the needs of the Town Council's community-oriented agenda. Thanks to all the departments for holding the line in this budget.

Sincerely,



TOWN OF HILTON HEAD ISLAND

Stephen G. Riley, AICP
Town Manager



Town Vision

“WORLD CLASS RESIDENTIAL RESORT COMMUNITY” MEANS:

- Enhancing our natural beauty
- World class beaches
- Pristine waterways
- Preserving our low country character and heritage
- Well planned community
- Sustainable community through continuous revitalization
- Recreational opportunities for all
- Community welcomes all
- Hilton Head Island: community spirit and pride
- Providing top-quality services and facilities
- Town as a regional and state leader

Goals

TOWN OF HILTON HEAD ISLAND 2011: OUR GOALS

- Sustainable Town - preserving our character
- World-class amenities for residents and guests
- Top quality services, financially sound
- Effective regional transportation system
- Clean, safe, accessible waterways
- Strengthen community spirit and pride

Policy Agenda 2008: Targets for Action

TOP PRIORITY

- **Disaster and Recovery Planning:** Finalize a debris removal plan, streamline the post-disaster permitting process, develop a plan for temporary housing and develop a plan to address financial and administrative issues.
- **Dunnagan’s Alley-Arrow Road Area:** Design and construct a new park at the corner of Arrow Road and William Hilton Parkway and draft plans for a roundabout at the intersection of Dunnagans Alley and Arrow Road.
- **Coastal Discovery Museum:** Develop an agreement with the museum for the management of Honey Horn.
- **Coligny Beach Area:** Complete the redesign of Coligny Park and public parking additions, bury power lines along North Forest Beach, and repave certain roads in South Forest Beach.
- **Environmental Policy Review:** Review the Town’s environmental policies and options for more rigorous enforcement, especially with repeat offenders.
- **Shoreline Protection:** Develop broader beachfront development regulations.

HIGH PRIORITY

- **LMO Redevelopment:** Amend the LMO allowing for more flexibility in redevelopment.
- **Hilton Head Island Airport:** Consider options to restrict extension of the runway.
- **Town Hall and Court Space Needs:** Review the completed space needs study.
- **Visitor's Center Direction:** Should the center be relocated?
- **Southern Beaufort County Regional Plan:** Develop a program for staff of all local governments to jointly review projects that have a regional impact.

MODERATE PRIORITY

- **Tax Legislation/General Assembly Issues:** Assess impact of recent tax legislation and deal with Home Rule bills.
- **Mainland Land Acquisition:** Continue to work with governments on mainland acquisitions to manage growth.
- **Town participation in revised impact fees:** Determine the Town's level of participation in the revised county impact fees.
- **Stormwater Management:** Finalize process for credits to PUDS for their maintenance. Do localized studies. Continue construction projects.
- **Town monitoring of beach water quality:** Consider taking over the monitoring of beach water quality from the State.
- **Stipend Program for Law Enforcement:** Consider merits of modifying or eliminating the current stipend program.
- **Holiday Lights and Program:** Develop a Town program that includes holiday lighting and a community celebration.

Management Agenda 2008

TOP PRIORITY

- **Mathews Corridor Revitalization:** Complete the pathway system and road widening/roundabout, bury power lines, and complete Mathews Connectivity Study Plan.
- **Pope Avenue Revitalization:** Complete Compass Rose Park, Pope Avenue Pathway, Office Park Road realignment, and design and construct new Fire Station #1.
- **Crime Reduction:** Create a strategy and a plan to reduce crime on the Island.
- **Regional Roads Study Group:** Create a regional group to review long-term highway plans (I-95, I-77, Bluffton Parkway, etc.)
- **William Hilton Parkway Repaving/Improvements:** Work with SCDOT to repave the Parkway and implement other safety improvements.
- **Staff Reorganization:** Reorganize Town Hall to better serve our residents.

HIGH PRIORITY

- **Stoney Island Entrance Revitalization:** Widen and improve Squire Pope Road/William Hilton Parkway intersection, construct Horseshoe Road connector, construct Squire Pope/Gumtree roundabout, implement sewer and drainage projects, and develop plans for the southern secondary road.
- **Customer Service Initiative:** Train staff and improve the customer permitting process.
- **Compensation Study:** Review study and decide what recommendations, if any, to implement.
- **Permit Process:** Implement process improvements based on the permitting process audit study.
- **Port Royal Beach Erosion Study:** Evaluate the long-term beach erosion in the Port Royal area and study alternatives to address it.



About Hilton Head Island

History¹

Early History

The written history of Hilton Head Island began with the Spaniards in 1526 as they explored the coastal waters from Key West to the St. Lawrence, naming it "La Florida." They found Indian settlements and evidence of agriculture. (With the arrival of the Europeans, the Indians fate was signed, so that by the year 1662, most of the Indians were gone due to European abuse and disease. But, they left a rich legacy of names and archaeological treasures still being unearthed today.)

Captain Jean Ribaut, a French Huguenot, led an expedition to the area in 1562. He built a fort, named Port Royal, near the present town of Port Royal in Beaufort County.

In 1566, the Spanish again prevailed and established a Fort named Santa Elena on Parris Island (St. Helena), in what is now Beaufort County. From here they explored westward into the new world.

As the scale of power tipped in Europe, England's Elizabeth I sent Sir Francis Drake, in 1586, to drive the Spanish from "La Florida." English development did not commence until 1663, when then King Charles II granted the Coastal Area to 8 Lord Proprietors. They named their territory "Carolina."

Hilton Head Discovered

English Captain William Hilton, in August of 1663, while exploring the Port Royal Sound, sighted the high bluffs of the Island and named it for himself, "*Hilton Head*." The word "Head" refers to the headlands visible to them as they sailed the uncharted waters. He lingered several days, making note of the trees, crops, and also the *sweet water* and *clear sweet air*.

The first English development in the Low Country began in 1698. Indian attacks, sponsored by the Spanish, continued to harass the settlers in the area.

In 1717, Col. John Barnwell was granted a thousand acres on the NW corner of Hilton Head Island by the Lord Proprietors. He became the first white settler. By 1766, 25 families lived on Hilton Head Island.

In 1742, the SC colonial half-galley Beaufort, commanded by Captain David Cutler Braddock, was stationed in the cove at the southern point of the Island to guard against Spanish intrusions. The point and the cove have carried the name Braddock ever since.

Revolutionary War

As talk of Revolution escalated in the Colonies, Hilton Head Island sided with the Colonists. Daufuskie Island, just 1 mile south of the Island, was occupied by the Tories. During the Revolution, the British frequently raided Hilton Head Island and hostilities continued for weeks after Cornwallis surrendered at Yorktown.

¹ Information obtained from the Beaufort County Public Library

Revolutionary War (continued)

During the war, the British burned Plantations on the Island and captured slaves who were later sold in the West Indies. After the war, the Island made a healthy recovery. This became the "Golden Age," as the crops of cotton, indigo, and rice flourished.

Houses on the Island during this prosperous period between the Revolutionary and the Civil War were not the pillared mansions of romantic novels. Although large and airy, the majority were not the owner's main house. Lavish Townhouses were kept in Beaufort or Savannah, or even Charleston. Many of these homes are still in use today.

The War of 1812 once again disrupted life on the Island as the British invaded and burned most of the houses near deep water. When the War was over, the Island's booming economy returned and the good life resumed.

Civil War

South Carolina was among the richest of States, and Hilton Head Island was responsible for several millionaires. South Carolina was the 1st State to secede from the Union on December 20, 1860. The Civil War began April 12, 1861, with Confederates firing on Fort Sumter in Charleston harbor. In January, 1861, General Robert E. Lee was assigned command of the coasts of South Carolina, Georgia, and East Florida. By October of 1861, 77 Union ships sailed from Virginia to Port Royal. On board were 13,000 troops, 1,500 horses, 500 surf boats, and 1,000 laborers to build a town and fortress for the blockade of the South.

In November, 1861, after surviving a hurricane off Cape Hatteras, the small armada circled Port Royal Sound, firing at all settlements in the area. By noon of that day, on November 7th, the Confederates knew the battle for the area was lost, and fled before the invading forces of the Union. Victory that day for the Union meant freedom for 1,000 slaves. The Yankees were here to stay until the War's end. Fort Mitchel was built in 1862. It was named for General Ormsby Mitchel, a well liked leader, who died of malaria that year.

Eventually, Union Forces reached 50,000 on the Island. The blockade of Savannah was accomplished, preventing the Confederacy from exporting cotton and importing supplies from Europe. Hilton Head was Headquarters for the *South Atlantic Blockading Squadron*. The Island became the transfer point for prisoners of war and the wounded as well as Union Soldiers on their way to battle and tons of supplies. Black males on the Island and in the surrounding area were pressed into service, becoming the first Black troops for the Union. The money they earned as soldiers enabled them, after the War, to buy land on Hilton Head Island. General Mitchel, before his death, began construction of adequate housing for several thousand homeless Blacks who had gathered on the Island since the War began. Mitchelville was the first town developed specifically for the freedmen. It had almost 1,500 residents.

During this time, their children attended schools and they lived in this housing for the duration of the War. After Lee's surrender at Appomattox, the Federal troops departed for the North. Only Mitchelville inhabitants remained. With the passage of time Mitchelville disappeared, and the Island was left to nature and only a few islanders. Hilton Head Island was again forgotten. Small communities of former slaves sprang up on the Island. These communities consisted of farmers, fishermen, basket weavers and fishnet makers. Summer was for farming, winter was for harvesting oysters and in the fall the "blue crab" was caught. Island navigators piloted boats between Savannah and the Island.

Civil War (continued)

"Gullah", a blend of slave, native, cadence, and Elizabethan English was spoken here. This rich culture, developed over the years of slavery, survives to this day. Old spirituals and songs were made up and used by slaves as codes for meeting times and places and as messages for freedom. The songs and stories also spoke of storms and other events in the lives of the slaves. As interest in the history of African-Americans on Hilton Head grows, more evidence of their lifestyle is being preserved. The Gullah culture continues as community leaders encourage its preservation.

By 1890, Northerners again came, this time to hunt and fish the abundant game. 1,000 acres in Leamington Plantation were sold to the North Carolina Hunt Club. Money was scarce and the Islanders bartered for goods and services. In 1931, more land was acquired for hunting purposes, including those remaining lands owned by the Federal Government. By now, the native island population was around 300. Access to the Island was by water only.

During World War II, the Leamington Lighthouse was the site of Camp McDougal, used by the Shore Patrol. Gun emplacements for target practice out over the Atlantic are still visible south of the Marriott Hotel (formerly known as the Hyatt) as the sands shift with the tides. These join Indian relics and landmarks of the Revolution and Civil War that are found throughout the Island.

Modern Age

1950 marks the beginning of the Modern Age of Hilton Head Island. Electricity arrived in 1951, and the first telephone was installed in 1960. In the fifties, the Fraser family and Fred Hack led a group of Georgia natives in the purchase of 19,000 of the Island's 25,000 acres. These farsighted men ended the use of land for timbering and hunting, and began selling the land to developers. They brought a system of land use that became the prototype of many other successful developments by focusing on preserving the natural environment.

Dirt roads gave way to paved ones. Beautiful bridges replaced Ferry boats accessing the Island. Residential Plantations were developed, often around original Plantation boundaries.

Rapid growth of the Island began in 1970, and the population has grown from 2,500 then to some 35,000+ in recent years. In 1970, The Island Packet, our present daily Newspaper, was first published as a 12 page tabloid. In 1975, the Island Hospital was built, and the Town population was then 6,500. The Town was incorporated on May 18, 1983. The Articles of Incorporation provide for a Council-Manager form of government. The legislative authority rests with a Mayor and six (6) council members.

Geography/Industry

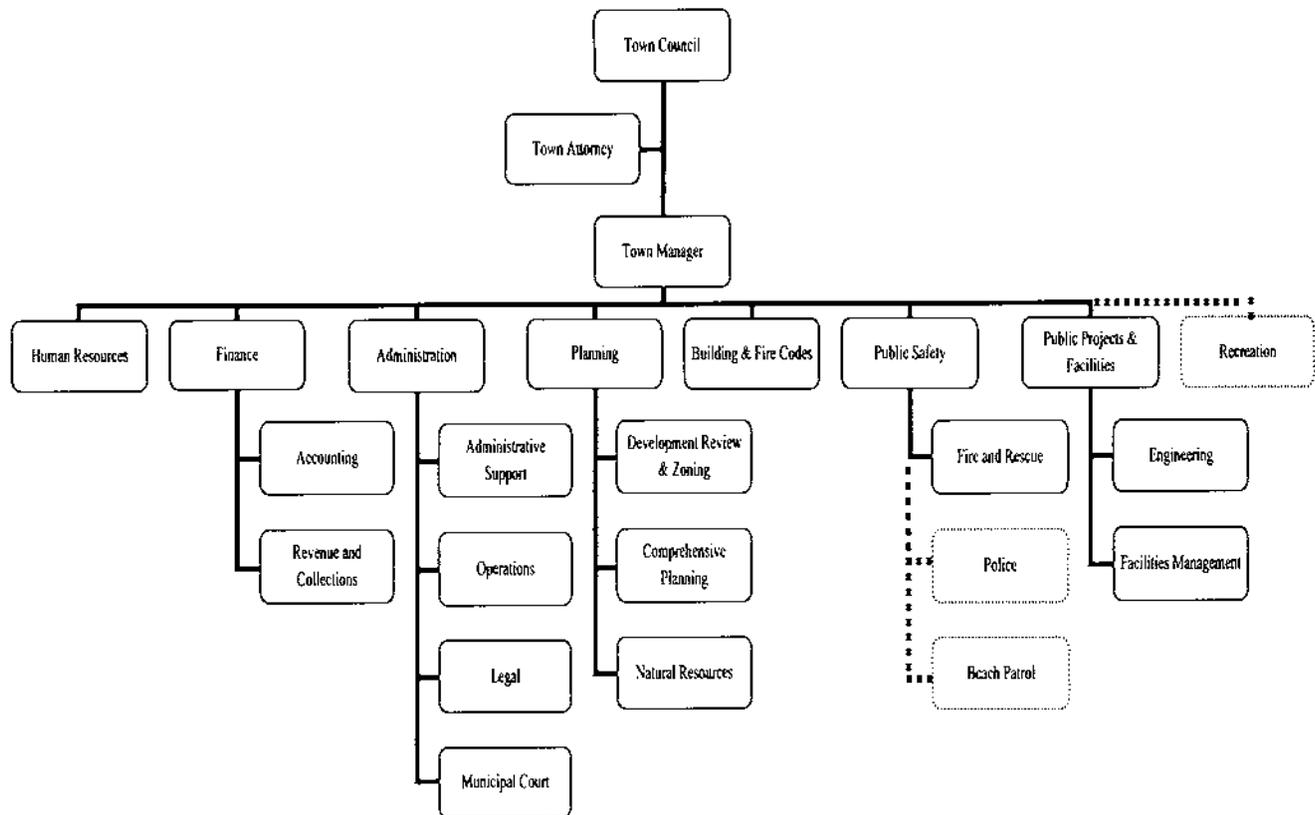
Hilton Head Island is a barrier island on the Atlantic coast of South Carolina. The Island is located about 45 miles from Savannah, Georgia and about 85 miles from Charleston, South Carolina. Approximately 54 miles in square area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor.

Tourism is the largest industry in the Island's economy. There are approximately 2.5 million visitors annually. The Island hosts a major sports event in the Verizon Heritage Golf Tournament. The Island has established world class accommodations, and the tourism industry continues to grow with a peak summer population of approximately 247,860.



General Information

Town Organizational Chart



Hilton Head Island at a Glance

Demographic Information

Population	
1996	30,340
1997	31,141
1998	31,452
1999	31,767
2000	33,862
2001	34,001
2002	34,531
2003	34,499
2004	35,180
2005	38,931
2006	39,700
2007 (estimate)	40,500
Median Age	46.5
Number of Households	14,408
Average Family Size	2.32
Per Capita Income	\$36,621
Racial Composition	
White	85.33%
Black or African American	8.26%
American Indian, Alaskan Native	0.14%
Asian	0.55%
Other	5.72%
Hispanic Ethnicity	11.48%
Land Use	
Land Area	54 sq. miles
Miles of Beach	13
Tourism	
Monthly Peak Summer Population	247,863

Total Annual Visitors	2.5 million
Annual Visitor Expenditures	\$1.57 billion

General Information

Property Tax Millage Rate:

General Fund (Operating)	12.48
Capital Projects Fund (CIP)	.85
Voter Approved Debt	5.67
Total Millage Rate	19.00

Bond Ratings:

Moody's Investor Service	Aa ²
Standard and Poor's	AA
Fitch	AA

FY 2008 Adopted Budget \$93,154,110

Total Town Staff (FTEs) 261.80

Recreation and Culture

Public Tennis Clubs	7
Tennis Courts Public and Private	382

Public Recreation Facilities

Active Recreation	3
Beach Access/Parks	7
Pools	1

Arts Center 1

Number of Libraries	2
Number of Museums	1
Number of Nature Preserves	3
Number of Marinas	10

Golf Course in Town Limits
 (non-municipal) 25

Hilton Head Island at a Glance (continued)

Economic Development²

Hilton Head Island's economy is primarily tourism and real estate driven.

- Presently, there are more than 600 real estate executives employed on the Island.
- 61% of local jobs are tourism-related.
- Tourism in the Hilton Head Island area employs over 10,000 people living both on the Island and in the surrounding communities.
- Approximately 43 percent of the 5,000 licensed Island enterprises are retail and service-oriented companies.
- Retail operations and restaurants, in particular, have flourished on Hilton Head Island.
- Tourism contributes more than \$1.5 billion into the Hilton Head Island area economy annually.
- Tourist lodging facilities on Hilton Head Island pay nearly \$20 million in property taxes to Beaufort County.
- Sales taxes paid by visitors total \$47 million. Taxes paid by tourists save every South Carolina taxpayer more than \$200 each year in state taxes.
- Last year, \$2.5 million in accommodation taxes paid by tourists was awarded to community organizations and Town government to help:
 - ⇒ Promote tourism
 - ⇒ Nourish beaches
 - ⇒ Support beach parks
 - ⇒ Build pathways
 - ⇒ Support various cultural organizations
 - ⇒ Pathway rehabilitation

Property Sold Through Real Estate Agents ³

	2003	2004	% change	2005	% change	2006	% change
Homes Sold	943	1,186	25.8%	1,314	10.8%	758	-42.3%
Average Price	\$ 679,587	\$ 760,714	11.9%	\$ 927,752	22.0%	\$ 999,051	7.7%
Days on Market	136	128	-5.9%	94	-26.6%	103	9.6%
Villas Sold	1,361	1,726	26.8%	1,954	13.2%	791	-59.5%
Average Price	\$ 265,884	\$ 278,711	4.8%	\$ 349,583	25.4%	\$ 398,854	14.1%
Days on Market	119	87	-26.9%	61	-29.9%	95	55.7%
Lots Sold	261	422	n/a	370	-12.3%	196	-47.0%
Average Price	\$ 277,674	\$ 331,234	n/a	\$ 439,756	32.8%	\$ 515,836	17.3%
Days on Market	194	157	n/a	82	-47.8%	82	0.0%

² Hilton Head Island Chamber of Commerce

³ hhisleinfo.com

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.] In order to provide a meaningful comparison of actual results with the budget, the CAFR presents the Town's operation on a GAAP basis and shows fund expenditures and revenues on a budget basis for all of the Town's major funds.

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 does not report any 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 are considered government 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 operating expenditures associated with police, fire, planning, engineering, facilities management, building and fire codes, and administrative services.

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

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

Fund Financial Statements (continued)

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

State Accommodations Tax 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 Fees 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.

Real Estate Transfer Fee 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.

The Town reports the Community Development Block Grants, Palmetto Electric Franchise Fees, and the Home Grant Special Revenue funds as non-major governmental 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.

Measurement Focus and Basis of Accounting

All funds of the Town are maintained during the year using the modified accrual basis of accounting.

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.

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.

Measurement Focus and Basis of Accounting (continued)

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.

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.

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held by Wachovia 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 can not 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. The Town's road network is deeded to the County and is not included in the Town's 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
Dams	30-50 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

Compensated Absences (continued)

criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee reaches retirement age. In accordance with GASB no liability is recorded for non-vesting accumulative rights to receive sick pay benefits.

The sick leave termination benefit for employees who have a minimum of five years consecutive employment and are terminated for non-disciplinary reasons is computed based on a percentage of actual sick leave. The sick leave termination benefit is paid as a taxable lump-sum bonus at termination. Employees who were older than age 55 on July 1, 2000, and were employed by the Town were grandfathered under the prior plan of receiving their sick leave as a retirement benefit. The grandfathered employees are eligible for the greater of the sick leave termination benefit or the sick leave retirement benefit.

Long-Term Obligations

In the government-wide financial statements, 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 Losses on Advance Refundings

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 losses on advance refundings are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred losses on advance refundings 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 Refundings of Debt Reported by Proprietary Funds.

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

Budgetary Accounting

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, and Capital Projects Fund. Budgets for the Tax Increment Financing (TIF) Fund and the State Accommodations Fund are adopted by Town Council some time after the start of the fiscal year. The only portion of these budgets approved during the annual adoption process is the portion transferred into the General Fund, Debt Service Fund, and Capital Projects Fund.

Budgetary Accounting (continued)

The Town Manager submits to Town Council a proposed operating budget for the General Fund, Debt Service Fund, and Capital Projects Fund (CIP) 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, and Capital Projects Fund (CIP).

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

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

Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles. 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 next five 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.

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 (balanced budget).

Expenditures

All current operating expenditures will be paid for with current operating revenues. Budgetary procedures that fund current expenditures at the expense of future needs, such as postponing expenditures, 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.

Expenditures (continued)

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 next five years shall be all-inclusive and will be reviewed and updated annually.

Capital Improvement Plan (CIP)

The Town will develop a ten-year Capital Improvements Plan and update it annually.

As part of the annual operating budget, the Town will adopt an annual capital improvement budget based on the multi-year CIP.

The Town will make all capital improvements in accordance with the adopted Capital Improvement Plan.

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

The CIP will contain multi-year projections of expenditures.

The annual budget will implement the first year of the CIP.

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.

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 may be identified through savings on other capital projects at the discretion of the Director of Finance or through Town Council action 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.

Financial Reserves/Bond Ratings

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.

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	Aa ²
Standard and Poor's	AA
Fitch	AA

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

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.

Debt Management Policies (continued)

The Town may confine long-term borrowing to capital improvements and projects that have lives of 4-50 years.

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 estimated total assessed value of \$814,954,000, the legal debt margin for the Town of Hilton Head Island is \$65,196,320. Town Council has imposed an 80% cap which further limits this to \$52,157,056. The Town has \$14,180,000 in bonds issued at June 30, 2007, which are applicable to this cap, leaving \$37,977,056 available.

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.

Disaster Planning Reserves/Policies

To protect the Town's assets against catastrophic events the following reserves have been established:

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 Town 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.

Disaster Planning Reserves/Policies (continued)

Advertising Reserve

The Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster advertising reserve account. These funds are held in reserve for disaster management communications oriented programs. The fund will be used to provide post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the Town Manager. The total amount of funds to be deposited in the reserve for this purpose will not exceed \$1 million. Annual interest earned on funds in the reserve will also be deposited into the account.

General Reserve

Once the Disaster Advertising Reserve reaches \$1 million, the Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster general reserve account. These funds may be used for pre-disaster planning and post disaster recovery efforts (non-communication related activities or debt service payments). The total amount of funds held in reserve for this purpose will not exceed 15% of the General Fund's annual operating revenue.

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 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.

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:

- 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.

Disaster Planning Reserves/Policies (continued)

- 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.

In the event of a disaster the Town will adopt the following ordinances/resolutions:

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 with Phillips and Jordan for the purpose of providing disaster storm debris removal services.



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 services, consulting, supplies, repairs, utilities, 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.

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 by each department.

Approach to the Budget Review Process (continued)

It should be noted that departments not only develop a budget for the upcoming fiscal year, they develop a five-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 five-year revenue forecast developed by the Finance Department, with assistance from the departments, to create the Town's five-year forecast that is incorporated in the budget document.

At the same time the operating budgets are being created, the Deputy Town Manager 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 Finance Department staff consolidates: the General Fund revenue budget and departmental expenditure budgets; the Capital Projects Fund/CIP budget; the Debt Service Fund budget; as well as the five-year forecast creating the proposed operating budget (business plan) for the upcoming fiscal year.

Budget Approval Process

During the month of March, 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.

During the month of May, 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 quarterly 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).

Budget Transfers, Amending the Budget and Encumbrances (continued)

- 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 fifteen percent (15%) or One Hundred Thousand Dollars (\$100,000), whichever is less. If the total contract amount exceeds said thresholds, the contract and 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.

Encumbrances - appropriations in governmental funds 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 for 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 \$1,000. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.

Consolidated Budget Summary - All Funds

Introduction

The Fiscal Year 2008 Annual Budget was developed based on the goals and vision of Town Council. The financial resources have been allocated in the budget in a manner that we believe will successfully meet the challenges we have before us and set the stage for the Town's continued success in the future.

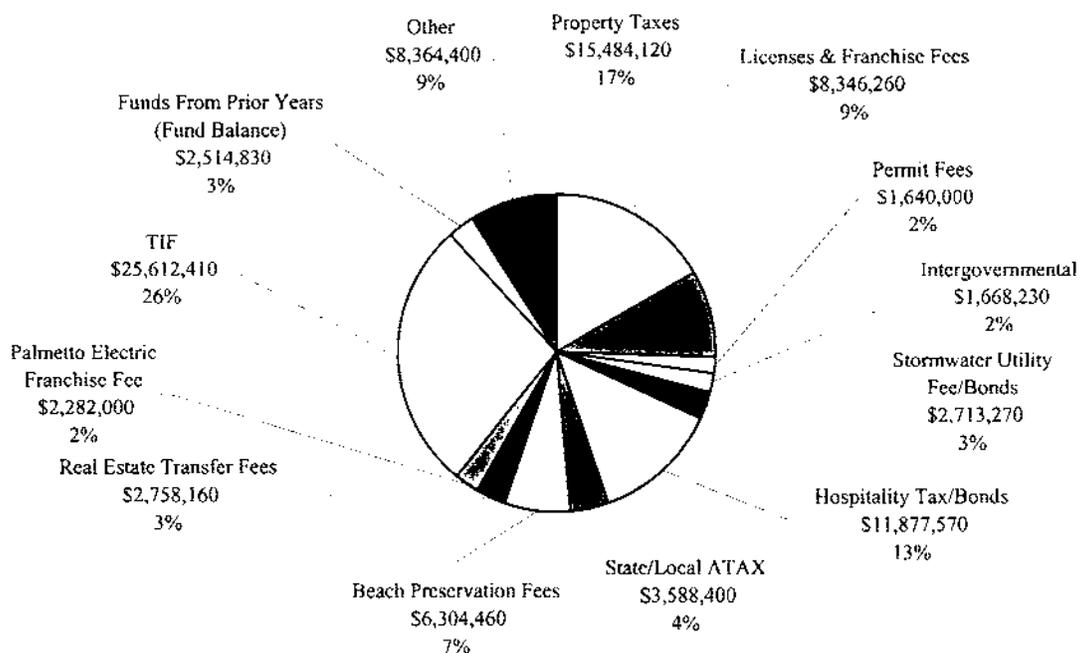
Fiscal Year 2008 Combined Budget

The combined Fiscal Year 2008 budgeted expenditures for all funds is \$93,154,110. This represents a decrease of \$1.8 million or 1.9% compared to the Fiscal Year 2007 budget. The General Fund budget increased by \$2.5 million or 8.2%, the Debt Service Fund budget increased by \$2.5 million or 23.2%, and the Capital Projects Fund (CIP) budget decreased by \$6.7 million or 12.5%.

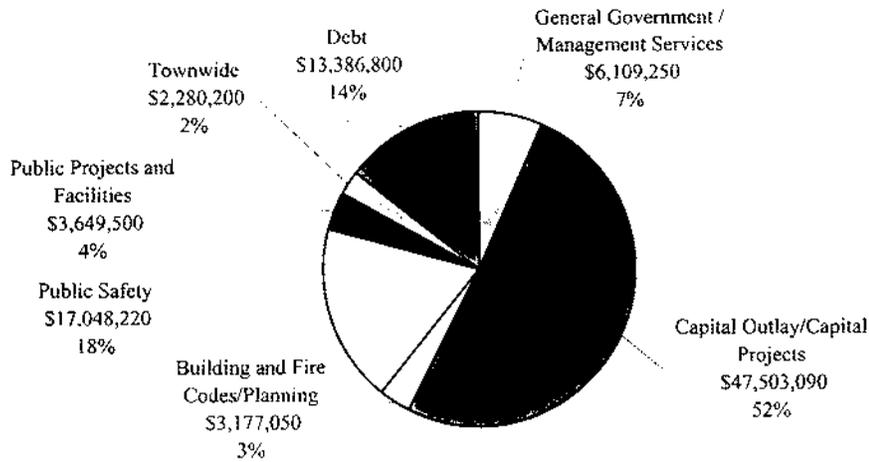
The Fiscal Year 2008 budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures. The Town will use: General Fund \$1.3 million, the Debt Service Fund \$715,410 and the Capital Projects Fund \$470,290, in reserve funds (fund balance) to balance those respective budgets. Sufficient reserve funds exist in all funds.

The Town's budget is structured on the basis of individual funds. This approach represents the financial structure of the Town as a municipal corporation. Each fund is a distinct financial entity with its own revenues and expenditures.

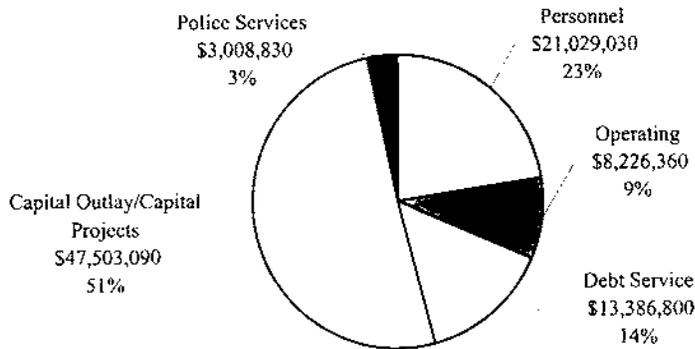
ALL FUNDS - WHERE THE MONEY COMES FROM



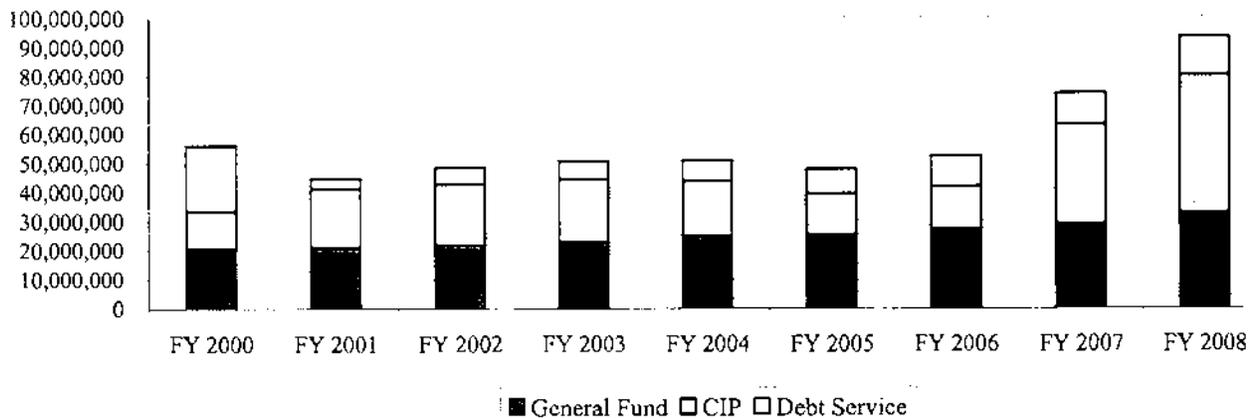
ALL FUNDS - WHERE THE MONEY GOES BY PROGRAM



ALL FUNDS - WHERE THE MONEY GOES BY CATEGORY



Trend Analysis of Expenditures by Fund



Note: FY 2000 through FY 2006 are actual and FY 2007 is a projection. Also, FY 2004 and FY 2005 exclude debt refunding.

Historical Overview of Revenues and Expenditures - General Fund, Debt Service Fund and Capital Projects Fund (CIP)

	Actual FY 2004	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Budget FY 2008
Revenues					
Property Taxes	\$ 15,113,491	\$ 17,824,995	\$ 14,976,069	\$ 15,296,987	\$ 15,484,120
Other Taxes/Fees	4,858,182	7,162,412	10,038,555	10,882,218	6,159,980
Business Licenses and Franchise Fees	6,722,380	7,261,596	8,313,950	8,133,882	8,346,260
Permits	1,256,954	1,663,283	1,890,293	1,430,396	1,640,000
Intergovernmental	2,760,006	2,875,601	2,865,082	3,187,876	1,668,230
Investment Income	425,783	819,878	2,791,952	2,621,534	850,000
Miscellaneous Fees	3,061,400	3,149,491	2,936,389	3,194,512	9,921,970
Total	\$ 34,198,196	\$ 40,757,256	\$ 43,812,290	\$ 44,747,405	\$ 44,070,560
Expenditures					
General Government	\$ 1,150,862	\$ 1,233,212	\$ 1,395,347	\$ 1,478,564	\$ 1,648,540
Management Services	3,045,720	3,166,953	3,642,659	3,869,402	4,460,710
Building and Fire Codes/Planning	2,341,354	2,481,374	2,653,273	2,787,077	3,177,050
Public Safety	12,812,101	13,766,856	14,760,157	15,389,088	17,048,220
Public Projects and Facilities	2,307,710	2,467,434	2,679,746	3,225,114	3,649,500
Townwide	2,774,970	1,668,095	1,664,406	1,761,010	2,280,200
Capital Outlay	19,174,524	14,215,046	14,960,064	34,351,163	47,503,090
Debt Service	18,061,127	38,464,886	10,590,370	10,881,805	13,386,800
Total	\$ 61,668,368	\$ 77,463,856	\$ 52,346,022	\$ 73,743,223	\$ 93,154,110
Sub-Total Excess/(Deficiency) of Revenues Over Expenditures	\$ (27,470,172)	\$ (36,706,600)	\$ (8,533,732)	\$ (28,995,818)	\$ (49,083,550)
Other Financing Sources (Uses)					
Bond Issue/Other	36,740,000	31,545,673	-	19,303,951	34,898,000
Operating Transfers In	7,995,637	8,839,434	12,563,629	16,253,982	14,185,550
Total Other Financing Sources (Uses)	44,735,637	40,385,107	12,563,629	35,557,933	49,083,550
Total Excess/(Deficiency) of Revenues Over Expenditures	\$ 17,265,465	\$ 3,678,507	\$ 4,029,897	\$ 6,562,115	\$ -

Budget Highlights

Some of factors impacting the budget are:

Revenues:

- The Town's total millage rate will remain the same as last fiscal year at 19.0 mills. However, the millage rate levied by fund will change. The Town is shifting .15 mills of the Debt Service millage rate to the General Fund. The millage rate by fund will be: the General Fund (12.48 mills), the Capital Projects Fund (CIP) (0.85 mills), and Debt Service Fund (5.67 mills). The .15 mills shift in millage is based on the percentage increase allowed under a new State code section enacted in 2006 which placed limitations on annual millage rate increases for general operating purposes (1.2%). Rather than increase the millage rate in total the Town chose to shift property tax revenue from the Debt Service Fund to the General Fund.

Budget Highlights (continued)

Revenues (continued):

- Revenue from property taxes in all three funds is anticipated to **decrease** by \$159,260 over the previous fiscal year budget. The decrease is due to 2004 re-assessment appeals that could not be anticipated during the development of the FY 2007 budget. Consequently, the FY 2008 budget is a conservative estimate of anticipated revenues.
- It is anticipated revenue from business licenses will increase by \$200,663. (General Fund)
- It is anticipated that revenue from building and development permits will **decrease** by \$95,900. This is due to a down turn in the real estate market. (General Fund)
- Beach preservation fees will provide \$2.5 million for various CIP projects in the Capital Projects Fund and \$2.9 million for debt service payments.

Expenditures:

- An additional 3.0 FTEs will be added in the General Fund next fiscal year. The Finance Department, Revenue and Collections Division, will add a Revenue Auditor and convert a long-term temporary License/Revenue Specialist position to a Business Process Specialist position, and the Public Projects and Facilities Department, Facilities Management Division will add a Facilities Technician. (General Fund)
- The results of the compensation study undertaken in FY 2007 will increase salaries and wages by 5.0% in addition to the 4.5% programmed for annual merit increases. (General Fund)
- Workers' compensation costs are anticipated to increase by 39% in next fiscal year. (General Fund)
- The Town will provide \$35,800 in additional funding to the Recreation Association. (General Fund)
- The Town will provide the Coastal Discovery Museum with \$75,000 to assist with the cost of maintaining Honey Horn Plantation. (General Fund) **(new item)**
- In the Townwide budget \$31,000 has been included for civic events. (General Fund) **(new item)**
- In the Finance Department \$27,000 is being provided for a telecommunications tax audit, legal advice on business tax and license code updates, and the annual arbitrage calculation. (General Fund)
- In the Public Projects and Facilities Department an additional \$15,286 is being provided for closed loop traffic signal maintenance. (General Fund)
- \$49,500 has been included in the budget for municipal elections. (General Fund)
- Outside legal fees have been increased by \$59,000 based on historical use. (General Fund)
- Software maintenance contracts have been increased by \$45,600 due to new business license and tax/cash receipting software and IVR system software, and Permits Plus software upgrades. (General Fund)

Budget Highlights (continued)

Expenditures (continued):

- \$50,080 has been included in the budget for desktop software upgrades, digitizing software for the Planning Department, and migration of the ticket program to a hand held environment. (General Fund)
- In the Fire Department budget \$16,000 is being provided for higher uniform alteration costs and the replacement of bunker gear. (General Fund)
- In the Fire Department budget \$56,000 is earmarked to retro-fit generators in the Medics. (General Fund)
- In the Fire Department budget \$12,000 is being provided for office rental costs for systems support personnel for 911 Communications. (General Fund)
- In the Fire Department budget \$40,000 is earmarked for specialized compressed air foam systems equipment (CAFS) for 10 new pumper trucks. (General Fund)¹
- In the Fire Department budget \$26,000 is earmarked for 2 thermal image cameras. (General Fund)
- The contract with the Sheriff's Department will increase by \$145,740. (General Fund)
- The CIP budget provides funding for the replacement of 10 pumper trucks at a cost of \$2.1 million (Hospitality Taxes). (Capital Projects Fund)¹
- The CIP budget provides funding for the construction of a new Fire Station #5 at a cost of \$2.5 (Hospitality Tax bonds). Capital Projects Fund)
- The CIP budget plans for the issuance of \$25.4 million in TIF bonds to fund various TIF District related projects. (Capital Projects Fund)
- The CIP budget provides funding for groins refurbishment in the amount of \$1.0 million (Beach Preservation Fees). (Capital Projects Fund)
- The CIP budget provides funding for the new facilities management building in the amount of \$1.5 million (\$750,000 property taxes/\$750,000 Hospitality Tax bonds). (Capital Projects Fund)
- The CIP budget provides funding for the new Fire Department training facility in the amount of \$1.8 million (Hospitality Tax bond). (Capital Projects Fund)
- The CIP budget provides funding for the burial of power lines at a cost of \$2.3 million (Electric Franchise Fee). (Capital Projects Fund)
- Debt service costs will increase by \$2.5 million. This increase is associated with the issuance of bonds for the beach renourishment project in FY 2007 funded by Beach Preservation Fees. (Debt Service Fund)

¹ These two items are related expenditures

Property Taxes - All funds

Current Property taxes

An ad valorem property tax, a tax per unit of property value, is levied upon all real property and certain classes of tangible property as that property is assessed and equalized for State and County purposes for any tax year. The property tax is authorized by the South Carolina Code of Laws (SC Code), Sec. 5-7-30 and 12-43-220, and also by the Town of Hilton Head Island Code of Ordinances, Title 4, Chapter 3.

Collection and Distribution

The tax levy is released in September and current taxes are payable from October 1st through December 31st of each year. On January 15, unpaid taxes are considered delinquent and penalties begin to accrue.

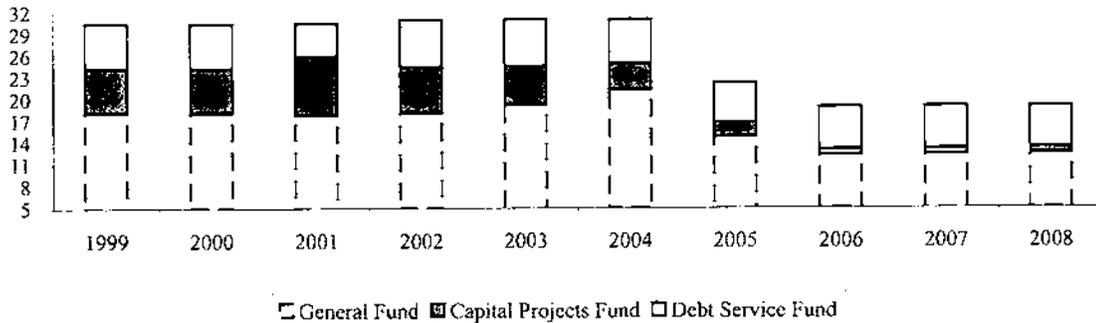
Property taxes are levied for the purposes of funding the provision of municipal services, the Capital Improvements Program (CIP), and the retirement of debt. For Fiscal Year 2008, 12.48 mills will be paid to the General Fund (65.7% of levy), .85 mills to the Capital Projects Fund (4.5% of levy), and 5.67 mills (29.8% of levy) will be used for the retirement of debt.

In 2006 the South Carolina legislature enacted a new code section which placed limitations on annual millage rate increases. The code section reads as follows:

A local governing body may increase the millage rate imposed for general operating purposes above the rate imposed for such purposes for the preceding tax year only to the extent of the increase in the average of the twelve monthly consumer price indexes for the most recent twelve-month period consisting of January through December of the preceding calendar year, plus, beginning in 2007, the percentage increase in the previous year in the population of the entity as determined by the Office of Research and Statistics of the State Budget and Control Board. However, in the year in which a reassessment program is implemented, the rollback millage, as calculated pursuant to Section 12-37-251(E), must be used in lieu of the previous year's millage rate.

Based on the new legislation the Town's allowable millage rate increase could have been 1.2% (3.2% consumer price index (CIP) and -2.0% population decline [provided by the State Budget and control Board]). Rather than increase the millage rate the Town chose to shift 1.2% of the millage rate from the Debt Service Fund to the General Fund. The Debt Service Fund will offset the reduction in property tax revenue through the use of reserve funds (fund balance).

Millage Rate - Historical Analysis



Staffing Changes

	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>Variance</u>
Town Council	7.00	7.00	7.00	7.00	-
Town Manager	3.00	3.00	4.00	4.00	-
Human Resources	4.00	4.00	4.00	4.00	-
Administration	23.00	23.50	23.50	23.50	-
Finance	17.00	17.00	17.00	19.00	2.00
Planning	19.00	19.00	19.00	19.00	-
Building and Fire Codes	16.50	17.00	17.00	17.00	-
Fire and Rescue	144.00	144.80	147.30	147.30	-
Public Projects and Facilities	19.00	19.00	20.00	21.00	1.00
TOTAL	<u><u>252.50</u></u>	<u><u>254.30</u></u>	<u><u>258.80</u></u>	<u><u>261.80</u></u>	<u><u>3.00</u></u>

Total FTEs in the General Fund will increase by 3.0 FTEs, from 258.80 to 261.80. FTE additions for the upcoming fiscal year are:

1. Finance – Revenue and Collections
 - The conversion of one long-term temporary License/Revenue Specialist position to a full-time regular Business Process Specialist position
 - The addition of one Revenue Auditor position
2. Public Facilities – Facilities Management
 - The addition of one Facilities Technician position



General Fund Analysis

The General Fund accounts for the revenues and expenditures necessary to carry out basic governmental activities of the Town such as police and fire protection, recreation, and legal and administrative services. All financial transactions not accounted for in other funds are recorded in the General Fund.

Department Expenditure Summary for Fiscal Year 2008 (General Fund)

Department	Personnel	Operating	Capital/Debt	Grants	Total Expenses
Town Council	\$ 84,980	\$ 360,200			\$ 445,180
Town Manager	497,200	36,250			533,450
Human Resources	473,680	196,230			669,910
Administration	1,935,620	1,027,670	\$ 19,740		2,983,030
Finance	1,318,500	178,920			1,497,420
Planning	1,603,950	147,050			1,751,000
Building and Fire Codes	1,311,150	114,900			1,426,050
Fire and Rescue	12,052,080	1,987,310	188,000		14,227,390
Police (Contract Agreement)		3,008,830			3,008,830
Public Projects and Facilities	1,751,870	1,897,630			3,649,500
Non-Departmental (Townwide)		896,960		\$ 1,383,240	2,280,200
Totals	\$ 21,029,030	\$ 9,851,950	\$ 207,740	\$ 1,383,240	\$ 32,471,960

Historical Overview of Revenues and Expenditures - General Fund

	Actual FY 2004	Actual FY 2005	Actual FY 2006	Estimated FY 2007	Budget FY 2008
Revenues					
Property Taxes	\$ 10,366,446	\$ 11,833,517	\$ 9,729,367	\$ 9,931,217	\$ 10,170,620
Other Taxes	1,860,744	1,991,048	2,223,657	2,259,950	2,293,850
Business Licenses and Franchise Fees	6,722,380	7,261,596	8,313,950	8,133,882	8,346,260
Permits	1,256,954	1,663,283	1,890,293	1,430,396	1,640,000
Intergovernmental	880,365	916,929	928,121	977,675	997,230
Investment Income	91,673	135,853	488,747	609,398	500,000
Miscellaneous Fees	2,094,627	2,010,064	2,657,310	2,304,964	2,475,140
Total	\$ 23,273,189	\$ 25,812,290	\$ 26,231,445	\$ 25,647,482	\$ 26,423,100
Expenditures					
General Government	\$ 1,150,862	\$ 1,233,212	\$ 1,395,347	\$ 1,478,564	\$ 1,648,540
Management Services	3,045,720	3,166,953	3,642,659	3,869,402	4,460,710
Building and Fire Codes/Planning	2,341,354	2,481,374	2,653,273	2,787,077	3,177,050
Public Safety	12,812,101	13,766,856	14,760,157	15,389,088	17,048,220
Public Projects and Facilities	2,307,710	2,467,434	2,679,746	3,225,114	3,649,500
Townwide	2,364,034	1,668,095	1,664,406	1,761,010	2,280,200
Capital Outlay	316,328	375,866	106,209	261,069	137,090
Debt Service	97,722	97,723	70,650	70,650	70,650
Total	\$ 24,435,831	\$ 25,257,513	\$ 26,972,447	\$ 28,841,974	\$ 32,471,960
Sub-Total Excess/(Deficiency) of Revenues Over Expenditures	\$ (1,162,642)	\$ 554,777	\$ (741,002)	\$ (3,194,492)	\$ (6,048,860)
Other Financing Sources (Uses)					
Bond Issue/Other	2	-	-	-	-
Operating Transfers In	1,883,830	3,160,783	4,117,431	4,722,280	4,719,730
Operating Transfers Out	(410,936)	-	-	-	-
Funds from Prior Years	-	-	-	-	1,329,130
Total Other Financing Sources (Uses)	1,472,896	3,160,783	4,117,431	4,722,280	6,048,860
Excess/(Deficiency) of Revenues Over Expenditures	\$ 310,254	\$ 3,715,560	\$ 3,376,429	\$ 1,527,788	\$ -

General Fund Two-Year Comparison

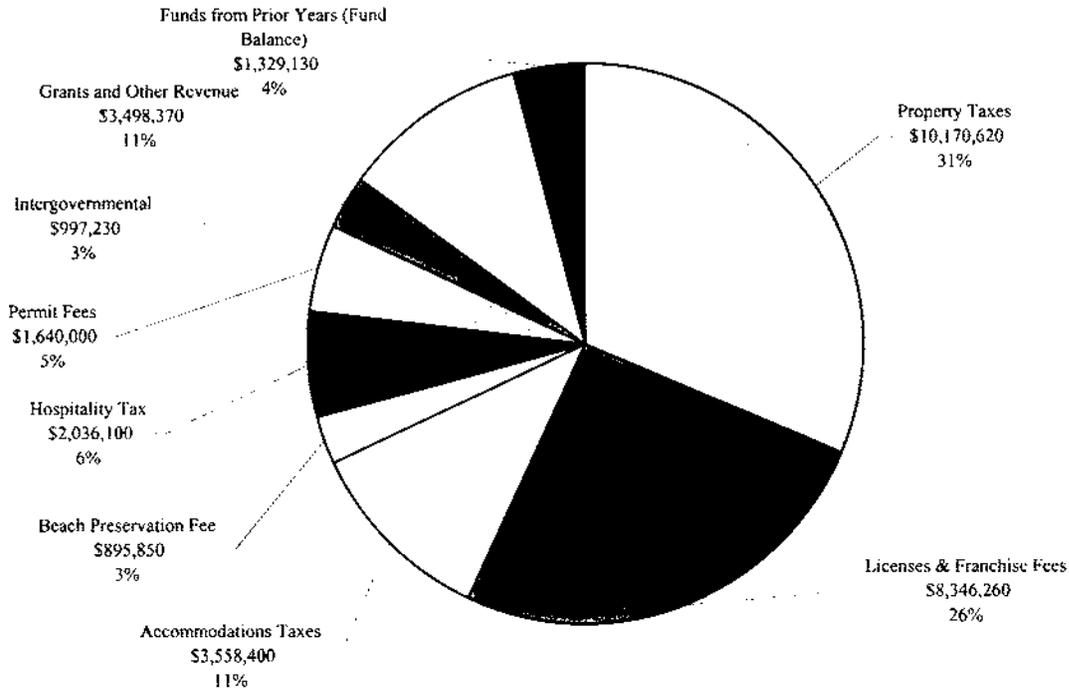
	FY 2007 Revised Budget	FY 2007 Est. Actual	FY 2008 Budget	Budget Diff. % FY 2007	Estimate Diff. % FY 2007
Revenues:					
Property Taxes	\$ 10,134,510	\$ 9,931,217	\$ 10,170,620	0.36%	2.41%
Local ATAX Public Safety	2,140,000	2,259,950	2,293,850	7.19%	1.50%
Licenses & Franchise Fees	7,513,450	8,133,882	8,346,260	11.08%	2.61%
Permit Fees	1,735,900	1,430,396	1,640,000	-5.52%	14.65%
Intergovernmental Revenue	994,510	977,675	997,230	0.27%	2.00%
Miscellaneous Revenue	1,880,220	2,218,656	2,316,440	23.20%	4.41%
Grants	145,000	86,308	158,700	9.45%	83.88%
Investments	365,940	609,398	500,000	36.63%	-17.95%
Funds from Prior Years	368,984	-	1,329,130	260.21%	N/A
Transfer In	4,722,280	4,722,280	4,719,730	-0.05%	-0.05%
Total Revenues	\$ 30,000,794	\$ 30,369,762	\$ 32,471,960	8.24%	6.92%
Expenditures					
General Government					
Town Council	\$ 383,930	\$ 463,037	\$ 445,180	15.95%	-3.86%
Town Manager	338,060	372,404	533,450	57.80%	43.24%
Human Resources	659,545	643,123	669,910	1.57%	4.17%
	1,381,535	1,478,564	1,648,540	19.33%	11.50%
Management Services					
Administration	2,729,390	2,628,193	2,963,290	8.57%	12.75%
Finance	1,351,660	1,241,209	1,497,420	10.78%	20.64%
	4,081,050	3,869,402	4,460,710	9.30%	15.28%
Building and Fire Codes/ Planning					
Planning	1,603,440	1,512,843	1,751,000	9.20%	15.74%
Building and Fire Codes	1,337,460	1,274,234	1,426,050	6.62%	11.91%
	2,940,900	2,787,077	3,177,050	8.03%	13.99%
Public Safety					
Fire	12,948,485	12,758,302	14,039,390	8.42%	10.04%
Police	2,860,990	2,630,786	3,008,830	5.17%	14.37%
	15,809,475	15,389,088	17,048,220	7.84%	10.78%
Public Projects and Facilities					
	3,285,974	3,225,114	3,649,500	11.06%	13.16%
Townwide					
	1,991,900	1,761,010	2,280,200	14.47%	29.48%
Debt					
	71,000	70,650	70,650	-0.49%	0.00%
Capital Outlay					
	438,960	261,069	137,090	-68.77%	-47.49%
Total Expenditures	\$ 30,000,794	\$ 28,841,974	\$ 32,471,960	8.24%	12.59%
Excess/(Deficiency) of Revenues Over Expenditures	\$ -	\$ 1,527,788	\$ -		
Beginning Fund Balance		\$ 14,695,783	\$ 16,223,571		
Ending Fund Balance		\$ 16,223,571	\$ 14,894,441		

General Fund Detail Revenue Two-Year Comparison

	FY 2007 Revised Budget	FY 2007 Est. Actual	FY 2008 Budget	Budget Diff. % FY 2007	Estimate Diff. % FY 2007
Property Taxes	\$ 10,134,510	\$ 9,931,217	\$ 10,170,620	0.36%	2.41%
Licenses & Franchise Fees					
Business Licenses	7,000,000	7,544,027	7,744,690	10.64%	2.66%
Cable TV Utility	509,250	585,655	597,370	17.30%	2.00%
Beach Franchise Fee	4,200	4,200	4,200	0.00%	0.00%
Total - Licenses & Franchise Fees	7,513,450	8,133,882	8,346,260	11.08%	2.61%
Permit Fees					
Construction Permits	1,050,000	596,993	800,000	-23.81%	34.00%
Development Permits	15,900	16,914	20,000	25.79%	18.25%
Other Permits	670,000	816,489	820,000	22.39%	0.43%
Total - Permit Fees	1,735,900	1,430,396	1,640,000	-5.52%	14.65%
Intergovernmental Revenue					
State Shared Revenue	994,510	977,675	997,230	0.27%	2.00%
Total - Intergovernmental Revenue	994,510	977,675	997,230	0.27%	2.00%
Miscellaneous Revenue					
Public Safety Revenue	1,055,000	1,448,242	1,479,820	40.27%	2.18%
Beach Services	346,700	253,967	256,510	-26.01%	1.00%
Municipal Court Fines	354,590	383,653	393,240	10.90%	2.50%
Victim's Assistance	41,240	43,072	45,230	9.68%	5.01%
Miscellaneous Revenue	82,690	89,637	141,640	71.29%	58.02%
Total - Miscellaneous Revenue	1,880,220	2,218,571	2,316,440	23.20%	4.41%
Grants					
Miscellaneous Reimbursements	145,000	86,393	158,700	9.45%	83.70%
Total - Grants	145,000	86,393	158,700	9.45%	83.70%
Local ATAX Public Safety	2,140,000	2,259,950	2,293,850	7.19%	1.50%
Investments	365,940	609,398	500,000	36.63%	-17.95%
Transfers In					
Accommodations Tax	1,081,420	1,081,420	1,264,550	16.93%	16.93%
Beach Preservation Fee	855,360	855,360	895,850	4.73%	4.73%
Electricity Franchise Fee	64,180	64,180	67,260	4.80%	4.80%
Hospitality Tax	2,278,090	2,278,090	2,036,100	-10.62%	-10.62%
Stormwater Fee	224,020	224,020	227,560	1.58%	1.58%
TIF	219,210	219,210	228,410	4.20%	4.20%
Funds from Prior Years	368,984	-	1,329,130	260.21%	N/A
TOTAL	\$ 30,000,794	\$ 30,369,762	\$ 32,471,960	8.24%	6.92%

General Fund Revenues

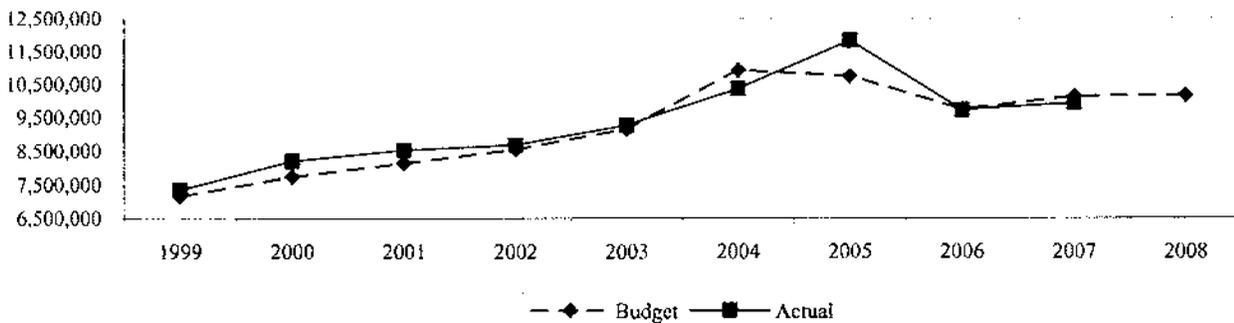
General Fund Revenues in Fiscal Year 2008 are projected to be \$32,471,960 or 8.2% greater than the FY 2007 budget.



Property Taxes

The forecast of \$10,170,620 represents a .36% increase when compared to the Fiscal Year 2007 Budget. The increase is due to a shift of .15 mils of property taxes from the Debt Service Fund to the General Fund. In addition, it is estimated the final assessed value of property for calendar year 2006 will be less than what was estimated during the development of the FY 2007 budget consequently the FY 2008 budget reflects the lower estimate.

Revenue - Property Taxes



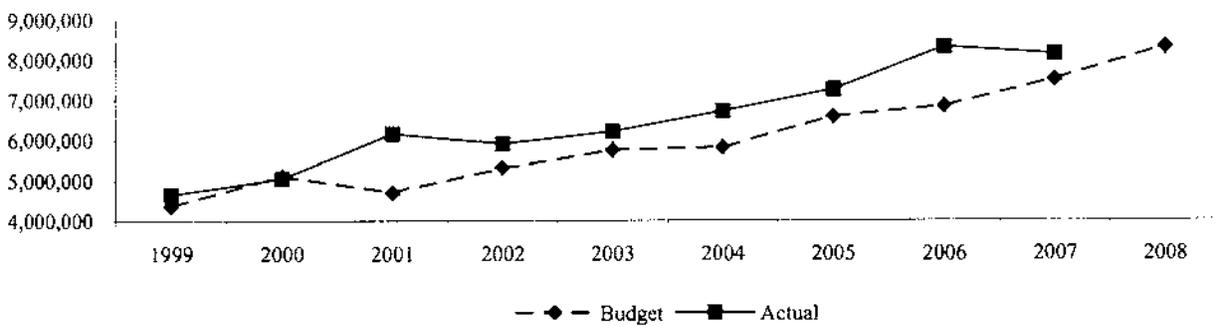
Licenses and Franchise Fees

Licenses and franchise fees represent the second largest single revenue source for the General Fund.

The most significant source is the business license tax levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. The Fiscal Year 2008 budget of \$7,744,690 in business license receipts is 10.6% greater than the Fiscal Year 2007 budget of \$7,000,000 and 2.7% higher than the FY 2007 estimated actual revenue of \$7,544,027. Due to a slow down in the economy the FY 2008 budget reflects a conservative estimate of revenues to be received from this source. The large variance between the FY 2007 budget and the FY 2008 budget was due to FY 2006 receipts from this revenue source being higher than was anticipated during the development of the FY 2007 budget.

Franchise fee revenue is anticipated to be \$601,570 in Fiscal Year 2008, a 17.3% increase over the Fiscal Year 2007 budget and 2.0% higher than the FY 2007. The FY 2008 budget reflects a conservative estimate of revenues to be received from this source. The large variance between the FY 2007 budget and the FY 2008 budget was due to FY 2006 receipts from this revenue source were higher than was anticipated during the development of the FY 2007 budget.

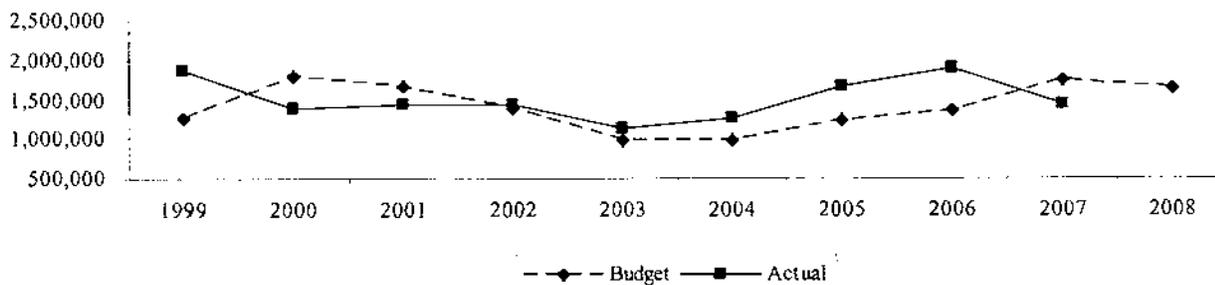
Revenue - Business License and Franchise Fees



Permit Fees

Construction and development permit fee revenues are budgeted at \$1.6 million representing a (5.5%) decrease over the Fiscal Year 2007 budget. The FY 2008 budget reflects a conservative estimate in revenues based on a slow down in the economy over the last year. Revenue from new construction permits is anticipated to be approximately \$250,000 less than budgeted in FY 2007 consequently the FY 2008 budget reflects this decline.

Revenue - Permit Fees



Local Accommodation Tax

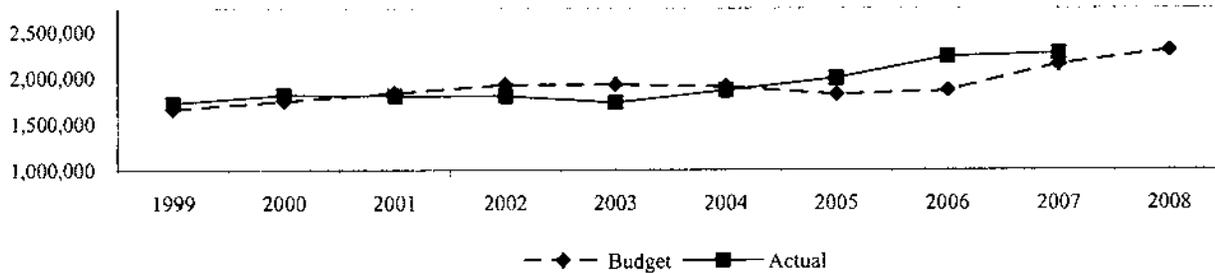
The 1% Local Accommodations Tax is intended to be used for public safety, and will generate \$2.3 million in local accommodations taxes. This figure is 7.2% greater than the prior fiscal year budget of \$2,140,000 and 1.5% over this year's projected actual revenue. The FY 2008 budget reflects a conservative estimate in revenues based on a slow down in the economy over the past year.

The local accommodations tax is the third largest single revenue source for the General Fund. A local accommodations tax equal to one (1) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting 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 for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients." The revenue generated by the local accommodations tax must be used exclusively for the following purposes:

- Tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums;
 - Tourism-related cultural, recreational, or historic facilities;
 - Beach access and renourishment;
 - 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 identified above, including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.
-
- ***Festival fund*** - The Town sets aside five (5) percent of this local accommodations tax for the promotion of festivals created after January 21, 1998, and shall select one (1) organization to manage and direct such fund expenditures. To be eligible for selection the organization must be local, organized as a nonprofit (501c), and whose membership consists of representatives from the lodging, restaurant, golf, tennis and related hospitality industry. The organization must employ a full-time executive director and provide an annual audited financial report in accordance with Generally Accepted Accounting Principles. The organization must not otherwise be designated as the official tourism agency by the town or any other governmental agency. The agency is required to submit an annual budget to the Town of Hilton Head Island's Accommodations Tax Advisory Committee prior to April 1 of each calendar year. The accommodations tax advisory committee will review and make recommendations to the Town Council by May 15 of each calendar year. Funds are distributed to the designated organization on a quarterly basis no later than thirty (30) days after the end of the quarter.
-
- ***Reserve fund*** - The Town sets aside, in a separate account, five (5) percent of the one (1) percent local accommodations tax, as a reserve fund for disaster management communications-oriented programs. These funds are used to provide for post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds are distributed upon authorization by the Town Manager.

Local Accommodation Tax (continued)

Revenue - Local Accommodations Tax



Transfer In - Accommodation (State)

The State accommodations tax equal to two (2) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting 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 for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients."

It is anticipated that this line item will provide \$1.3 million in funds to the General Fund. This represents a 16.9% increase over the Fiscal Year 2007 budget. This line item includes the 5% of State Accommodations Tax designated by law to the General Fund.

Transfer In - Hospitality Tax

A uniform tax equal to two (2) percent is imposed by the Town on the gross sales 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.

These funds will be used to support the Public Safety function of Town Government. It is anticipated that this line item will provide approximately \$2.0 million in funds to the General Fund. This represents a (10.6%) decrease over the Fiscal Year 2007 budget. The reduction in funds from this source is primarily due to a one-time funding of the increase in police services costs last fiscal year.

Transfer In - Beach Preservation Fee

A uniform fee of two (2) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting 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 for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days are not considered "proceeds from transients."

Transfer In - Beach Preservation Fee (continued)

It is anticipated that this line item will provide \$895,850 in funds to the General Fund. This represents a 4.7% increase over the Fiscal Year 2007 budget. Funds from this source are used to offset the cost of project coordinators funded in the General Fund that are responsible for managing capital projects being funded by Beach Preservation Fees.

EMS

Funds received through Fire and Rescue for medical services rendered will be approximately \$1.3 million.

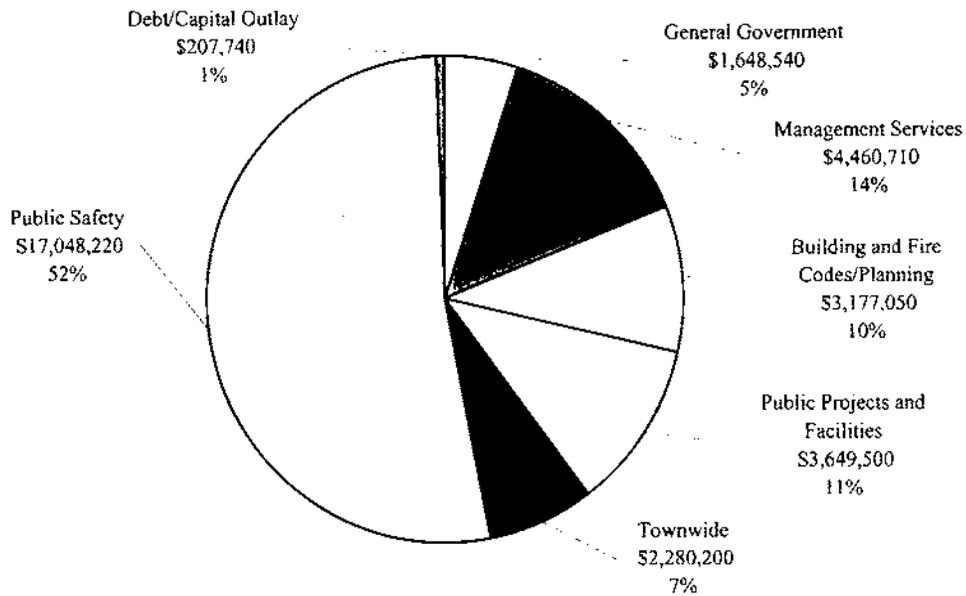
Funds from Prior Years (Fund Balance)

At the end of FY 2006 the Town had \$13.1 million in undesignated funds held in reserve. In FY 2008 the Town will use approximately \$1.3 million of these funds to balance the budget.

General Fund Expenditures

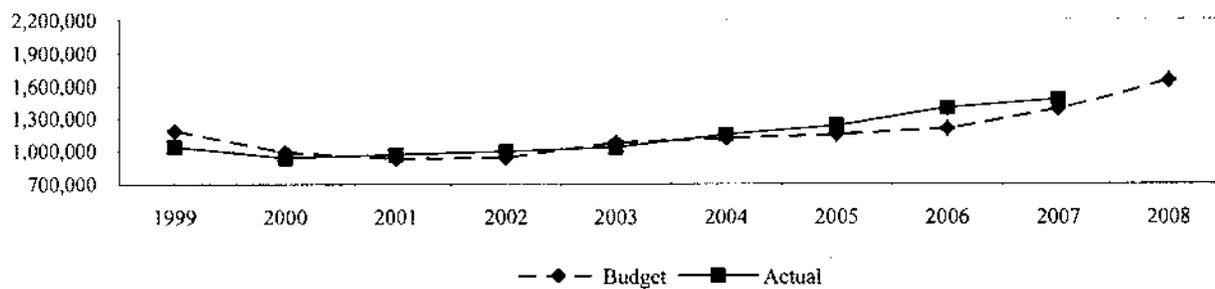
The Fiscal Year 2008 budgeted expenditures are programmed at \$32,471,960.

General Fund Expenditures by Program



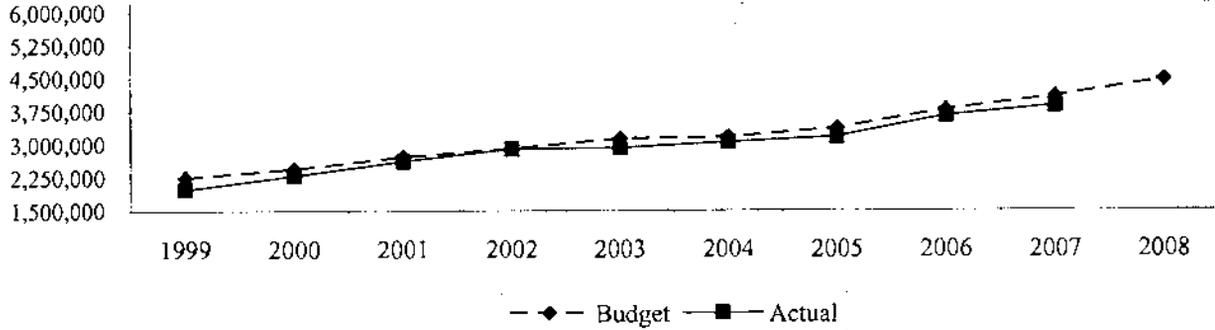
Trend Analysis - Expenditures by Program

Expenditures - General Government (Town Council, Town Manager, Human Resources)

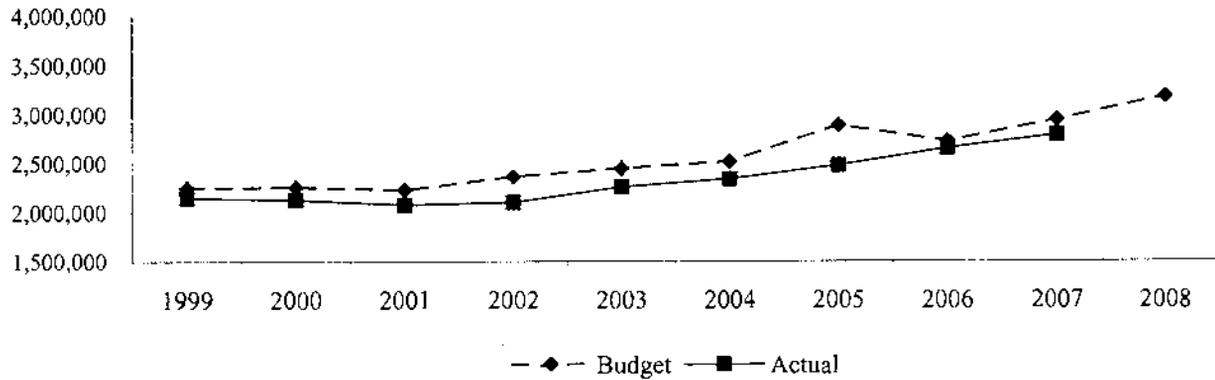


Trend Analysis - Expenditures by Program (continued)

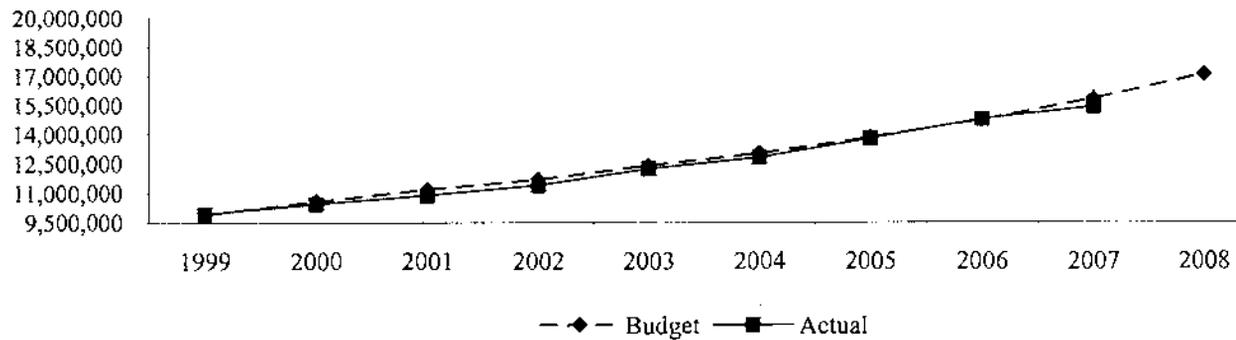
**Expenditures - Management Services
(Administration, Finance)**



Expenditures - Building and Fire Codes/Planning

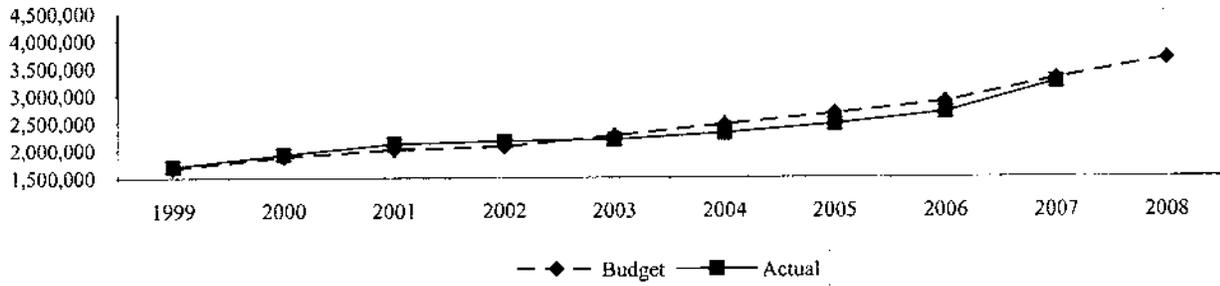


**Expenditures - Public Safety
(Fire and Rescue, Police)**



Trend Analysis - Expenditures by Program (continued)

Expenditures - Public Projects and Facilities



Program: General Government
Department: Town Council

Mission

To provide the leadership and policy guidance to assure that Hilton Head Island is and remains a high quality community that exceeds the expectations of its residents and visitors.

Core Services

Open Town Government

Develop innovative ways to make participation in local government activities possible for all residents and foster a sense of engagement among the citizenry by effectively communicating a common identity, actively seeking insight into the needs of the community, aligning Town services with citizen expectations, and continuing to strive for excellence as a highly-effective performing municipal corporation.

Financial Stability and Economic Development

Promote services in the most cost-effective manner. Protect the high level of service quality and financial stability that the Town has become known for by encouraging redevelopment, diversifying tax and revenue sources, ensuring the long-term viability of financial strategies, and implementing “new urbanism” techniques.

Community and Environmental Vitality

Preserve the Town’s character while promoting a sense of pride for its citizens. Continue to provide support to neighborhood communities and individual homeowners and business owners in maintaining and improving aesthetics, safety, accessibility, and mobility throughout the Town. Lead by example in the stewardship of natural resources by preserving existing environmentally sensitive land sites. Minimize impacts on natural resources and protect trees, waterways, wetlands, and water quality while planning for the conservation of resources.

World-Class Leisure and Recreational Opportunities for Residents and Guests

Support renourishment and maintenance of quality beaches, including access and parking. Support maintenance and development of quality parks and recreational facilities. Support events that attract people to the Town while influencing accommodations and facilities of high standard and quality.

Promoting Unity while Supporting Diversity in the Community

Honor the strength of diversity in our community through open dialogue and gathering together to communicate, understand, and celebrate our differences and similarities.

Program: General Government
Department: Town Council

2007 Achievements

1. Beach renourishment project
2. Veterans' Memorial
3. Off island purchase of mainland development rights (with Beaufort County)
4. Disaster recovery preparation and commission formed
5. 1¢ sales tax for roads – referendum passed
6. Financial condition of the Town and no tax increase
7. Pope Avenue power line burial completion
8. Land Management Ordinance: buffers
9. Coligny Area Plan
10. Park development

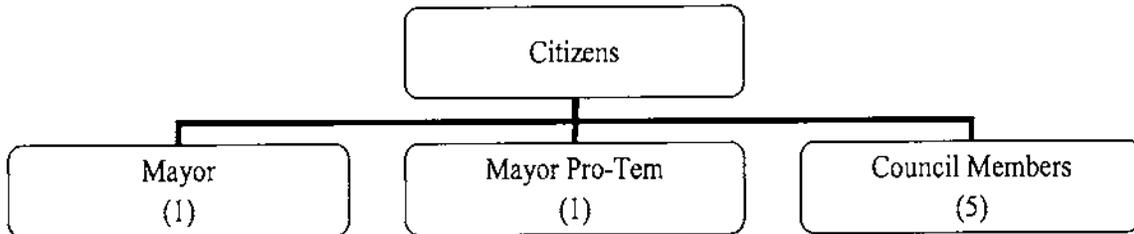
2008 Top Priorities

1. Disaster and recovery planning
2. Dunnagan-Arrow areas revitalization
3. Coastal Discovery Museum: management agreement for Honey Horn property
4. Coligny Beach revitalization
5. Environmental rules and enforcement: review and policy direction (trees, underbrush, etc.)
6. Land Management Ordinance: dune accreditation and storm protection

2008 High Priorities

1. Land Management Ordinance: revisions for redevelopment
2. Airport: zoning changes
3. Town space needs plan and direction
4. Visitors Center direction
5. Southern Beaufort Region Plan: implementation and oversight

Program: General Government
 Department: Town Council



Expenditures by Program/Category

Town Council	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 76,547	\$ 77,261	\$ 75,916	\$ 84,930	\$ 76,427	\$ 84,980	\$ 50	0.06%
Operating	189,264	264,871	372,616	299,000	386,610	360,200	61,200	20.47%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 265,811	\$ 342,132	\$ 448,532	\$ 383,930	\$ 463,037	\$ 445,180	\$ 61,250	15.95%
Positions	7.0	7.0	7.0	7.0	7.0	7.0	-	0.00%

Program: General Government
Department: Town Manager

Mission

To provide professional leadership for the implementation of all policies and objectives set by Town Council and coordinate all municipal operations to provide effective and efficient delivery of services to Hilton Head Island's residents and visitors.

Core Services

Hilton Head Island has a Council-Manager form of government. In this form of government, Council hires a "Manager." The Manager has executive powers, while Council has legislative (policy setting) powers.

The Town Manager is the chief executive officer and head of the administrative branch of the municipal government. He is responsible to the council for the proper administration of all affairs of the municipality.

The Town Manager provides overall management of Town departments in a way that empowers employees to exceed citizen/ customer expectations.

The Town Manager provides support and recommendations to Mayor and Town Council; provides effective communication between Town Council, staff, residents, and other customers; and meets with Department Heads to ensure implementation of Town Council's goals and objectives.

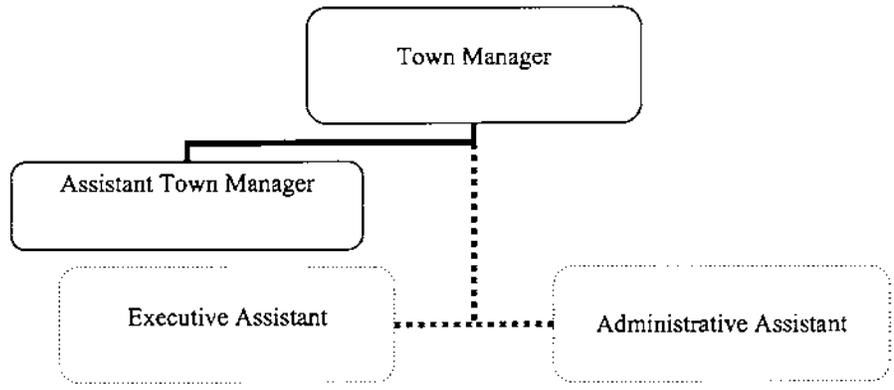
2007 Accomplishments

- Successfully implemented many of the Targets and Policies for calendar year 2006 and made significant progress on the others.
- Conducted an effective three day strategic planning workshop in late November/early December and established Targets and Policy Agenda for calendar year 2007. Began planning and implementation of those targets and policies.

2008 Goals

- Provide support to Town Council to ensure the Policy, Management, Intergovernmental, and CIP Agendas for calendar year 2007 are met. Begin work on calendar year 2008 Agendas when adopted.
- Implement Town Council approved Management Agenda for calendar year 2007 and begin working on the calendar year 2008 Agenda.
- Ensure that each Department meets their stated goals and objectives.
- Ensure employees are well-trained, enthusiastic, and committed to providing excellent customer service.
- Manage the Town's fiscal process to ensure fiscal viability.
- Ensure that Town Council is aware of events/issues in a timely manner.

Program: General Government
 Department: Town Manager



Note: The two assistants are budgeted in the Town Manager's division; however, they are direct reports to the Administration Department's Legal Administrative Manager.

Expenditures by Program/Category

Town Manager	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 265,856	\$ 286,651	\$ 297,858	\$ 305,610	\$ 343,396	\$ 497,200	191,590	62.69%
Operating	87,557	82,415	87,398	32,450	29,008	36,250	3,800	11.71%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 353,413	\$ 369,066	\$ 385,256	\$ 338,060	\$ 372,404	\$ 533,450	195,390	57.80%
Positions	3.0	3.0	3.0	4.0	4.0	4.0	-	0.00%

Program: General Government
Department: Human Resources

Mission

To provide high quality and cost-effective human resource programs and services designed to attract, retain and develop diverse employees committed to the achievement of the Town's strategic objectives.

Core Services

Recruitment and Selection

Develop, implement and administer recruitment and selection activities including advertising, screening, interviewing, assessment and selection processes designed to attract qualified employees.

Total Rewards Management

Develop, implement and administer classification, compensation and benefit programs that support the organization's strategic objectives and values.

Talent Management

Develop, implement and administer activities and programs to facilitate succession planning and management, performance management, employee training, leadership development, and organization design to ensure that workforce performance meets current and future organization needs.

Employee Relations

Develop, implement and administer human resource policies, processes, and technology and work life initiatives to enhance organization effectiveness.

2007 Accomplishments

- Managed consultant selection process, project administration and implementation of the Town's Classification and Compensation Study.
- Managed vendor selection, contracting, and implementation process to deliver expanded employee medical, wellness and Workers' Compensation services.
- Developed draft action plans related to provision of employee support during disaster recovery efforts.
- Completed comprehensive review of Policy and Supervisor Manuals, drafted necessary revisions, secured approval and communicated changes to employees.
- Supported key organization redesign, succession planning and recruitment initiatives.
- Supported design and delivery of enhanced customer service training and development of strategies to address first line supervisor effectiveness and leadership development.

Program: General Government
 Department: Human Resources

2007 Accomplishments (continued)

- Facilitated interim redesign of Fire & Rescue line performance evaluation forms and processes and supported creation and trial of new approach targeted for FY08.
- Proposed and implemented benefit program changes designed to enhance program competitiveness.

2008 Goals, Objectives, and Performance Measures

Goal 1: To attract and retain high quality staff capable of achieving Town goals.

Objective: Effectively manage recruitment process.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
# of external hires	28	30	28
Average days to fill all positions (Requisition approval to hire approval)	50	60	55
% of external offers accepted	90%	88%	90%
Cost per hire (exc. Staff/HR time)	\$1,200	\$1,250	\$1,300

Objective: Maintain competitive compensation and benefit programs.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Benefits as % of salary	35%	36%	35%
Merit budget within 1% of national avg.	Yes	Yes	Yes
Turnover primarily due to salary	2	4	2

Objective: Retain employees capable of achieving Town goals.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Overall turnover rate	10.8%	8.3%	8.2%
Voluntary turnover rate	9.2%	6.6%	6.6%
Involuntary turnover rate	1.6%	1.7%	1.6%
% of employees who met or exceeded job performance expectations	90	90	90
# of performance bonuses given	26	15	15

Program: General Government
 Department: Human Resources

2008 Goals, Objectives, and Performance Measures (continued)

Goal 2: To support development and maintenance of organizational productivity and employee effectiveness.

Objective: Provide effective interdepartmental development opportunities.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
# of promotions and transfers	11	9	9
Internal hire rate	28%	23%	24%
# of positions created/re-evaluated	16	25	16
# of organization redesigns supported	5	5	3
# of interdepartmental training hours	1,836	720	1,130
# of tuition reimbursements processed	8	15	11
# of certification/degree bonuses given	17	15	13

Objective: Expand employee wellness initiatives.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Non-FMLA sick leave use (% work hrs)	2.2	2.0	2.0
# of reported employee injuries	28	20	17
# of lost work days due to injury	34	35	25
% of employees using medical preventive care benefit	23	30	40
% of employees using dental preventive care benefit	30	24	35

Goal 3: To effectively facilitate planning, projects, processes or activities that support supervisors and employees in achieving Town goals.

Objective: Maintain positive employee relations.

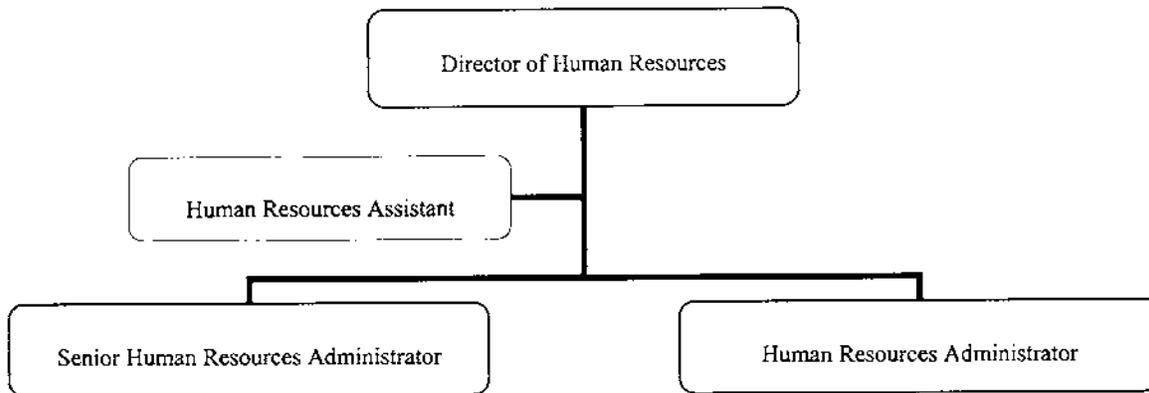
	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
# of grievances filed	1	2	2
# of EEO charges lost by Town	0	0	0
# of employment lawsuits lost by Town	0	0	0

Program: General Government
 Department: Human Resources

2007 Goals, Objectives, and Performance Measures (continued)

Objective: Deliver cost-effective, high quality Human Resources support.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Ratio of HR FTE's to total FTE's	1:61.50	1:62.50	1:63.70



Expenditures by Program/Category

Human Resources	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$326,075	\$309,105	\$325,156	\$446,380	\$457,423	\$473,680	\$ 27,300	6.12%
Operating	205,563	212,909	236,403	213,165	185,700	196,230	(16,935)	-7.94%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$531,638	\$522,014	\$561,559	\$659,545	\$643,123	\$669,910	\$10,365	1.57%
Positions	4.00	4.00	4.00	4.00	4.00	4.00	-	0.00%

Program: Management Services
Department: Administration

Mission

To provide sound legal advice and services to the Town Manager, Town Staff, Town Council, and Boards and Commissions of the Town of Hilton Head Island. Prosecute misdemeanor offenses in Municipal Court. Provide support and assist with the Town's Community Information Initiatives. Promote Town news and publish Town-related articles in various Island publications. Provide support and assist with the Town's State Legislative Agenda. Provide voter registration and absentee ballot services; provide support for the election process; and administer records management program. Provide administrative leadership, supervision, support and direction to the Administrative Support Division, Code Enforcement, the Operations Division, Legal Division, and Municipal Court.

Core Services

Administration

Assist Town Manager with Department Head oversight. Manage Community Information Program to include Mayor/Town Manager correspondence; media relations; promotion of Town news; newsletter publication; magazine articles; speech writing; liaison with Beaufort County Sheriff's Office and Latin Community. Provide assistance with the Town's State Legislative Agenda. Manage Legal Division, Operations Division, Town Clerk/Administrative Support Division, and Municipal Court.

Legal Services

Provide effective legal representation for the Town, providing continuing legal updates to Town Staff, draft and review contracts, draft and review ordinances and resolutions, review and process Freedom of Information Act requests, update Town Codes, and manage overall Code Enforcement Program. Prosecute misdemeanor offenses of criminal domestic violence, simple possession of illegal drugs, and driving under the influence in Municipal Court when defendants request a jury trial. Represent the Town in all appeals of Municipal Court cases. Advise BCSO deputies and Code Enforcement Officers as needed regarding criminal offenses committed on Hilton Head Island.

Administrative Support (Town Clerk)

Manage Town Library, Voter Registration and Absentee Ballot Office, and coordinate elections with Beaufort County. Administer Records Management Program and provide Town receptionist services.

Operations

Manage Town's Wide-Area-Network (WAN) to include all required hardware and software that support basic connectivity/services. Oversee all aspects of contracting and purchasing. Manage risk management, fixed assets and logistics for emergency management. Design and maintain the Town's Website/Intranet to include all associated electronic online government services. Provide technical support for all enterprise level software to include the design and maintenance of the Town's Geographic Information System. Provide computer training and support for audio visual systems to include those that support Council Chambers and the Municipal Court.

Municipal Court

Adjudicate and process dispositions for criminal offenses, traffic and ordinance violations on Hilton Head Island, issue arrest and search warrants and hold preliminary hearings and bond hearings.

Program: Management Services
Department: Administration

2007 Accomplishments

- Oversaw the State's Legislative Agenda and strategies and provided assistance to support the Town's positions on 2006-2007 State Legislation.

Drafted over 30 letters of opposition or support regarding priority legislation. Sent over 1,000 copies to the SC General Assembly members and other local officials. The Town was able to impact several bills, i.e. regulatory takings and wetland regulations.

- Assisted with the development and implementation of the Town Council Policy Agenda 2006 and Management Agenda 2006.

Supported numerous Town Council and Management Agenda items, i.e. police safety strategy, community events, state legislative agenda, 50th Sea Pines Anniversary, and Latino communication strategies, etc.

- Reviewed and analyzed the results of the pilot program for automating traffic tickets and made recommendations for future enhancements to the program.

The pilot program has been ongoing since early November and is anticipated to conclude by April 2007.

- Implemented the replacement of software that supports revenue collections and business license.

Selected Progressive Solutions Inc. to provide the software for these functions. Implementation will occur during the first half of 2007 with the first business license issued utilizing this system not later than January 2008.

- Updated Professional Computer Software Services Court Processes.

The Municipal Court updated all Professional Computer Software Services Software court processes for more efficient handling of dispositions and record retention.

- Refined office procedures for November 2006 General Election in order to efficiently handle absentee and fail-safe voters.

With two full-time workers and two temporary workers, the Town mailed out 311 absentee voting ballots and processed 1,721 walk-in voters in the General Election. 100 fail-safe voters were also assisted on Election Day.

Program: Management Services
 Department: Administration

2008 Goals, Objectives, and Performance Measures

Goal 1: To provide competent legal advice and counsel in a timely manner to Town officials and administration.

Objective: To review, draft and negotiate contracts and agreements between the Town and other entities or persons in a timely manner.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Average review of contracts within 3 days	60	60	60
Workers compensation compliance	98%	98%	98%

Goal 2: To oversee the State Legislative Agenda and strategies and provide assistance to support the Town's positions on 2006-2007 State Legislation.

Objective: (1) To monitor Town's priority legislation, (2) to support Town Council Intergovernmental Relations Committee; and (3) to draft letters of support or opposition to legislators.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Review and Distribute MASC Legislative Alerts	30	30	30
Draft Committee Agendas and attend meetings	8	10	10
Letters of support or opposition	20	25	30

Goal 3: To provide for cost-effective state of the art management information systems and support services to enhance employee productivity throughout the Town.

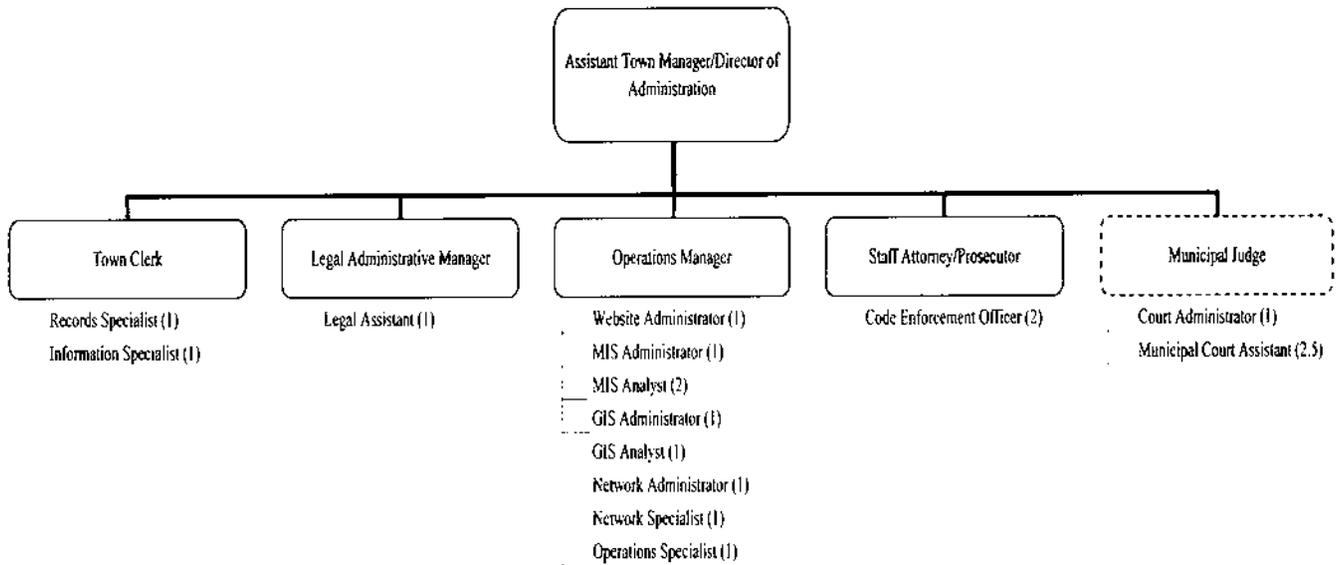
Objective: To maintain the host system back-up and recovery process to ensure recovery media is available in the event of a system failure or disaster.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Daily full system backups performed	272	272	272
Number of system failures	0	0	0
System failure recovered within 24 hours	0	0	0

Objective: To respond to critical Munis, microcomputer and LAN calls within 1 hour and to complete all departmental Help Desk requests in a timely manner.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Respond to critical calls in 1 hour.	95%	95%	95%

Program: Management Services
 Department: Administration



Note 1: The Municipal Judge is contracted by Town Council

Note 2: The Executive Assistant and Administrative Assistant included in the Town Manager's budget are direct reports to the Legal Administrative Manager.

Expenditures by Program/Category

Administration	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Program Summary								
Legal	\$ 382,687	\$ 382,084	\$ 335,266	\$ 562,500	\$ 547,308	\$ 623,120	\$ 60,620	10.78%
Municipal Court	378,858	380,791	491,624	384,200	185,481	258,260	(125,940)	-32.78%
Administrative Support	165,341	155,461	224,904	194,900	360,414	421,490	226,590	116.26%
Operations	1,239,651	1,339,436	1,420,296	1,969,250	1,731,450	1,680,160	(289,090)	-14.68%
Total	\$ 2,166,537	\$ 2,257,772	\$ 2,472,090	\$ 3,110,850	\$ 2,824,653	\$ 2,983,030	\$ (127,820)	-4.11%
Summary By Category								
Personnel	\$ 1,445,273	\$ 1,522,185	\$ 1,627,388	\$ 1,808,550	\$ 1,777,133	\$ 1,935,620	\$ 127,070	7.03%
Other	585,266	574,506	811,059	920,840	851,060	1,027,670	106,830	11.60%
Capital Outlay	135,998	161,081	33,643	381,460	196,460	19,740	(361,720)	-94.83%
Total	\$ 2,166,537	\$ 2,257,772	\$ 2,472,090	\$ 3,110,850	\$ 2,824,653	\$ 2,983,030	\$ (127,820)	-4.11%
Positions	23.0	23.0	23.5	23.5	23.5	23.5	-	0.00%

Program: Management Services
Department: Finance

Mission

To provide sound financial management resulting in effective preservation of the Town and its fiscal assets; to comply with all governmental policies and procedures relative to accounting, auditing, financial reporting, asset management, debt administration, business licensing and associated revenue collections; and to provide accurate financial information and courteous and professional support to Town staff and its citizens to ensure a high level of customer satisfaction is maintained.

Core Services

Financial Administration

Provide strong financial leadership in all areas of activity undertaken by the Town. Develop and manage the Town's financial policies and exercise budgetary controls over all expenditures. Provide effective cash and debt management for the Town ensuring strong bond ratings are maintained. Provide oversight in the preparation of the comprehensive annual financial report and budget to ensure compliance with governmental standards, practices and recommendations. Ensure the department is committed to providing the highest quality customer services.

Accounting Services

Provide administration of the Town's general ledger, payroll, accounts payable, EMS billing and collections, financial audits, State reporting and grants. Responsible for maintaining the following funds: General, Tax Increment Financing District (TIF), Debt Service, Capital Projects Fund (CIP), Accommodations Tax, Beach Preservation Fee, Real Estate Transfer Fee (Land Bank), and Electric Franchise Fee. Provide effective accounting support to Town staff and committees. Provide bookkeeping services for the Hilton Head Island Recreation Association and the Coastal Discovery Museum.

Revenue and Collections

Collection of Town-wide funds including business license fees, hospitality taxes, accommodations taxes, beach preservation fees, franchise fees, and beach passes. Assist Accounting Services with the setoff debt collection program. Maintain the Town's business license database, and ensure compliance with the business license ordinance through on-site inspections and audits. Perform audits of County tax records to ensure the accuracy of the Town's assessed property valuations. Perform audits of the Town's building permits to ensure that contractors are appropriately licensed with the Town.

Program: Management Services
 Department: Finance

2007 Accomplishments

The Finance Department had an extremely busy year successfully completing several major projects. The department completed Request for Proposals (RFP) for auditing services, arbitrage services, as well as replacement of the cash receipting and business licensing and taxation software.

In conjunction with other departments, the Finance Department issued \$19.0 million in bonds to fund the Town's beach renourishment program.

In addition, to improve accounts payable payment processing, a new purchasing card program was implemented.

The Town was awarded a Certificate of Achievement for Excellence in Financial Reporting for the seventh consecutive year. The Town was also awarded the Distinguished Budget Presentation Award for the second year.

2008 Goals, Objectives, and Performance Measures

Goal: Maintain strong credit rating of the Town.

Objective: To effectively manage the fiscal planning process for the bond issuance and funding of the ten-year Capital Improvement Program.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Standard & Poor's Bond Rating	AA	AA	AA
Moody's Investors Bond Rating	Aa2	Aa2	Aa2
Fitch Bond Rating	AA	AA	AA
Debt percent of Legal Debt Margin without a Referendum	26.0%	26.0%	26.0%
Adequate funds available to fund CIP Projects	100%	100%	100%

Program: Management Services
 Department: Finance

2008 Goals, Objectives, and Performance Measures (continued)

Goal: Ensure compliance with finance-related legal requirements and provide reporting in conformance with generally accepted accounting principles (GAAP).

Objective: To provide timely development of accurate, effective and informative financial reports and operating and capital budgets.

	<u>FY 2006 Actual</u>	<u>FY 2007 Projected</u>	<u>FY 2008 Budget</u>
GFOA Certificate of Achievement for Excellence in Financial Reporting (CAFR) received	Yes	Yes	Yes
GFOA Distinguished Budget Presentation Award received	Yes	Yes	Yes

Objective: To finalize the recording of monthly accounting transactions within ten (10) business days after the end of the month to ensure on-line access of current financial reports by the divisions.

	<u>FY 2006 Actual</u>	<u>FY 2007 Projected</u>	<u>FY 2008 Budget</u>
Monthly financial reports available within established time frames	10 of 12 months	10 of 12 months	10 of 12 months

Goal: Provide effective management of funds received by the Town.

Objective: To process cash receipts in a timely and accurate manner.

	<u>FY 2006 Actual</u>	<u>FY 2007 Projected</u>	<u>FY 2008 Budget</u>
Business license renewals processed	5,451	7,500	7,800
Hospitality tax receipts processed	1,121	1,316	1,400
Bed tax (ATAX/Beach Preservation Fees) receipts processed	1,575	3,633	3,700
Beach passes issued	635	700	750
Miscellaneous receipts processed	1,039	1,100	1,200

Program: Management Services
 Department: Finance

2008 Goals, Objectives, and Performance Measures (continued)

Goal: Provide a high level of customer service.

Objective: To process the issuance of new business licenses in a timely and accurate manner.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
New OOC/OOS business licenses issued within one (1) business day	90%	99%	99%
New home-based business licenses issued within five (5) days	90%	99%	99%
Store front business licenses issued within 15 days	90%	90%	95%

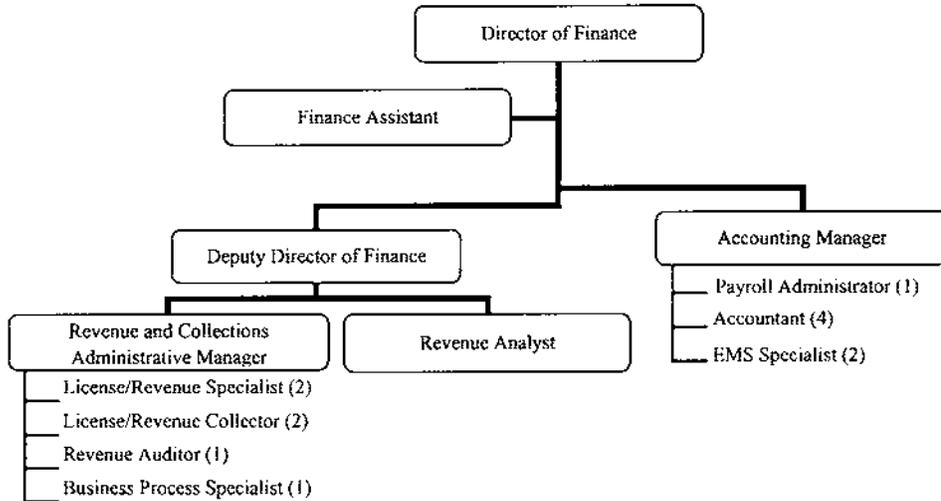
Goal: Ensure business license compliance and enforcement of Town Code.

Objective: Conduct business license gross receipt reporting audits and site visits.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Business license audits conducted	25	150	200
Business license field inspections conducted*	50	500	2,000

*This measure was changed from number of field visits to number of contacts with businesses in the community.

Program: Management Services
 Department: Finance



Expenditures by Program/Category

Finance	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 184,465	\$ 180,627	\$ 191,086	\$ 211,920	\$ 153,344	\$ 246,450	\$ 34,530	16.29%
Accounting	532,203	513,226	552,290	585,010	575,958	625,860	40,850	6.98%
Revenue and Collections	315,973	376,407	460,836	554,730	511,907	625,110	70,380	12.69%
Total	\$ 1,032,641	\$ 1,070,260	\$ 1,204,212	\$ 1,351,660	\$ 1,241,209	\$ 1,497,420	\$ 145,760	10.78%
Summary By Category								
Personnel	\$ 891,691	\$ 974,271	\$ 1,079,443	\$ 1,206,440	\$ 1,104,787	\$ 1,318,500	\$ 112,060	9.29%
Operating	140,950	95,989	124,769	145,220	136,422	178,920	33,700	23.21%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 1,032,641	\$ 1,070,260	\$ 1,204,212	\$ 1,351,660	\$ 1,241,209	\$ 1,497,420	\$ 145,760	10.78%
Positions	16.0	16.0	17.0	17.0	17.0	19.0	2.0	11.76%

Program: Building and Fire Codes/Planning
Department: Building and Fire Codes

Mission

To provide for the health, safety and general welfare of the public by monitoring compliance with federal, state and Town-adopted codes pertaining to the demolition, construction, repair and renovation of structures; to minimize public and private losses due to flood conditions in flood hazard areas; and to promote understanding of code requirements by providing opportunities for training of internal staff and the construction industry at large.

Core Services

Building Permits

Deliver prompt, efficient and courteous service in the management and coordination of the building permitting process. Receive and review applications, documentation and plans for compliance with current building code regulations as they apply to both single family and commercial structures. Collect permit fees and impact fees for both the Town and the County. Issue building permits and certificates of occupancy.

Flood Damage Controls

- Provide flood hazard determination to homeowners, insurance, legal and banking representatives.
- Maintain public records of flood elevation information.
- Manage the Community Rating System assuring that construction within the Town is in compliance with FEMA regulations thereby providing savings on flood insurance premiums for the residents and businesses on the Island.

Public Information

- Maintain accurate records and statistics of construction on Hilton Head Island. Respond to Freedom of Information requests in addition to requests for statistical reports.
- Conduct seminars for the public pertaining to building code regulations.
- Communicate with the construction community through a quarterly publication which addresses code issues, inspection issues and procedures for permitting and inspection.

Program: Building and Fire Codes/Planning
Department: Building and Fire Codes

2007 Accomplishments

1. Attended meetings of Homebuilders Association to answer questions regarding code requirements and procedures. Conducted informational meetings with building community and public regarding the emergency permitting process. Held meeting regarding asbestos inspections, tent permitting procedures, volunteer damage assessment and other issues relevant to the community. Continued publishing "Under Construction" and made it available on line. Expanded the building web pages to include updates to licensing requirements and substantial damage/improvement sections.
2. Adoption of the Emergency Permitting Ordinance
3. Issuance of Stop Work Orders has resulted in increased compliance through an increase in multi-family renovation permits by 47%. As of January 2007, 50 citations for work without a permit were issued (\$27,000 in fines).
4. Completed approximately 100 conversions to underground electrical service. The burial of the power lines is now starting its third year, as of November 2006 we have buried 22.92 miles of lines, removed 16.02 miles of overhead lines, converted 122 electrical services, the Palmetto Electric construction cost has been \$ 4,199,312.17. 2007 project areas are Holiday Homes, North Forest Beach, Marshland Road, Squire Pope Road and Mathews Drive.

2008 Goals and Objectives

Goal: To provide for the safety and welfare of the public through compliance with construction codes by continuing to improve communication and provide information regarding the administration of construction codes and the permitting and inspection processes.

Objective: Attend meetings of architects, engineers and builders to inform them of code changes and code interpretations and to answer their questions regarding the administration of construction codes. Publish "Under Construction" quarterly and expand the number of topics covered on the building department web pages.

Goal: To revise and document our damage assessment procedures to implement new technology both hardware and software.

Objective: Work with the GIS division to create a safety and damage assessment program that uses ArcPad and has the capability of making information available either over the internet or through a network.

Goal: Complete the draft flood insurance rate maps and secure FEMA approval for use as "best available data" as amendment to our 1986 flood maps. This will allow us to make more accurate flood zone determinations prior to the formal adoption of county wide maps.

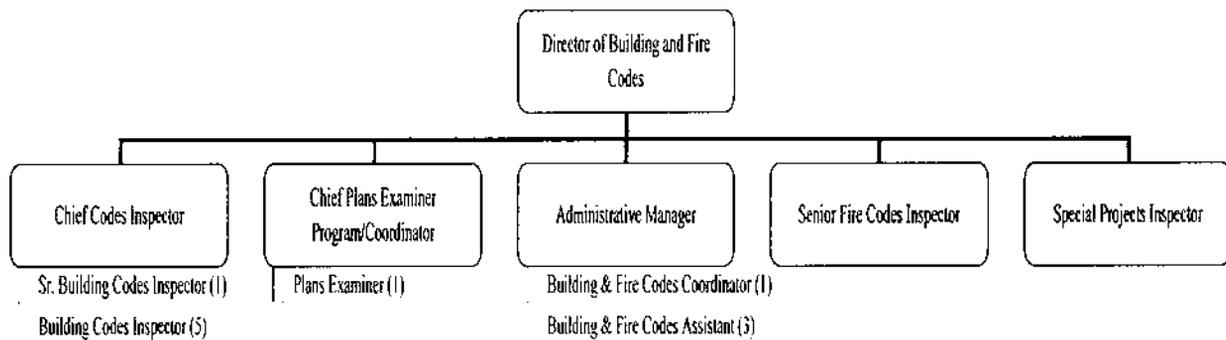
Program: Building and Fire Codes/Planning
 Department: Building and Fire Codes

2008 Goals and Objectives (continued)

Goal: To improve the process for monitoring construction in accordance with floodplain management requirements.

Objective:

- Develop a floodplain permitting procedure
- Specialized designated staff reviews of plans for construction in flood zones including on site inspections.
- Provide staff time for additional documentation required to maintain the highest CSR rating possible.



Expenditures by Program/Category

Building & Fire Codes	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 975,187	\$ 1,040,554	\$ 1,109,555	\$ 1,223,870	\$ 1,190,860	\$ 1,311,150	87,280	7.13%
Operating	72,227	69,601	110,821	113,590	83,374	114,900	1,310	1.15%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 1,047,414	\$ 1,110,155	\$ 1,220,376	\$ 1,337,460	\$ 1,274,234	\$ 1,426,050	\$ 88,590	6.62%
Positions	16.0	16.0	17.0	17.0	17.0	17.0	-	0.00%

Program: Building and Fire Codes/Planning
Department: Planning

Mission

To provide the highest quality planning services for both internal and external customers by: a) insuring the Comprehensive Plan is in accordance with state law and is being implemented; b) providing creative, flexible, fair and consistent administration of codes and ordinances; c) insuring a comprehensive and professional direction for the Island's environmental protection and preservation; and d) preserving and enhancing the Island's long-term sustainability.

Core Services

Administration

- Oversees the revision and implementation of the Comprehensive Plan and Land Management Ordinance to improve their effectiveness and ensure development and redevelopment activities are in compliance with both documents.
- Oversees natural resource protection of the Island including tree and wetland regulations and water quality preservation.
- Selectively participates in regional issues with Beaufort County, the Town of Bluffton and other agencies regarding growth management, development regulations, transportation planning, recreation planning, natural resource protection, and other issues with regional impacts.
- Participates in Town Council's Targets and Actions involving special projects dealing with land management, development and managing growth.

Development, Review and Rezoning

- Manage and coordinate efforts to implement the Land Management Ordinance by the review of all applications for Development Plans, Subdivisions, Variances, Special Exceptions, Appeals, Zoning Map Amendments, Public Project Reviews and Master Plan Amendments ensuring all applications are in compliance with the Comprehensive Plan.
- Provide for periodic review and update of the Land Management Ordinance.

Comprehensive Planning

Guide the revision and implementation of the Comprehensive Plan focusing on redevelopment strategies, Capital Improvement Program projects, Land Management Ordinance amendments and grants and other revenue sources.

Natural Resources

Continue environmental monitoring for water quality and created wetlands, and Land Management Ordinance effectiveness for tree protection.

Program: Building and Fire Codes/Planning
Department: Planning

2007 Accomplishments

1. Drafted and received Town Council adoption of changes to Municipal Code to protect dunes and critical areas of the beachfront.
2. Adopted LMO amendments on disaster recovery/emergency permitting, affordable housing and 1st set of 2006 amendments including open space changes.
3. Prepared redevelopment amendments for Town Council approval and adoption.
4. Coordinated with Beaufort County for Town Council adoption of Southern Beaufort County Regional Plan.
5. Received CDBG grant for sewer installation at Squire Pope Area.
6. Coordinated with HH PSD to implement their Sewer Policies.
7. Developed with DRB the Pathways Design Element as guideline for construction of pathways.
8. Coligny Beach Park conceptual design approved by Town Council.
9. Compass Rose Park conceptual design approved by Town Council and DRB.
10. Coordinated with consultant in Dunnagan's Alley conceptual plan approval.
11. Completed construction on Shelter Cove Park boardwalk, viewing deck and bridge.
12. Town received state grant for boat removal at the CO-OP site and administered a contract for their successful removal.
13. In cooperation with Town of Bluffton and Beaufort County, staff produced a landscape plan for medians along US 278 on the mainland.
14. Drafted, received approval and printed updated Pathways Brochure.

2008 Goals and Objectives

Goal: Continuously review and implement the elements of the Comprehensive Plan on an annual basis and Land Management Ordinance on a bi-annual basis to improve their effectiveness.

Objective: Determine which Comprehensive Plan element should be revised and devise a strategy for draft, review and adoption.

Goal: Selectively participate in regional issues with Beaufort County, the Town of Bluffton and other agencies regarding growth management, development regulations, transportation planning, recreation planning, land acquisition, natural resource protection with regional impacts.

Objective: Assist Beaufort County with the adoption and implementation of the Regional Plan.

Program: Building and Fire Codes/Planning
Department: Planning

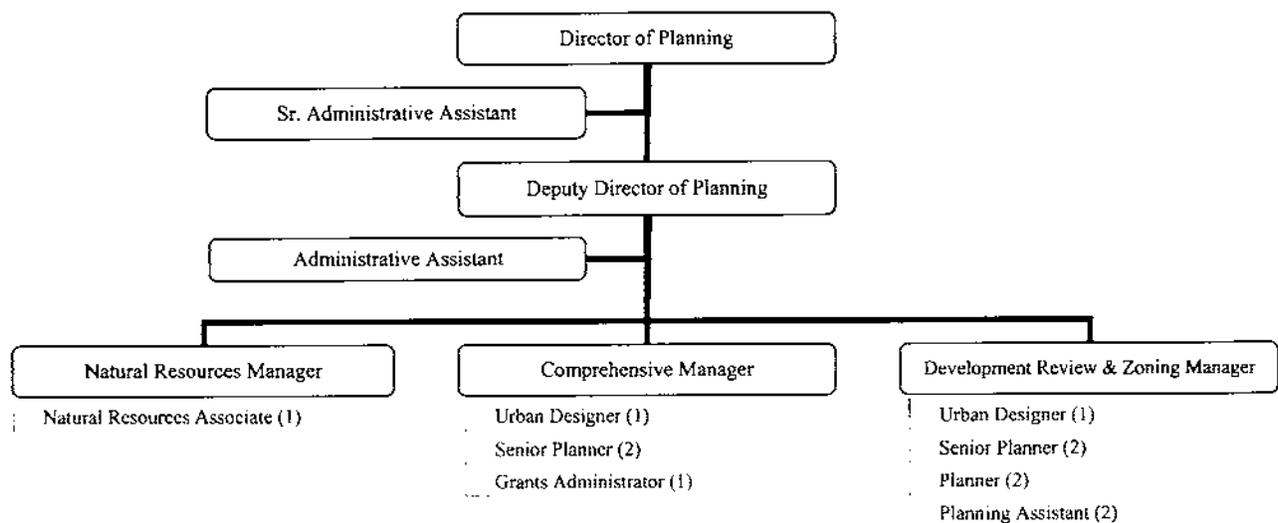
2008 Goals and Objectives (continued)

Goal: Manage and coordinate efforts to implement the Redevelopment Strategies, coordinate identified Capital Improvement Program projects, and seek various funding sources to implement these strategies and to guide disaster recovery.

Objective: Continue planning and design for the Coligny area and Dunnagan's Alley area and determine schedule for construction.

Goal: Improve and clarify policies on environmental protections.

Objective: Determine need for revisions to policies and devise new policies as needed.



Program: Building and Fire Codes/Planning
 Department: Planning

Expenditures by Program/Category

Planning	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 366,380	\$ 403,463	\$ 369,536	\$ 387,340	\$ 382,609	\$ 420,560	\$ 33,220	8.58%
Comprehensive	429,131	468,594	516,343	423,680	397,704	470,640	46,960	11.08%
Development, Review & Zoning	333,948	398,666	374,517	601,720	543,826	655,450	53,730	8.93%
Natural Resources	164,481	100,496	172,501	190,700	188,704	204,350	13,650	7.16%
Total	\$ 1,293,940	\$ 1,371,219	\$ 1,432,897	\$ 1,603,440	\$ 1,512,843	\$ 1,751,000	\$ 147,560	9.20%
Summary By Category								
Personnel	\$ 1,127,290	\$ 1,242,307	\$ 1,333,587	\$ 1,459,660	\$ 1,395,212	\$ 1,603,950	\$ 144,290	9.89%
Operating	166,650	128,912	99,310	143,780	117,631	147,050	3,270	2.27%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 1,293,940	\$ 1,371,219	\$ 1,432,897	\$ 1,603,440	\$ 1,512,843	\$ 1,751,000	\$ 147,560	9.20%
Positions	19.0	19.0	19.0	19.0	19.0	19.0	-	0.00%

Program: Public Safety
Department: Fire and Rescue

Mission

To provide fire, rescue, emergency medical and emergency services to our community and our visitors through a cost effective and efficient delivery system designed to enhance a safe environment for the public.

Core Services

- Respond to emergencies such as fire, medical, hazardous material, a wide variety of rescues and natural disasters. Provide a wide variety of services to the public such as water clean up and lock-out service; assisting the elderly when no one else will provide assistance... Fire and Rescue is truly the community "Safety Net."
- Operate seven fire stations, a dispatch center and headquarters located near the Airport. Manage enhanced 911 emergency communications for Hilton Head Island, Hilton Head Island Airport and Daufuskie Island in addition to serving as backup communication center for Beaufort and Jasper County.
- Conduct fire safety inspections of multi-family dwellings and commercial buildings; provide public educational programs for all ages (i.e., CPR for the public, fire safety for the young and elderly, fire extinguisher use, First Aid, AED use and child car seat inspections, etc.).
- Administer Town-wide Safety Program including safety inspections for Town-owned facilities; conduct required fire and EMS employee training; administer the Town's Comprehensive Emergency Management Program; provide maintenance for all Town-owned vehicles and building maintenance for all Fire and Rescue facilities.

2007 Accomplishments

During 2006-07, Fire & Rescue mailed customer service surveys to 2,502 individuals which we had provided service to, requesting information on our performance. Forty-four percent of the delivered surveys or 984 were completed and returned. Of the surveys received, 98% indicated they were satisfied or completely satisfied with the service provided by Fire & Rescue.

The Fire Prevention Bureau in partnership with Lowe's distributed safety boxes to a segment of the senior population (85 boxes) and the Latino population (100 boxes) on the island. The boxes included fire and life safety items for their homes.

The third annual household materials roundup was held on April 7th at Fire & Rescue Headquarters. For the 3rd year in a row, approximately 50,000 pounds of dangerous household chemicals were collected and recycled, keeping them out of our waste stream and waterways.

To reduce response times, the Fire Rescue Department designed and constructed emergency access points for the back gates of Hilton Head Plantation, Palmetto Hall Plantation and Port Royal Plantation. Eight (8) additional radio controlled gate openers were installed on existing and new gates throughout the community.

Program: Public Safety
 Department: Fire and Rescue

2007 Accomplishments (continued)

Fire & Rescue working with the Hilton Head Medical Center implemented a program to reduce the time it takes to get a cardiac patient from the scene to the Heart Cath Lab. Utilizing new ambulance cell phones, updated cardiac monitors and a receiving station at the hospital, Fire & Rescue ambulances can now transmit diagnostic quality 12-Lead EKGs from the field. This process allows Emergency Department physicians to more rapidly diagnose patients and prepare treatment prior to the patient's arrival.

2008 Goals, Objectives, and Performance Measures

BUREAU OF FIRE PREVENTION

Goal: To increase sponsorship and participation in various community education programs; increase technical fire/life safety inspections for both existing & new structures; and intensify investigations of fires with suspicious or undetermined origins.

Objective: Reduction of preventable deaths, injuries and property loss through public education programs, increased fire inspections enforcing compliance with adopted fire codes for all commercial buildings and reduction of preventable and/or intentional fires.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Public Education Presentations	235	250	300
CPR/AED/First Aid Students	432	480	480
Risk Watch Programs	104	112	112
File of Life Recipients	2,660	2,680	2,680
Fire safety inspections and re-inspections	2,490	2,490	2,400
Self inspections	350	400	400
Planning project reviews & inspections	255	255	255
Fire cause/origin investigations	38	35	35

Program: Public Safety
 Department: Fire and Rescue

2008 Goals, Objectives, and Performance Measures (continued)

COMMUNICATIONS

Goal: Provide our community with an emergency answering point for reporting emergency and non-emergency events requiring police, fire, disaster, or EMS assistance.

Objective: To receive and process requests for services received by telephone.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Total telephone requests received:			
7-digit call for service line	21,675	21,975	22,275
911 calls for service line	22,592	22,900	23,200
Dispatch other business	<u>6,409</u>	<u>6,795</u>	<u>7,000</u>
TOTAL	50,676	51,670	52,475

EMERGENCY MANAGEMENT

Goal: Prepare Town employees and community members to meet future challenges and issues pertaining to disaster and emergency management through planning, education and exercises.

Objective: Provide training to Town employees/officials with EM responsibilities; provide information/disaster preparedness training to HHI community; and conduct annual exercises for emergency readiness.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Course Hurricane Program attendees	16	20	22
HazMat Training Hours	600	675	1,000
Other Disaster Training attendees	2,400	2,500	3,000
Annual exercise	5	5	5

Program: Public Safety
 Department: Fire and Rescue

2008 Goals, Objectives, and Performance Measures (continued)

LOGISTICS AND MAINTENANCE

Goal: To provide a comprehensive maintenance support program to meet the needs of the Town of Hilton Head Island through a cost-effective program.

Objectives:

1. Track equipment and repairs of all Town-owned vehicles and Fire & Rescue facilities and to provide quarterly reports on vehicle and facility repairs.
2. Receive proposals from Fire Truck manufacturing and refurbishment firms for the redesign, standardization and implementation of new technology to reduce staffing requirements while expediting fire attack actions.

OPERATIONS

Goal: Protect the lives and property of the community through timely emergency response.

Objective: To respond and effectively mitigate 100% of the daily calls for emergency medical, fire and special operation incidents while maintaining an average response time of 5 minutes 90% of the time for the first arriving fire truck or ambulance.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Emergency medical service responses	4,000	4,100	4,200
EMS patient transports	2,800	2,950	3,100
Fire suppression and other responses	2,200	2,300	2,300
Actual number of fires	150	150	150
Incident response time (Percent < or = 5min)	90%	90%	90%
Minimum daily staffing level	29	32	32

Program: Public Safety
 Department: Fire and Rescue

2008 Goals, Objectives, and Performance Measures (continued)

SUPPORT SERVICES

Goal: Maintain accurate and up-to-date EMS records; provide accurate address data for the 911 dispatching system; and provide a means for reducing environmental damage due to the uncontrolled release of hazardous materials.

Objective: Implement an electronic EMS data collection system; correct existing and issue new addresses; and conduct an annual Household Hazardous Waste Round-Up.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
EMS form completed	2,171	4,440	4,706
New addresses created	200	350	400
Existing addresses corrected	410	400	470
Pounds of hazardous waste collected	52,701	51,647	50,000

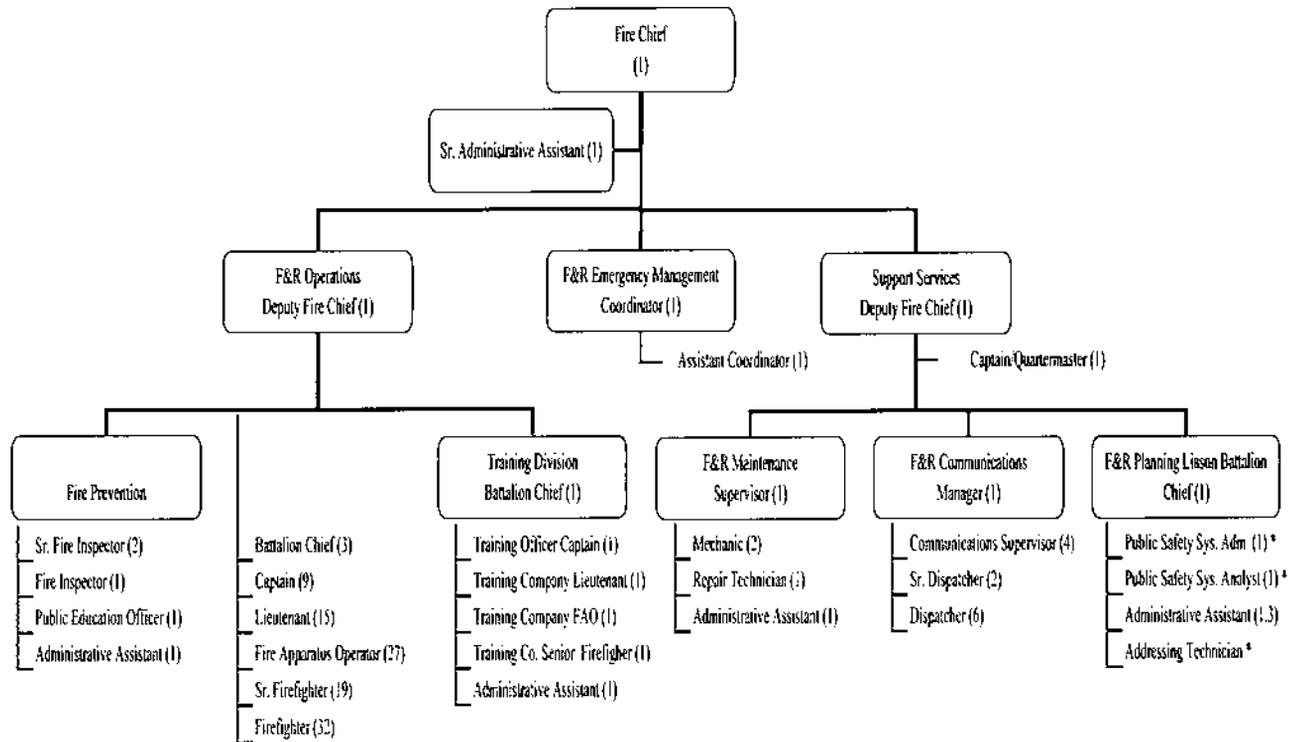
TRAINING

Goal: Strengthen management and line personnel ability to improve department operations and service quality, and meet future challenges and issues.

Objective: Provide development programs for managers and supervisors at least once per year; and a minimum of 20 hours of in-service training per month for all employees while on duty.

	FY 2006 <u>Actual</u>	FY 2007 <u>Projected</u>	FY 2008 <u>Budget</u>
Total hours of Management/Leadership Programs	1,547	1,615	1,700
Total hours of in-service and technical training	26,385	27,105	28,190

Program: Public Safety
 Department: Fire and Rescue



* These positions are partially funded through Beaufort County.

Expenditures by Program/Category

Fire and Rescue	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 1,316,344	\$ 922,039	\$ 1,149,807	\$ 771,850	\$ 1,003,390	\$ 824,850	\$ 53,000	6.87%
Support Services	1,854,237	2,187,255	2,045,078	2,706,335	2,529,182	3,070,460	364,125	13.45%
Operations	8,220,512	8,613,935	9,241,983	9,598,800	9,360,989	10,332,080	733,280	7.64%
Total	\$ 11,391,093	\$ 11,723,229	\$ 12,436,868	\$ 13,076,985	\$ 12,893,561	\$ 14,227,390	\$ 1,150,405	8.80%
Summary By Category								
Personnel	\$ 9,294,156	\$ 9,900,116	\$ 10,546,054	\$ 11,068,640	\$ 10,713,067	\$ 12,052,080	\$ 983,440	8.88%
Operating	1,847,697	1,517,385	1,747,598	1,869,845	2,045,235	1,987,310	117,465	6.28%
Capital Outlay	249,240	305,728	143,216	138,500	135,259	188,000	49,500	35.74%
Total	\$ 11,391,093	\$ 11,723,229	\$ 12,436,868	\$ 13,076,985	\$ 12,893,561	\$ 14,227,390	\$ 1,150,405	8.80%
Positions	143.0	144.0	144.8	147.3	147.3	147.3	-	0.00%

Program: Public Safety
Department: Police

Mission

To provide professional, effective and high quality police protection and law enforcement services for the Town of Hilton Head Island.

Core Services

To provide a safe and secure Town environment for the benefit of the citizenry of Hilton Head Island as contracted with Beaufort County and the Sheriff's Office. These services are provided in conjunction and harmony with the Town's fiscal policies of sound, economical management.

Ancillary Services

- Lab Services
- K-9 Support
- Special Response Team (SWAT)
- Crisis Negotiations
- Animal control
- Civil Service
- Warrant Service
- Records Management
- Command

Basic Law Enforcement Services

In addition to a Command Officer who meets and confers with the Town Manager or his designee as needed, for the purpose of maintaining the viability and vitality of the contractual agreement for police services, basic law enforcement services are as follows:

- Sheriff's patrol provided 24 hours a day, seven days a week to patrol Town boundaries.
- Traffic enforcement team to work traffic within Town boundaries.
- Marine/Beach patrol to provide specialized enforcement on the beaches and waterways within Town Boundaries.
- Criminal Investigators to investigate major criminal incidents occurring within Town boundaries.
- Evidence Technicians are primarily used to provide collection, cataloging, custody and preservation of evidence collected at crime scenes within Town boundaries.
- Drug Investigators to enforce narcotics laws within Town boundaries.
- Victim's Advocate to work with victims of crimes occurring within Town boundaries in compliance with state statutes.

Program: Public Safety
Department: Police

Basic Law Enforcement Services (continued)

Police services are contracted through an agreement with Beaufort County. The basic law enforcement service personnel provided to the Town of Hilton Head Island as per the terms of the contract agreement follow.

- One (1) Command Officer
- One (1) Patrol Unit Supervisor (per unit)
- Four (4) staffed patrol units on duty 24 hours a day, seven days a week
- Four (4) person, two (2) unit traffic enforcement team
- Two (2) person marine/beach patrol team
- One (1) Evidence Technician
- Three (3) Criminal Investigators
- Two (2) Drug Investigators
- Three (3) Clerks
- One (1) Victim's Advocate

Expenditures by Program/Category

Police	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Operating	2,322,800	2,349,355	2,466,499	2,860,990	2,630,786	3,008,830	147,840	5.17%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 2,322,800	\$ 2,349,355	\$ 2,466,499	\$ 2,860,990	\$ 2,630,786	\$ 3,008,830	\$ 147,840	5.17%
Expenditure Detail								
Police Service Contract	\$ 2,016,652	\$ 2,028,082	\$ 2,129,638	\$ 2,511,880	\$ 2,324,872	\$ 2,657,620	\$ 145,740	5.80%
Shore Enterprises	141,766	120,721	121,150	146,690	143,394	146,690	-	0.00%
Victims' Services	42,232	48,600	47,352	51,220	51,220	53,320	2,100	4.10%
Stipend	122,150	151,952	168,359	151,200	111,300	151,200	-	0.00%
Total	\$ 2,322,800	\$ 2,349,355	\$ 2,466,499	\$ 2,860,990	\$ 2,630,786	\$ 3,008,830	\$ 147,840	5.17%
Positions*	-	-	-	-	-	-	-	N/A

*Positions are part of contractual agreement with the Beaufort County Sheriff's Department.

Program: Public Projects and Facilities

Mission

Lead, manage and supervise the operations of the Engineering and Facilities Management Divisions. Provide oversight of the Capital Improvements Program (CIP). Provide departmental support and assistance to the Town Manager, Staff and other Boards and Commissions as required. Provide services to the general public in a courteous and professional manner. Exceed their expectations.

Core Services

Administration

Provide overall administration of the Facilities Management and Engineering Division. Manage the Town's Capital Improvement Program for roads, parks, pathways, beach facilities, beach renourishment, and drainage.

Engineering Services

Provide general oversight and project management for design and construction of secondary road and drainage improvements, Review and approve all plans for development to ensure compliance with the Stormwater Management Standards of the Land Management Ordinance. Conduct field inspections of completed projects and issue certificates of compliance for same. Maintain Town roads, street signs and mile markers.

Facilities Services

Operate and maintain Town beach parks. Manage parking permits, boat permits; maintain beach accesses, pathways, highway medians, transfer stations, buildings and grounds, and cleaning service bids. Provide parking enforcement and act as liaison for Town Beautification Committee and Recycling Association. Maintain Fire and Rescue buildings and grounds to include distribution of cleaning supplies.

2007 Accomplishments

ENGINEERING SERVICES

1. Completion of Shelter Cove Memorial Park
2. Completion of the Fish Haul Beach Park
3. Completion of the Folly Groin Extension, Fish Haul Breakwaters, and Beach Renourishment (in Feb 07)
4. Completion of design, Mathews Drive Corridor Improvements, Pope Avenue Pathway, Horseshoe Road, Squire Pope/Gumtree Roundabout
5. Staff support – Dune Accretion/ Critical Storm Protection Code Revision

Program: Public Projects and Facilities

2007 Accomplishments (continued)

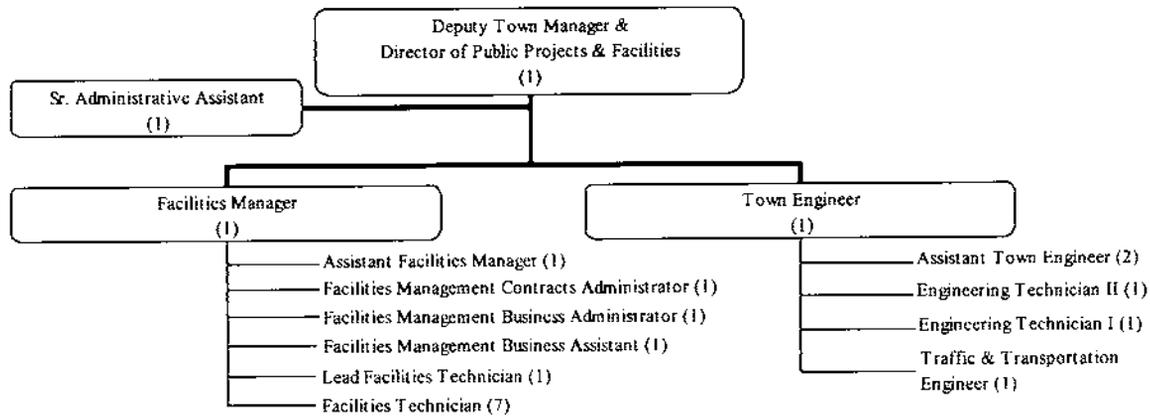
FACILITIES SERVICES

1. Conducted a trial period of free parking in the Coligny Beach Park and North Forest Beach areas. This resulted in Town Council permanently establishing this area as free parking.
2. Managed the construction of two new additional tennis courts at Chaplin Park and improvements to the four existing courts.
3. Managed the parking lot upgrades to pervious pavers at Chaplin Park, Islanders Beach Park and Shelter Cove Veteran's Memorial Park.
4. Divided Facilities Management staff into two different locations to accommodate Facilities Operations during construction of the new Facilities Management building and to avoid the impact of the off street pathway construction on Mathews Drive.

2008 Objectives

1. Ensure plan development, engineering design and construction management of the Capital Improvements Program (CIP). Provide technical assistance to all CIP project managers. Explore the feasibility of construction management contracts and night time construction of suitable projects. Priorities are: Construction of the Mathews Drive and Office Park Road corridor improvements, and development and implementation of the Shoreline Management Plan and policies.
2. Ensure effective and environmentally sensitive design of stormwater management using "best management practices." Refine and implement the long-term maintenance program for the Town's stormwater management infrastructure including cost allocation and fee structure.
3. Provide project management for the construction of a new Facilities Management building and shop.
4. Provide staff support for the implementation of Initiative Area Master Plans including the Coligny Beach Redevelopment, the Dunnagan's Alley Revitalization, implementation of the Sewer Plan, and Disaster Recovery Strategies.

Program: Public Projects and Facilities



Expenditures by Program/Category

Public Projects & Facilities	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Program Summary								
Administration	\$ 192,873	\$ 207,375	\$ 219,629	\$ 236,480	\$ 232,590	\$ 265,810	\$ 29,330	12.40%
Engineering	548,320	603,065	631,346	698,694	741,269	769,830	71,136	10.18%
Facilities Management	1,566,517	1,656,994	1,828,771	2,350,800	2,251,255	2,613,860	263,060	11.39%
Total	\$ 2,307,710	\$ 2,467,434	\$ 2,679,746	\$ 3,285,974	\$ 3,225,114	\$ 3,649,500	\$ 363,526	11.06%
Summary By Category								
Personnel	\$ 1,241,602	\$ 1,309,593	\$ 1,393,908	\$ 1,536,990	\$ 1,451,766	\$ 1,751,870	\$ 214,880	13.98%
Operating	1,066,108	1,157,841	1,285,838	1,748,984	1,773,348	1,897,630	148,646	8.50%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 2,307,710	\$ 2,467,434	\$ 2,679,746	\$ 3,285,974	\$ 3,225,114	\$ 3,649,500	\$ 363,526	11.06%
Positions	19.0	19.0	19.0	20.0	20.0	21.0	1.0	5.00%

Townwide

Expenditures by Program/Category

Non-Departmental (Townwide)	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Budget	FY 2007 Estimate	FY 2008 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Summary By Category								
Operating								
Post Employment	\$ 10,170	\$ 14,601	\$ 4,528	\$ 15,000	\$ 4,540	\$ 15,000	\$ -	0.00%
Retiree Medical	186	306	288	300	300	300	-	0.00%
COBRA	162	102	204	300	174	300	-	0.00%
Photocopying	9,006	8,480	9,078	9,000	7,618	9,000	-	0.00%
Courier	15,018	14,607	14,330	15,000	12,754	19,800	4,800	32.00%
Insurance	188,037	228,178	230,435	266,400	266,400	304,030	37,630	14.13%
Telephone	141,379	139,040	153,394	151,000	154,530	168,000	17,000	11.26%
Cell Phones	32,568	27,448	29,432	35,000	32,826	37,000	2,000	5.71%
Electricity	75,847	82,818	90,495	77,250	85,566	88,140	10,890	14.10%
Utilities	13,270	13,054	27,545	30,000	35,732	30,900	900	3.00%
Postage	24,264	31,760	31,235	43,000	42,874	44,290	1,290	3.00%
Equipment Maintenance	24,814	39,711	3,541	4,800	4,000	4,000	(800)	-16.67%
Lease Payments	-	3,534	43,690	44,600	44,600	48,200	3,600	8.07%
Furniture/Fixtures < \$5,000	-	-	9,706	10,000	-	10,000	-	0.00%
Operating Supplies	-	-	388	1,500	5,113	68,000	66,500	4433.33%
General Contingency	51,901	114,780	48,983	62,790	21,186	50,000	(12,790)	-20.37%
Total Operating	\$ 586,622	\$ 718,419	\$ 697,272	\$ 765,940	\$ 718,213	\$ 896,960	\$ 131,020	17.11%
Capital Outlay								
Furniture/Fixtures ≥ \$5,000	\$ 1,259	\$ 6,780	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Total Capital Outlay	\$ 1,259	\$ 6,780	\$ -	N/A				
Grants								
Recreation Center	\$ 485,520	\$ 570,240	\$ 570,240	\$ 597,740	\$ 597,740	\$ 642,940	\$ 45,200	7.56%
Recreation Center - Capital	106,865	46,185	56,898	98,000	98,000	87,600	(10,400)	-10.61%
Coastal Discovery Museum	-	-	-	-	-	75,000	75,000	N/A
Low Country Recycling	111,000	993	-	-	-	-	-	N/A
Low Country (Truck Expense)	3,800	324	-	-	-	-	-	N/A
Disaster Advertising Reserve	-	13,855	-	198,660	-	219,500	20,840	10.49%
Hospitality Promotion	92,470	90,018	69,694	93,000	93,000	114,700	21,700	23.33%
Beaufort HAZMAT	9,489	37,938	4,820	5,000	5,000	5,000	-	0.00%
DEHC Grant	6,989	-	-	-	-	-	-	N/A
LRTA Grant	100,000	110,000	125,000	175,000	175,000	175,000	-	0.00%
USAR - RRT Grant	-	-	66,481	-	14,635	-	-	N/A
Community Development Corp.	-	-	-	-	-	-	-	N/A
Drug Court	33,500	38,430	43,560	43,560	43,560	48,500	4,940	11.34%
Youth Court Program	-	-	-	15,000	15,000	15,000	-	0.00%
E911 Beaufort County	126,644	-	-	-	-	-	-	N/A
Low Country Reimbursement	52,023	-	-	-	-	-	-	N/A
FEMA Grant	-	41,692	-	-	-	-	-	N/A
LEPC/BC	-	-	30,441	-	862	-	-	N/A
Total Grants	\$ 1,128,300	\$ 949,675	\$ 967,134	\$ 1,225,960	\$ 1,042,797	\$ 1,383,240	\$ 157,280	12.83%
Total	\$ 1,716,181	\$ 1,674,874	\$ 1,664,406	\$ 1,991,900	\$ 1,761,010	\$ 2,280,200	\$ 289,300	14.47%

General Fund Debt

On December 16, 1997, the Town entered into a lease agreement with LaSalle National Bank concerning purchase of two 1998 custom fire trucks. The purchase price of the new trucks was \$793,314 of which \$417,000 was a trade-in on an older fire truck. The total amount incurred on the lease was \$539,495 which included the remaining balance of the lease on the fire truck traded in. The lease bears an interest rate of 5.23% and is payable in annual installments of principal and interest of \$70,649 through December 2008. Funding for the debt service cost is provided through a transfer in from the Hospitality Tax Fund. This debt service expenditure is budgeted in the Fire Department budget in the General Fund. A schedule of the amount due for this lease follows:

For the Year Ended June 30	Governmental Activities		
	Interest	Principal	Total
2007	6,848	63,801	70,649
2008	3,511	67,138	70,649
	<u>\$ 10,359</u>	<u>\$ 130,939</u>	<u>\$ 141,298</u>

General Fund Five-Year Plan

One of the most significant tools employed by the Town for strategic planning is the long-range financial plan (forecast). All revenues and expenditures in the General Fund are analyzed and forecast five years into the future. The model provides a picture of revenue surpluses or shortfalls the Town would experience if no action were taken, including tax increases or changes in service.

The forecasts are based on a combination of general assumptions and specific program changes of which the Town has knowledge. These general assumptions include economic considerations, commercial and residential development, service loads, and incremental growth in the compensation system. The five-year forecast provides the baseline for next year's budget.

The next few years continue to pose funding challenges for the Town. By using the five-year forecast the Town hopes to more proactively plan for upcoming changes in service level demands as well as identifying potential revenue shortfalls and identifying solutions.

Revenue Assumptions

- Property taxes – will grow at a rate of 2.5% annually
- Local ATAX public safety – increased by 1.5% per year
- Business license fees – growth rate of 1.5% per year
- Franchise fees – budgeted/estimated the same revenue per year for Fiscal Years 2008-2013
- Permit fees – estimated decrease in revenues of 1.5% per year for Fiscal Years 2009-2013
- Intergovernmental – growth rate of 1.0% per year
- Grants – budgeted/estimated the same revenue per year for Fiscal Years 2008-2013
- Miscellaneous – growth rate of 1.0% per year
- Transfers in – increase the use of revenues from other sources at rate of 6.0% per year (beach fees, hospitality taxes, accommodations tax (State), electric franchise, storm water utility fees, TIF funds)
- Investments – budgeted/estimated the same revenue per year for Fiscal Years 2008-2013

Expenditure Assumptions

Personnel Expenditures

- No new staffing additions are planned; Currently established positions will retain the same salary grade in future years
- Increase in salaries – 4.75% increase per year
- Salary range adjustments – 3.00% per year
- VantageCare – 10% increase year over year
- Medical, life and disability insurance - 5.00% increase per year
- Workers' Compensation -15% increase per year

Operating Expenditures

- Operating supplies and consulting services projected to increase by 3% per year or as projected by the department
- Capital outlay - as projected by the department

Revenue & Expenditure Analysis - General Fund; Historical Summary and Five-Year Plan (In Thousands of Dollars)

	Fiscal Year Ending June 30											
	Actual					2007	2008	Projected				
	2002	2003	2004	2005	2006	Est. Actual	Budget	2009	2010	2011	2012	2013
REVENUES												
Property Taxes	\$ 8,684	\$ 9,266	\$ 10,366	\$ 11,834	\$ 9,729	\$ 9,931	\$ 10,171	\$ 10,425	\$ 10,685	\$ 10,952	\$ 11,227	\$ 11,507
Local ATAX	1,803	1,729	1,861	1,991	2,224	2,260	2,294	2,328	2,363	2,399	2,435	2,471
Business Licenses	5,532	5,679	6,218	6,690	7,723	7,544	7,745	7,861	7,978	8,098	8,220	8,343
Franchise Fees	379	535	504	572	591	590	602	602	602	602	602	602
Permit Fees	1,425	1,115	1,257	1,663	1,890	1,430	1,640	1,615	1,591	1,567	1,544	1,521
Intergovern. Revenue	893	873	880	917	928	978	997	1,007	1,017	1,027	1,038	1,048
Grants	143	226	186	155	347	86	159	159	159	159	159	159
Miscellaneous Revenue	1,592	1,741	1,909	1,855	2,310	2,219	2,316	2,340	2,363	2,387	2,410	2,435
Transfers In	1,543	2,000	1,884	3,161	4,117	4,722	4,719	5,003	5,303	5,621	5,958	6,316
Funds from Prior Years	-	-	-	-	-	-	1,329	-	-	-	-	-
Investments	207	101	92	136	489	609	500	500	500	500	500	500
TOTAL REVENUES	\$ 22,200	\$ 23,265	\$ 25,157	\$ 28,973	\$ 30,348	\$ 30,369	\$ 32,472	\$ 31,840	\$ 32,561	\$ 33,312	\$ 34,093	\$ 34,902
EXPENDITURES												
General Government	\$ 997	\$ 1,035	\$ 1,151	\$ 1,233	\$ 1,395	\$ 1,478	\$ 1,649	\$ 1,676	\$ 1,720	\$ 1,782	\$ 1,844	\$ 1,906
Management Services	2,896	2,915	3,046	3,167	3,643	3,869	4,461	4,563	4,760	5,010	5,200	5,171
Planning	1,164	1,281	1,294	1,371	1,433	1,513	1,751	1,836	1,923	2,014	2,110	2,210
Building and Fire Codes	940	979	1,047	1,110	1,220	1,274	1,426	1,494	1,565	1,640	1,718	1,801
Public Safety	11,406	12,237	12,812	13,767	14,760	15,389	17,048	17,762	18,454	19,197	19,998	20,816
Public Projects/Facilities	2,168	2,192	2,308	2,467	2,680	3,225	3,649	3,659	3,778	3,917	4,036	4,146
Townwide	1,557	1,737	2,775	1,668	1,664	1,761	2,280	2,288	2,312	2,337	2,362	2,388
Capital Outlay	576	412	316	376	106	261	137	154	147	150	154	157
Debt Service	98	98	98	98	71	71	71	-	-	-	-	-
TOTAL EXPENDITURES	\$ 21,802	\$ 22,886	\$ 24,847	\$ 25,258	\$ 26,972	\$ 28,841	\$ 32,472	\$ 33,432	\$ 34,659	\$ 36,047	\$ 37,422	\$ 38,595
EXCESS OF REVENUES OVER EXPENDITURES	\$ 399	\$ 379	\$ 310	\$ 3,716	\$ 3,376	\$ 1,528	-	\$ (1,592)	\$ (2,098)	\$ (2,735)	\$ (3,329)	\$ (3,693)
Fund Balance July 1	\$ 6,515	\$ 6,914	\$ 7,293	\$ 7,603	\$ 11,319	\$ 14,695	\$ 16,223	\$ 14,894	\$ 13,302	\$ 11,204	\$ 8,469	\$ 5,140
Fund Balance June 30	\$ 6,914	\$ 7,293	\$ 7,603	\$ 11,319	\$ 14,695	\$ 16,223	\$ 14,894	\$ 13,302	\$ 11,204	\$ 8,469	\$ 5,140	\$ 1,447

Capital Projects Fund (CIP)

Capital improvements are broken into two segments; one segment is integrated into the General Fund operating budget and the other segment is the Capital Projects Fund, Capital Improvements Program (CIP) budget. Located in the General Fund and to be funded with current operating funds are capital equipment purchases costing \$5,000 or more and software purchases which cost more than \$50,000. All other items meeting the same criteria, but not being funded by General Fund operating funds (including vehicles), are included in the Capital Projects Fund.

In accordance with State law, the proposed CIP for FY 2008 was developed by staff for review and recommendation of the full Planning Commission. The pathways and parks section was also reviewed by the Parks & Recreation Commission. The Planning Commission annually recommends the proposed CIP to Town Council for adoption during their CIP Budget Workshop in May.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. In addition, a ten-year capital plan is included that identifies anticipated capital expenditures with funding sources to be determined. The CIP is based on a variety of sources. Sources are Town Council's Policy and Management Agendas 2007 which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2004 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Town-Wide Drainage Plan; the Fire & Rescue Master Plan, the recently approved Recreation Element; the adopted County-wide All Hazard Mitigation Plan, the Comprehensive Emergency Management Plan which will be updated as a part of the Disaster Recovery Commission's work program; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and a recently initiated Space Needs Study of all Town facilities and properties to include Town Hall, all parks, Fire and Rescue stations and town-wide infrastructure.

Revenues

Previously, Town Council directed that we "minimize reliance on property tax while expanding alternative revenue sources." The CIP continues to be an excellent example of that approach. It consistently reduces reliance on ad valorem property taxes and shares the costs of infrastructure requirements with the beneficiaries. The proposed CIP incorporates over 19 different funding sources; a brief description of those sources is provided below.

- 1) **Impact Fees** are assessed against new developments to finance capital improvements necessary to support the growth in population.
 - a. **Traffic Impact Fees** that are derived from development and applied to roads, pathways and additional traffic signals. Pathways may only be funded up to fifty percent with Traffic Impact Fees. Traffic Impact Fees generate about \$250,000 per year.
 - b. **Parks Impact Fees** that were enacted Countywide to provide funding for emerging park needs. Park Impact Fees generate about \$100,000 per year.

Revenues (continued)

- 2) **Fund Balance** which is un-obligated and obligated monies that are rolled over from previously approved, but incomplete, projects.
- 3) **New Fiscal Year Taxes** are ad valorem property taxes collected during the next fiscal year. The amount dedicated to the CIP is .85 mills and will generate approximately \$693,000 during this fiscal year.
- 4) **Sunday Liquor Sales Permit Fees** that are derived from the sale of permits to sell alcohol on Sunday. These fees are rebates from the State and are expected to generate approximately \$225,000.
- 5) **Stormwater Utility (SWU) Fees** that are derived from the Stormwater Utility. The Utility collects approximately \$1.4 million from the Town. The Town also provides 5% (\$70,000) to the Utility for administrative overhead. The Utility returns the entire \$1.6 million of fees (minus the administrative over-head), which the Town uses for drainage infrastructure maintenance and debt service of a \$17 million SWU Revenue Bond.
- 6) **County Contributions** such as their bond issue for CIP projects. Last year's county bond issue included \$250,000 programmed for the new Coastal Discovery Museum building at Honey Horn Plantation.
- 7) **Developer Funding** such as the \$167,400 that was required from the Bluewater Developers for a roundabout at Squire Pope and Gum Tree Roads.
- 8) **Donations** such as the \$70,000 from People for Parks (Tennis Group) for two additional tennis courts at Chaplin Community Park.
- 9) **General Obligation (GO) Bonds** are issued and secured by the full faith and credit (taxing powers) of the Town. The Town actively pursues the highest achievable rating. The Town's current bond rating is as follows: Moody's Aa², Standard & Poor's AA, and Fitch AA.
- 10) **Revenue Bonds** are supported by fees or special assessments and differ from General Obligation Bonds in that they do not pledge the full faith and credit of the Town. Likewise, they do not count against the Town's debt limit cap of 8% of assessed value. Sufficient rates must be maintained to support the bond debt service requirements. Council authorized issuance of a \$17 million bond for island-wide drainage projects (stormwater utility fees), \$10 million bond for public safety projects (hospitality taxes), and a \$19 million bond for the beach renourishment project (beach preservation fees).
- 11) **Grants** such as the State Budget and Control Board grant totaling \$400,000 for the Coastal Discovery Museum. Land Water Conservation Fund (LWCF) and FEMA grants are also competed for at the State level, but include Federal funds.
- 12) **Accommodation Tax (ATAX)** grants that are derived from a State mandated two-percent tax on short-term rentals, hotels and motel accommodations. After the State applies a "Robin Hood" provision, they return approximately \$3.1 million per year to the Town. The CIP has been awarded \$30,000 for tourist-related projects.

Revenues (continued)

- 13) **Beach Fees** are derived from an additional two percent (2%) Local Accommodations Tax levied by Town Council. This source provides approximately \$4.0 million each year that is dedicated to beach renourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities. Some of which is used to pay debt service on a \$19 million bond for the beach renourishment project.
- 14) **Hospitality Tax** which is a two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses for on-premise consumption of alcoholic beverages, beer or wine. This source generates approximately \$5.2 million annually. Some of which is used to pay debt service on a \$10 million bond for public safety projects.
- 15) **Tax Increment Financing (TIF)** in which funds derive from increased assessed value above the baseline assessment when the TIF District was established. These funds may be used for public projects within the District. TIF generates approximately \$4.0 million annually.
- 16) **Palmetto Electric Franchise Fee** in which funds derive from the Town's negotiated franchise fee with Palmetto Electric Coop. These funds are committed to power line burials and hook ups which are estimated to cost approximately \$30 million over 15 years. The fee generates approximately \$2.1 million annually.
- 17) **Real Estate Transfer Fee** which is .25 of 1% on each real estate transaction in the Town. It generates approximately \$4.0 million each year that is dedicated to the Land Acquisition Program and its debt service.
- 18) **C-Funds** are derived from State taxes on gasoline which may be obtained via the County Transportation Committee (CTC) for special projects.
- 19) **SCDOT State Matching Funds** are derived from the Department of Transportation's "State Matching Program" which entails the resurfacing of state roads via a local one-for-one match. This source will provide \$136,000 during the next year.
- 20) **Lease Fund** is derived from lease payments on Town-owned property. As the Town has acquired properties, some have existing leases that the Town chooses to honor until their expiration. Approximately \$33,000 derived from those leases has been assigned to pay for maintenance and clean up of Town property.
- 21) **In Lieu of Open Space** is derived from developers in accordance with the LMO open space requirements.

Revenues (continued)

Implementation of the Fiscal Year 2008 CIP will require about \$47.4 million during the fiscal year. The chart below reflects a comparison of the major budgeted revenue sources for FY 2007 and FY 2008:

Revenue Source	FY 2007 Budget	FY 2008 Budget	\$ Change	% Change
Property Taxes	\$ 725,180	\$ 692,710	\$ (32,470)	-4.48%
Capital Sales Tax	-	4,280,000	4,280,000	N/A
Hospitality Tax	3,390,634	495,000	(2,895,634)	-85.40%
Hospitality Tax Bonds	5,790,692	8,589,000	2,798,308	48.32%
Beach Preservation Fees Bonds	14,953,951	-	(14,953,951)	-100.00%
Stormwater Utility Bonds	1,459,473	925,000	(534,473)	-36.62%
TIF Bonds	-	25,384,000	25,384,000	N/A
Funds from Prior Years (Fund Balance)	434,710	470,290	35,580	8.18%
Transfers In:				
TIF	20,558,154	-	(20,558,154)	-100.00%
Beach Preservation Fee	3,950,176	2,545,000	(1,405,176)	-35.57%
Palmetto Electric	-	2,282,000	2,282,000	N/A

Expenditures

In the Pathways category, there are 22 projects programmed during the next ten years. Of those 22 projects, 8 are funded for about \$2.7 million for the Fiscal Year 2008. Funded projects may involve land acquisition, legal work, design, concept and survey, and/or construction. All 8 projects funded involve construction or repairs.

In the Drainage Improvements category, there are 5 projects including a drainage study update programmed during the next ten years; 4 projects are funded for about \$2.0 million for the Fiscal Year 2008; and all involve construction or repairs.

In the category of Roadway Improvements, there are 28 projects programmed during the next ten years; 17 of them are funded for about \$20.4 million in Fiscal Year 2008.

In the category of Park Development, 22 projects are programmed during the next ten years, 6 projects are funded for about \$3.0 million during Fiscal Year 2008.

In the Existing Facilities/Infrastructure category, there are 10 projects programmed during the next ten years; all of them are partially funded during the next fiscal for about \$10.6 million. We will continue to develop a ten-year capital expense projection for "Rehabilitation and Renovation of Fixed Capital Assets" using appropriate funding sources for maintenance of Town owned buildings and property.

Expenditures (continued)

In the New Facilities/Infrastructure category, there are 10 projects programmed during the next ten years. Of this, 9 projects including the ongoing lease-purchase of dispatch equipment and upgrade of computer systems are funded for about \$6.2 million during Fiscal Year 2008.

In the Beach Maintenance category, there are 6 projects programmed during the next ten years. Of this, 5 projects including the ongoing beach management and monitoring program are funded for about \$1.8 million during Fiscal Year 2008.

In the category of Land Acquisition, using Council's guidance, staff will continue to research and recommend pertinent acquisitions at no extra cost to the taxpayers.

In total, there are 103 projects programmed over the next ten years. Of those 103 projects, 51 will be funded and managed during the next fiscal year. The 10-year projection for the CIP will require over \$161 million for implementation. Approximately \$47.4 million is proposed for funding next fiscal year projects.

The operating impact of these capital projects are calculated utilizing the following assumptions:

Pathway maintenance per mile	\$ 6,500/year
Park litter and landscape (passive/beach)	\$25,000/year
Park janitorial (restrooms and supplies)	\$12,500/year
Roadways	dedeeded to the County

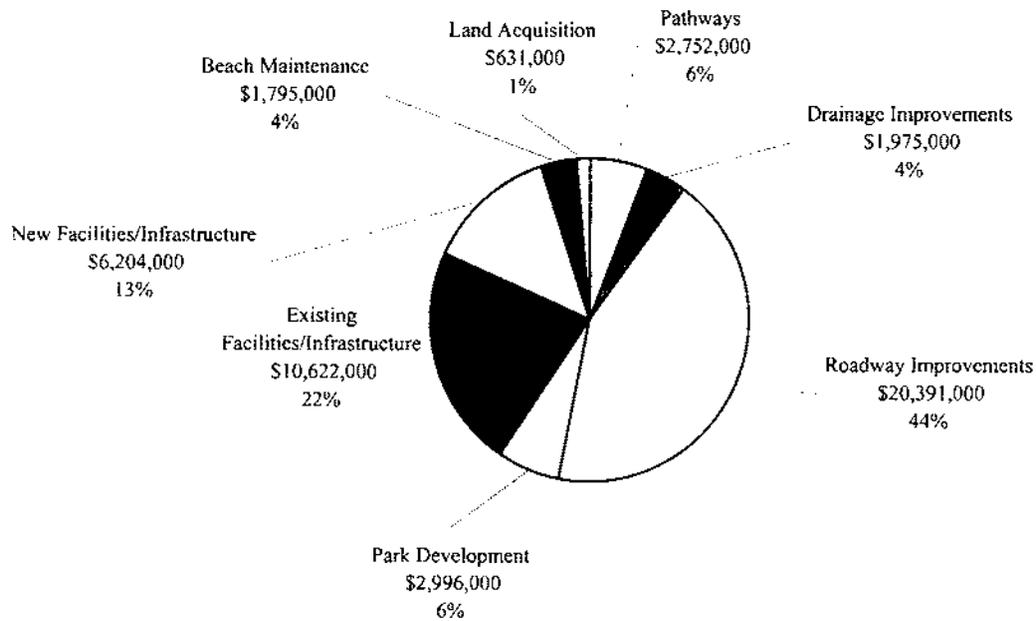
In FY 2008 the major impact items of the Town's capital assets on the operating budget (General Fund) are as follows:

- An increase of \$94,960 in maintenance contracts in the Facilities Management budget associated with the upkeep of the Town's facilities and parks;
- The addition of a Facilities Technician in the Facilities Management budget at an approximate cost of \$51,680;
- In the Fire Department's budget \$12,000 has been added for garage door maintenance for all fire stations;
- \$40,000 is budgeted in the Fire Department's operating budget for specialized compressed air foam systems equipment (CAFS) for 10 new pumper trucks;
- \$56,000 is budgeted in the Fire Department's operating budget to retro-fit the generators in the Medics.

Fiscal Year 2008 Capital Improvements Program (CIP)

The Capital Projects Fund (CIP) element for Fiscal Year 2008 totals **\$47,366,000** and consists of the following program funding levels:

Capital Projects Fund (CIP) Expenditures by Program



Capital Projects Fund (CIP) Two-Year Comparison

	FY 2007 Revised Budget	FY 2007 Est. Actual	FY 2008 Budget	Diff. % FY 2007	Diff. % FY 2007
Revenues					
Property Taxes	\$ 725,180	\$ 671,125	\$ 692,710	-4.48%	3.22%
Grants/Contributions	1,070,937	365,000	615,000	-42.57%	68.49%
Sales Tax	-	-	4,280,000	0.00%	0.00%
State Taxes - Sunday Permit Fec	225,000	38,400	225,000	0.00%	485.94%
Hospitality Tax	3,390,634	5,137,545	495,000	-85.40%	-90.37%
Impact Fees	277,777	182,613	350,000	26.00%	91.66%
County - Impact Fees - Parks/Misc.	629,508	-	-	-100.00%	N/A
County - Stormwater	305,920	1,776,035	310,000	1.33%	-82.55%
Miscellaneous	140,000	466,184	140,000	0.00%	-69.97%
Lease	70,000	70,560	33,000	-52.86%	-53.23%
Investment Income	-	1,762,136	-	0.00%	0.00%
Bond Proceeds	22,204,116	19,303,951	34,898,000	57.17%	80.78%
Funds from Prior Years	434,710	-	470,290	8.18%	N/A
Transfers	24,635,330	9,350,874	4,857,000	-80.28%	-48.06%
Total Revenues	\$ 54,109,112	\$ 39,124,423	\$ 47,366,000	-12.46%	21.07%
Expenditures					
Debt/Cost of Issuance	\$ -	\$ 2,394,564	\$ -	N/A	-100.00%
Pathways	4,666,107	310,188	2,752,000	-41.02%	787.20%
Drainage Improvements	2,282,606	766,103	1,975,000	-13.48%	157.80%
Road Improvements	12,148,873	1,725,759	20,391,000	67.84%	1081.57%
Park Development	3,096,538	1,790,231	2,996,000	-3.25%	67.35%
Existing Facilities/Infrastructure	6,603,436	812,221	10,622,000	60.86%	1207.77%
New Facilities/Infrastructure	7,168,671	521,776	6,204,000	-13.46%	1089.02%
Beach Maintenance	17,672,881	18,022,257	1,795,000	-89.84%	-90.04%
Land Acquisition	470,000	7,746,995	631,000	34.26%	-91.85%
Total Expenditures	\$ 54,109,112	\$ 34,090,094	\$ 47,366,000	-12.46%	38.94%
Excess/(Deficiency) of Revenues Over Expenditures	\$ -	\$ 5,034,329	\$ -		
Transfers Out		3,533,931	-		
Beginning Fund Balance		\$ 25,597,413	\$ 27,097,811		
Ending Fund Balance		\$ 27,097,811	\$ 17,113,521		

¹ The difference between the beginning fund balance and ending fund balance is as follows: the use of miscellaneous funds from prior years \$470,290, the use of \$8,589,000 in previously issued Hospitality Tax Bonds/Hospitality Tax funds received in prior periods, and the use of \$925,000 in previously issued Stormwater Utility Bonds, to balance the FY 2008 Budget.

It should be noted that of the \$47.4 million budget for projects in FY 2008 \$40.3 million of those projects are carry-over projects from the previous fiscal year. Only \$7.1 million in new projects are programmed for FY 2008.

The FY 2008 budget reflects a proposed issuance of \$25.4 million in (Tax Increment Financing) TIF bonds and approximated \$2.9 in new Hospitality Tax bonds.

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

THOUSANDS OF DOLLARS												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Summary												
CARRY-OVER PROJECTS												
Pathways	2,657			30			2,597					30
Drainage Improvements	1,975					935	740					300
Roadway Improvements	19,047	250		110			13,961	210		136		4,380
Park Development	1,746		129	83			1,300		225			9
Existing Facilities	8,040		12	258			2,837	4,850				83
New Facilities	5,734				750		2,014	2,575				395
Beach Maintenance	445				445							
Land Acquisition	631		330	161								140
SUBTOTAL	40,275	250	471	642	1,195	935	23,449	7,635	225	136	-	5,337
NEW PROJECTS												
Pathways	95						95					
Drainage Improvements	-											
Roadway Improvements	1,344						690	654				
Park Development	1,250	100					1,150					
Existing Facilities	2,582							300				2,282
New Facilities	470											470
Beach Maintenance	1,350				1,350							
SUBTOTAL	7,091	100	-	-	1,350	-	1,935	954	-	-	-	2,752
TOTAL	47,366	350	471	642	2,545	935	25,384	8,589	225	136	-	8,089

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

<u>THOUSANDS OF DOLLARS</u>												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Pathways												
CARRY-OVER PROJECTS												
pathway rehabilitation	60			30								30
Mathews Drive (Islanders Drive North to US 278)	750						750					
Palmetto Bay Road	1,299						1,299					
Mathews Drive (US 278 North to Beach City Road)	480						480					
Target Road	68						68					
SUBTOTAL	2,657	-	-	30	-	-	2,597	-	-	-	-	30
NEW PROJECTS												
New Orleans Road	39						39					
Lagoon Road	34						34					
Avocet Road	22						22					
SUBTOTAL	95	-	-	-	-	-	95	-	-	-	-	-
TOTAL	2,752	-	-	30	-	-	2,692	-	-	-	-	30

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

THOUSANDS OF DOLLARS												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Drainage Improvements												
CARRY-OVER PROJECTS												
drainage system rehabilitation	310					10						300
drainage study updates	625					625						
Club Course outfall	300					300						
Squire Pope Road	740						740					
SUBTOTAL	1,975	-	-	-	-	935	740	-	-	-	-	300
NEW PROJECTS												
	-											
	-											
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1,975	-	-	-	-	935	740	-	-	-	-	300

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

THOUSANDS OF DOLLARS												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Roadway Improvements												
CARRY-OVER PROJECTS												
Widen Mathews Drive (Marshland Road north to US 278)	7,832						7,832					
Widen Mathews Drive (US 278 to Beach City Road)	3,537						3,537					
Mathews Drive/Chaplin Area	110						110					
Horseshoe Road connector (Spanish Wells extension)	1,025						1,025					
US 278/Squire Pope Road intersection area improvements	2,400											2,400
Stoney secondary road (south)	715						715					
SCDOT road resurfacing	2,180			40			124			136		1,880
intersection improvements	150						150					
pedestrian crosswalks and refuges	120			70			50					
traffic signal mast arms	200						100					100
F & R emergency access points	210							210				
mainland transportation improvements	-											
neighborhood directional signage	50						50					
roadway safety improvements	518	250					268					
SUBTOTAL	19,047	250	-	110	-	-	13,961	210	-	136	-	4,380
NEW PROJECTS												
Nassau Street extension	600						600					
Summit Drive realignment and refurbishment	654							654				
intersection/crosswalk lighting	90						90					
SUBTOTAL	1,344	-	-	-	-	-	690	654	-	-	-	-
TOTAL	20,391	250	-	110	-	-	14,651	864	-	136	-	4,380

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

THOUSANDS OF DOLLARS												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				2008 Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Park Development												
CARRY-OVER PROJECTS												
park upgrades	746		129	83			300		225			9
Compass Rose Park	500						500					
Rock's/Remy's Tract	500						500					
SUBTOTAL	1,746	-	129	83	-	-	1,300	-	225	-	-	9
NEW PROJECTS												
Coligny Beach Park	1,050						1,050					
Shelter Cove Park	100	100										
Chaplin Linear Park	100						100					
SUBTOTAL	1,250	100	-	-	-	-	1,150	-	-	-	-	-
TOTAL	2,996	100	129	83	-	-	2,450	-	225	-	-	9

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

THOUSANDS OF DOLLARS												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Existing Facilities & Infrastructure												
CARRY-OVER PROJECTS												
rehabilitation and renovation of fixed capital assets	100			50								50
clean up, maintenance of properties & demolition of structures	475			105			337					33
apparatus and vehicle replacement	2,265		12	103				2,150				
fire hydrant upgrades	50							50				
Fire Station 1 replacement	2,500						2,500					
Fire Station 2 replacement	75							75				
Fire Station 5 replacement	2,500							2,500				
Fire Station 6 replacement	75							75				
SUBTOTAL	8,040	-	12	258	-	-	2,837	4,850	-	-	-	83
NEW PROJECTS												
Fire Station 3 hurricane protection	300							300				
power-line burial	2,282											2,282
SUBTOTAL	2,582	-	-	-	-	-	-	300	-	-	-	2,282
TOTAL	10,622	-	12	258	-	-	2,837	5,150	-	-	-	2,365

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

THOUSANDS OF DOLLARS												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008				Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond	TIF					
New Facilities & Infrastructure												
CARRY-OVER PROJECTS												
Dispatch Center equipment upgrade	100											100
Facilities Management Building	1,500				750			750				
Fire and Rescue Training Center	1,825							1,825				
Coligny/Popc Ave. area initiative	285						285					
Dunnagan's Alley/Arrow Rd. area initiative	200						200					
sewer projects	1,529						1,529					
community warning system	75											75
Fire and Rescue computer system	220											220
SUBTOTAL	5,734	-	-	-	750	-	2,014	2,575	-	-	-	395
NEW PROJECTS												
Stoney area - CDBG project	470											470
	-											
SUBTOTAL	470	-	-	-	-	-	-	-	-	-	-	470
TOTAL	6,204	-	-	-	750	-	2,014	2,575	-	-	-	865

Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

<u>THOUSANDS OF DOLLARS</u>												
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Beach Maintenance												
CARRY-OVER PROJECTS												
beach management and monitoring	220				220							
beach parks/access rehabilitation	75				75							
dunes refurbishment and maintenance	150				150							
SUBTOTAL	445	-	-	-	445	-	-	-	-	-	-	-
NEW PROJECTS												
shoreline management plan	350				350							
groins refurbishment	1,000				1,000							
SUBTOTAL	1,350	-	-	-	1,350	-	-	-	-	-	-	-
TOTAL	1,795	-	-	-	1,795	-	-	-	-	-	-	-

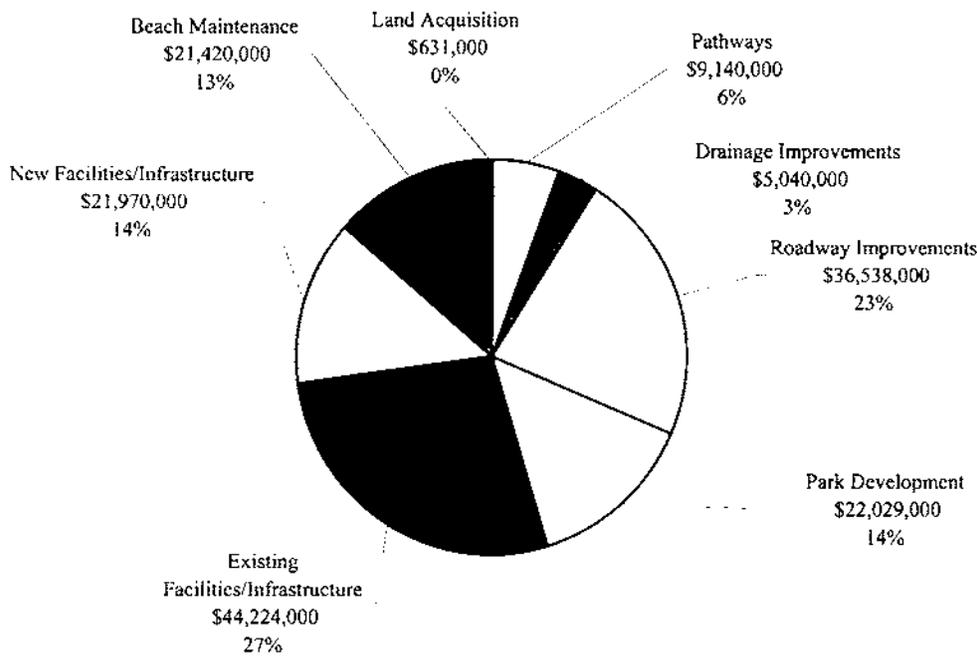
Capital Projects Fund (CIP) Expenditures by Funding Source - 2008

<u>THOUSANDS OF DOLLARS</u>													
Category	FY 2008 Budget	Impact Fees	Fund Balance	FY 2008				TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond							
Land Acquisition													
CARRY-OVER PROJECTS													
Land Acquisition	631		330	161									140
TOTAL	631	0	330	161	0	0	0	0	0	0	0	0	140

Ten-Year Capital Improvements Program (CIP)

The anticipated capital expenditures over the next ten years are anticipated to be **\$161.0 million**. The estimated expenditures by program are as follows:

Ten-Year Capital Improvements Program Expenditures by Program



THOUSANDS OF DOLLARS

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
Total Capital Improvement Program						
Pathways	2,752	549	565	1,189	363	3,722
Drainage Improvements	1,975	310	375	520	310	1,550
Roadway Improvements	20,391	4,939	4,710	610	1,838	4,050
Park Development	2,996	2,868	3,470	1,135	1,160	10,400
Existing Facilities & Infrastructure	10,622	2,535	2,835	5,960	2,609	19,663
New Facilities & Infrastructure	6,204	7,298	3,050	263	1,195	3,960
Beach Maintenance	1,795	345	285	285	285	18,425
Land Acquisition	631	-	-	-	-	-
Total	160,992	47,366	18,844	15,290	9,962	61,770

CIP Expenditures by Category 2008-2017

THOUSANDS OF DOLLARS

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
Pathways						
pathway rehabilitation	60	60	60	60	60	300
Mathews Drive (Islanders Drive North to US 278)	750					
Palmetto Bay Road	1,299					
Target Road	68					
Mathews Drive (US 278 North to Beach City Road)	480					
New Orleans Road	39	180				
Lagoon Road	34	144				
Avocet Road	22	144				
Dunnagann's Alley		21	360			
US 278 (Wexford Circle to Fresh Market Shoppes)			8	302		
Arrow Road			100	522		
Archer Road			15	40		
Greenwood to Target Road			22	265		
Singleton Beach Road					25	154
Gardner Drive					38	156
Pembroke Drive					51	310
Leg o' Mutton					29	160
Jonesville Road					70	325
US 278 (south side phased)					59	1,528
US 278 (Gum Tree to Squire Pope Road)					31	173
US 278 (Squire Pope Road to Jenkins Island)						323
US 278 (Jenkins Island to Bridge)						293
Total	2,752	549	565	1,189	363	3,722

CIP Expenditures by Category 2008-2017

Category	<u>THOUSANDS OF DOLLARS</u>					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
<u>Drainage Improvements</u>						
drainage system rehabilitation	310	310	310	310	310	1,550
drainage study updates	625					
Club Course outfall	300					
Squire Pope Road	740					
Arrow Road			65	210		
Total	1,975	310	375	520	310	1,550

CIP Expenditures by Category 2008-2017

THOUSANDS OF DOLLARS

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
Roadway Improvements						
widen Mathews Drive (Marshland Road north to US 278)	7,832		750			
Widen Mathews Drive (US 278 to Beach City Road)	3,537					
Mathews Drive/Chaplin area	110	500				
Horseshoe Road connector (Spanish Wells extension)	1,025					
US 278/Squire Pope Road intersection area improvements	2,400					
Stoney Secondary Road (south)	715	600				
Stoney Secondary Road (north)				75	1,000	
SCDOT road resurfacing	2,180	1,880	1,880			
Nassau Street extension	600					
Summit Drive realignment and refurbishment	654					
intersection improvements	150	1,270	1,300			
pedestrian crosswalks and refuges	120	200	220			
traffic signal mast arms	200	250	375	400		
F&R emergency access points	210	60	10	10	10	50
mainland transportation improvements						
neighborhood directional signage	50	50	50	50	50	
intersection/crosswalk lighting	90					
roadway safety improvements	518	129	125			
Lemoyne Road reconstruction and extension				75	500	
widen Folly Field Road					128	700
widen Squire Pope Road					150	1,000
widen Gum Tree Road						1,150
widen Pembroke Road						575
widen Leg O' Mutton Road						575
Total	20,391	4,939	4,710	610	1,838	4,050

CIP Expenditures by Category 2008-2017

THOUSANDS OF DOLLARS

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
Park Development						
Park Upgrades	746	210	100	100	100	500
Compass Rose Park	500					
Rock's/Remy's Tract	500					
Coligny Beach Park Park Improvements	1,050					
Shelter Cove Park	100	1,066				
Chaplin Linear Park	100	807				
Rowing and Sailing Center		50	1,500			
Driessen Tract Neighborhood Park		20	250			
Marshland Road Neighborhood Park		15	560			
Yacht Cove Community Park			1,010			
Chaplin Linear Park Boardwalk		400				
Collier Beach Park		300				
Old School House Park			25	500		
Ford Shell Ring Park			25	500		
Aranda Tract Park				10	200	
Marshland and Spanish Wells Road Neighborhood Park				15	150	
Indigo Run/hotel site tract park				10	250	
Town Hall Park					20	250
Recreation Facility (South)						5,000
Community Pool						2,000
Central Church Neighborhood Park					20	200
South Forest Beach Neighborhood Park					10	100
North Forest Beach Neighborhood Park					10	100
Jenkins Island Special Purpose Park					250	2,250
Total	2,996	2,868	3,470	1,135	1,010	10,400

CIP Expenditures by Category 2008-2017

Category	THOUSANDS OF DOLLARS					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
Existing Facilities & Infrastructure						
rehabilitaion and renovation of fixed capital assets	100	100	100	100	100	500
clean up, maintenance of properties & demolition of structures	475	475	475	475	475	
power line burial	2,282	1,680	1,822	1,771	1,928	18,177
apparatus and vehicle replacement	2,265	240	138	114	106	986
fire hydrant upgrades	50	40				
Fire Station 1 replacement	2,500					
Fire Station 2 replacement	75		150	1,750		
Fire Station 5 replacement	2,500					
Fire Station 6 replacement	75		150	1,750		
Fire Station 3 hurricane protection	300					
Total	10,622	2,535	2,835	5,960	2,609	19,663

Category	THOUSANDS OF DOLLARS					
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
New Facilities & Infrastructure						
dispatch center equipment upgrade	100	50	50	50	50	250
Facilities Management Building	1,500					
F&R Training Center	1,825					
F&R computer system	220	70		70		210
Dunnagan's Alley/Arrow Rd. area initiative	200	2,000				
Coligny/Pope Avenue area initiative	285	3,850	3,000			
community warning system	75	750				
sewer projects	1,529	578		143	845	100
Stoney - CDBG project	470					
Law Enforcement Center					300	3,400
Total	6,204	7,298	3,050	263	1,195	3,960

CIP Expenditures by Category 2008-2017

THOUSANDS OF DOLLARS

	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
<u>Beach Maintenance</u>						
beach management and monitoring	220	220	185	185	185	925
beach parks/access rehabilitation	75	75	75	75	75	375
dunes refurbishment and maintenance	150	50	25	25	25	125
shoreline management plan	350					
groins refurbishment	1,000					
beach renourishment						17,000
Total	1,795	345	285	285	285	18,425

THOUSANDS OF DOLLARS

Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
<u>Land Acquisition</u>						
Land Acquisition	631					
Total	631	-	-	-	-	-



Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest payments.

Revenues

Revenue sources for the debt service fund for the Fiscal Year 2008 budget include:

1. **Property taxes: \$4,620,790**
Property taxes represent a levy on the assessed value of real and personal property. These bonds are voter approved for a specific project/purchase. The debt service millage rate is calculated separately from the operating millage rate.
2. Transfer from: **Capital Projects Fund - hospitality taxes: \$757,470**
A uniform tax levied by the Town on the gross sales 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.
3. Transfer from: **Capital Projects Fund - stormwater utility fees: \$1,250,710**
The hospitality taxes and stormwater utility fees are funds received by the Capital Improvements Fund (CIP) to fund capital improvements. This transfer between funds is necessary to cover the debt service costs associated with bonds obtained for the purpose of undertaking capital improvements.
4. Transfer from: **Beach Preservation Fees Fund: \$2,863,610**
Beach preservation fees are used to preserve the general health, safety and welfare of the public within the Town of Hilton Head Island, by creating an additional fund to pay, in whole or in part, for the current and future preservation, maintenance, nourishment, renourishment, and improvement of the beaches of Hilton Head Island, and also those public facilities related to the use, preservation, maintenance, nourishment, renourishment, and improvement of the beaches.
5. Transfer from: **Real Estate Transfer Fees Fund: \$2,758,160**
Real estate transfer fees are used to (a) 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, (b) 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. This transfer between funds is necessary to cover the debt service costs associated with bonds obtained for the purpose of undertaking capital improvements and the purchase of land in accordance with these guidelines..

Revenues (continued)

6. **Interest income: \$350,000**

Interest income is earned from available fund balance. The amount of interest earned fluctuates with the market and bond funds on hand.

7. **Fund Balance: \$715,410**

This funding source is un-obligated and obligated monies that are rolled over from previous fiscal years and held in reserve.

Debt Service Fund Two-Year Comparison

	FY 2007 Revised Budget	FY 2007 Est. Actual	FY 2008 Budget	Budget Diff. % FY 2007	Estimate Diff. % FY 2007
<u>Revenues</u>					
Property Taxes	\$ 4,783,690	\$ 4,694,645	\$ 4,620,790	-3.41%	-1.57%
Investment Income	250,000	250,000	350,000	40.00%	40.00%
Transfers	5,513,705	5,513,705	7,629,950	38.38%	38.38%
Funds from Prior Years	263,760	352,805	715,410	171.24%	102.78%
Total Revenues	\$ 10,811,155	\$ 10,811,155	\$ 13,316,150	23.17%	23.17%
<u>Expenditures</u>					
Debt Service					
Principal	\$ 5,640,000	\$ 5,640,000	\$ 8,010,000	42.02%	42.02%
Interest	5,154,485	5,154,485	5,285,660	2.54%	2.54%
	10,794,485	10,794,485	13,295,660	23.17%	23.17%
Administrative	16,670	16,670	20,490	22.92%	22.92%
Total Expenditures*	\$ 10,811,155	\$ 10,811,155	\$ 13,316,150	23.17%	23.17%
Excess/(Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -		
Beginning Fund Balance		\$ 8,349,223	\$ 7,996,418		
Ending Fund Balance		\$ 7,996,418	\$ 7,281,008		

*Excludes payment of debt service related to 2004 TIF Bond which is included in TIF Fund.

Debt Service Fund Expenditures

The Fiscal Year 2008 budgeted debt service expenditures are as follows:

Debt Service Payments

	Interest	Principal	Total
<u>Certificates of Participation</u>			
2004A - Certificates of Participation	\$ 224,717	\$ 940,000	\$ 1,164,717
2005 - Certificates of Participation	32,951	110,000	142,951
Total Certificates of Participation	\$ 257,668	\$ 1,050,000	\$ 1,307,668
<u>General Obligation Bonds</u>			
Series 1996A - General Obligation Bonds	\$ 23,045	\$ 160,000	\$ 183,045
Series 1996B - General Ogligation Refunding Bonds	135,712	935,000	1,070,712
Series 1998A - General Obligation Referendum Bonds	624,808	495,000	1,119,808
Series 1999A - General Obligation Referendum Bonds (portion remaining)	66,263	350,000	416,263
Series 1999B - General Obligation Bonds	305,630	185,000	490,630
Series 2001A - General Obligation Referendum Bonds (portion remaining)	76,275	830,000	906,275
Series 2004A - General Obligation Bonds	664,575	415,000	1,079,575
Series 2004B - General Obligation Refunding Bonds	145,775	575,000	720,775
Series 2005A - General Obligation Refunding Bonds	1,043,615	95,000	1,138,615
Total General Obligation Bonds	\$ 3,085,698	\$ 4,040,000	\$ 7,125,698
<u>Revenue Bonds</u>			
2002 Stormwater Bonds	\$ 712,708	\$ 535,000	\$ 1,247,708
2004 Hospitality Tax Bonds	448,970	305,000	753,970
2006 Beach Preservation Fee Bonds	780,610	2,080,000	2,860,610
2004 TIF Bonds *	294,112	710,000	1,004,112
Total Revenue Bonds	\$ 2,236,400	\$ 3,630,000	\$ 5,866,400
Grand Total	\$ 5,579,766	\$ 8,720,000	\$ 14,299,766

* Funding for and payment of debt service related to this bond is in the TIF fund.

Calculation of the Legal Debt Limit

Assessed Value as of December 2006 (estimated 2007 assessed value)		<u>\$ 814,954,000 *</u>
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval		65,196,320
Council Imposed 80% Cap		52,157,056
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds 1996A	\$ 505,000	
General Obligation Refunding Bonds 1996B	2,970,000	
General Obligation Bonds 1999B	5,485,000	
General Obligation Bonds 2004B (Refunding of Series 1998B)	5,220,000	
Total Amount Applicable to Debt Limit		<u>14,180,000</u>
Legal Debt Margin without a Referendum		<u><u>\$ 37,977,056</u></u>

Article Ten (X), Section Fourteen (14) of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote of qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:

- a. Those restrictions and limitations imposed in the authorization to incur such indebtedness;
- b. The provisions of Article Ten (X) Section 14; and
- c. Such general obligation debt shall be issued within five years of the date of such referendum and shall mature within forty (40) years from the time such indebtedness shall be incurred.

* Note: The assessed value is subject to change due to final numbers being provided by the County during August/September 2007.

Outstanding Debt Issues

	Issue Amt.	Outstanding
<u>Certificates of Participation</u>		
2004A - Certificates of Participation	\$ 9,060,000	\$ 7,125,000
2005 - Certificates of Participation	1,055,000	830,000
Total Certificates of Participation	\$ 10,115,000	\$ 7,955,000
<u>General Obligation Bonds</u>		
Series 1996A - General Obligation Bonds	\$ 1,425,000	\$ 505,000
Series 1996B - General Obligation Refunding Bonds	11,180,000	2,970,000
Series 1998A - General Obligation Referendum Bonds	15,000,000	12,450,000
Series 1999A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	2,050,000	1,105,000
Series 1999B - General Obligation Bonds	6,000,000	5,485,000
Series 2001A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	3,990,000	1,695,000
Series 2004A - General Obligation Bonds	15,000,000	13,880,000
Series 2004B - General Obligation Bonds (Refunded portion of Series 1998B)	5,365,000	5,220,000
Series 2005A - General Obligation Bonds (Refunded portion of Series 1999A & 2001A)	24,265,000	24,150,000
Total General Obligation Bonds	\$ 84,275,000	\$ 67,460,000
<u>Revenue Bonds</u>		
2002 Stormwater Bonds	\$ 17,000,000	\$ 15,975,000
2004 Hospitality Tax Bonds	10,775,000	9,910,000
2006 Beach Preservation Fees Bonds	19,000,000	16,920,000
2004 T.I.F. Bonds	8,000,000	6,680,000
Total Revenue Bonds	\$ 54,775,000	\$ 49,485,000
Grand Total	\$ 149,165,000	\$ 124,900,000

1. **2004A Certificates of Participation; \$9,060,000 (Tax-Exempt), Dated March 1, 2004**

On March 1, 2004, the Hilton Head Island Public Facilities Corporation, a non-profit entity and component unit of the Town, entered into Certificates of Participation with Wells Fargo Bank, N.A. for \$9,060,000 secured by Town properties.

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated tax exempt amount of certificates; (b) maximum annual debt service on certificate for any fiscal year; or (c) 125% of average annual debt on the certificates. At June 30, 2006, \$1,033,228 was the fair value of the amount held in the reserve fund for the tax-exempt certificates. The Capital Projects Fund is repaying these certificates of participation.

2. **2005 Certificates of Participation; \$1,055,000 (Tax-Exempt), Dated March 3, 2005**

On March 3, 2005, the Hilton Head Island Public Facilities Corporation refunded taxable Certificates of Participation issued with Wells Fargo Bank, N.A. in 2004 with tax-exempt certificates.

During that time, the Town issued \$1,055,000 in tax-exempt Certificates of Participation bearing an interest rate of 3.97% to refund \$1,450,000 of taxable Certificates of Participation with a variable interest rate. The Town contributed approximately \$450,000 from the Town's Debt Service thereby reducing the principal by \$400,000 on this issue and the balance being used to fund the cost of

Outstanding Debt Issues (continued)

issuance. The net proceeds of \$1,002,362 (after payment of \$52,638 in issuance costs) were used to purchase United States government securities. The certificates were refunded to reduce total debt service payments over the next nine (9) years by \$519,451 and resulted in an economic loss (difference between the present values of the old and new debt service payments) of approximately \$17,760.

3. **Series 1996A General Obligation Bonds; \$1,425,000, Dated June 1, 1996**

On July 9, 1996, the Town issued \$1,425,000 general obligation bonds to fund capital projects for a water tower, fire hydrants, renovation of fire stations, and other corporate purposes.

4. **Series 1996B General Obligation Refunding Bonds; \$11,180,000, Dated June 1, 1996**

On July 9, 1996, the Town issued \$11,180,000 general obligation bonds to defease the remaining amount of the \$1,250,000 general obligation bonds dated November 1, 1987, and the remaining amount of the \$11,600,000 general obligation bonds dated August 1, 1989.

5. **Series 1998A General Obligation Referendum Bonds; \$15,000,000, Dated April 1, 1998**

On April 1, 1998, the Town issued \$15,000,000 general obligation bonds which repaid a bond anticipation note of \$10,000,000 for land acquisition and \$3,000,000 for capital projects issued during the year ended June 30, 1999, and to finance capital projects.

6. **Series 1999A General Obligation Referendum Bonds; \$2,050,000, Dated November 16, 1999**

On November 16, 1999, the Town issued \$12,000,000 general obligation bonds to finance capital projects. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$2,050,000. Refer to Series 2005A, Item 12, for the refunded portion.

7. **Series 1999B General Obligation Bonds; \$6,000,000, Dated November 16, 1999**

On November 16, 1999, the Town issued \$6,000,000 general obligation bonds to finance capital projects.

8. **Series 2001A General Obligation Referendum Bonds; \$3,990,000, Dated March 1, 2001**

On March 1, 2001, the Town issued \$20,000,000 general obligation bonds for purchasing developed and undeveloped land on Hilton Head Island, South Carolina, for the public use or uses of management of growth and development, public facilities, passive and active parkland and preservation of historic sites, and to pay the cost of issuance of bonds. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$3,990,000. Refer to Series 2005A, Item 12.

Outstanding Debt Issues (continued)

9. Series 2004A General Obligation Bonds; \$15,000,000, Dated May 1, 2004

On May 12, 2004, the Town issued \$15,000,000 general obligation bonds for general land acquisition.

10. Series 2004B General Obligation Bonds; \$5,365,000, Dated October 1, 2004

On October 26, 2004, the Town issued \$5,365,000 in general obligation bonds. The bonds were issued for the purpose of refunding the 2007 through 2011, inclusive, maturities of the \$6,000,000 General Obligation Bonds, Series 1998B, and to call the 1998B Bonds for redemption on December 1, 2006; and to pay for the cost of issuance.

11. Series 2005A General Obligation Bonds; \$24,265,000, Dated March 1, 2005

On March 15, 2005, the Town issued \$24,265,000 in general obligation bonds. The bonds are being used for the purpose of refunding the 2010 through 2024, inclusive, maturities of the \$12,000,000 General Obligation Bonds, Series 1999A, and to call the 1999A Refunded Bonds for redemption on December 1, 2009; refunding the 2010 through 2021, inclusive, maturities of the \$20,000,000 General Obligation Bonds, Series 2001A, and to call the 2001A Refunded Bonds for redemption on March 1, 2009; and to pay for the cost of issuance.

12. Stormwater Revenue Bonds; \$17,000,000, Dated December 1, 2002

On December 1, 2002, the Town issued \$17,000,000 revenue bonds to fund stormwater management projects.

13. Hospitality Tax Revenue Bonds; \$10,775,000, Dated June 1, 2004

On June 1, 2004, the Hilton Head Island Public Facilities Corporation, a non-profit entity and component unit of the Town, entered into a Certificate of Participation with Wells Fargo Bank, N.A. for \$10,775,000 secured by revenues collected from Hospitality Tax. The monies will be used for public safety capital improvement projects.

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificate for any fiscal year or (c) 125% of average annual debt on the certificates. At June 30, 2006, \$830,300 was the fair value of the amount held in the reserve fund. The Town is required to maintain a debt service pledge account on July 1 each year which is equal to the principal and interest for that year. On June 30, 2006, the amount in the pledge account was \$563,705.

Outstanding Debt Issues (continued)

14. Beach Preservation Fees Bonds; \$19,000,000, Dated August 1, 2006

On August 1, 2006 the Hilton Head Island Public Facilities Corporation, a non-profit entity and component unit of the Town, entered into a Certificate of Participation with Wells Fargo Bank, N.A. for \$19,000,000 secured by revenues collected from Beach Preservation Fees Tax. The monies will be used to undertake the renourishment of the beaches adjacent to certain areas within the Town; and such capital improvement projects that may be authorized by Town Council.

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificate for any fiscal year or (c) 125% of average annual debt on the certificates.

15. Tax Increment Financing Bonds; \$8,000,000, Dated June 25, 2004

On June 25, 2004, the Town issued \$8,000,000 tax increment bonds for paying principal and interest on the tax increment bond anticipation note of \$4,530,000 which matured June 25, 2004, and for financing redevelopment projects.

Planned Debt Position for the Next Five Years

	2009	2010	2011	2012	2013
<u>Certificates of Participation</u>					
2004A - Certificates of Participation	\$ 1,168,568	\$ 1,161,855	\$ 1,162,455	\$ 1,157,155	\$ 1,156,105
2005 - Certificates of Participation	143,584	139,019	139,453	134,689	129,925
Total Certificates of Participation	\$ 1,312,152	\$ 1,300,874	\$ 1,301,908	\$ 1,291,844	\$ 1,286,030
<u>General Obligation Bonds</u>					
Series 1996A - General Obligation Bonds	\$ 184,215	\$ 179,812	\$ -	\$ -	\$ -
Series 1996B - General Obligation Refunding Bonds	1,074,205	1,073,737	-	-	-
Series 1998A - General Obligation Referendum Bonds	1,113,964	1,108,892	1,107,333	1,103,987	1,103,988
Series 1999A - General Obligation Referendum Bonds	410,613	398,716	-	-	-
Series 1999B - General Obligation Bonds	488,061	486,843	486,235	489,773	487,433
Series 2001A - General Obligation Referendum Bonds	903,925	-	-	-	-
Series 2004A - General Obligation Bonds	1,075,050	1,070,175	1,061,250	1,051,500	1,040,925
Series 2004B - General Obligation Bonds	804,306	922,800	2,292,125	939,337	-
Series 2005A - General Obligation Bonds	1,139,715	2,042,215	2,437,315	2,432,415	2,432,196
Total General Obligation Bonds	\$ 7,194,054	\$ 7,283,190	\$ 7,384,258	\$ 6,017,012	\$ 5,064,542
<u>Revenue Bonds</u>					
2002 Stormwater Bonds	\$ 1,247,369	\$ 1,244,938	\$ 1,245,665	\$ 1,244,608	\$ 1,241,924
2004 Hospitality Tax Bonds	754,820	753,008	756,632	754,732	755,733
2006 Beach Preservation Fee Bonds	2,839,810	2,809,810	2,790,072	2,785,554	2,786,216
2004 TIF Bonds	1,000,400	1,000,176	998,325	999,730	999,275
Total Revenue Bonds	\$ 5,842,399	\$ 5,807,932	\$ 5,790,694	\$ 5,784,624	\$ 5,783,148
Grand Total	\$ 14,348,605	\$ 14,391,996	\$ 14,476,860	\$ 13,093,480	\$ 12,133,720

Glossary of Terms

Account – A separate financial reporting unit. All budgetary transactions are recorded in accounts.

Accrual Basis of Accounting – A method of accounting where revenues are recorded when service is given and expenditures are recognized when the benefit is received.

Ad Valorem Tax – A tax levied on the assessed value (net of any exemptions) of real or personal property as certified by the property appraiser in each county. This is commonly referred to as property tax.

Adopted Budget – The financial plan of revenues and expenditures for a fiscal year as approved by the Town Council.

Appropriation – A specific amount of money authorized by the Town Council for the purchase of goods or services.

Assessed Property Value – A value established by the County's property appraiser for all real or personal property for use as a basis for levying ad valorem (property) taxes.

Balanced Budget – A budget in which planned funds or revenues available are equal to fund planned expenditures.

Bonds – A certificate of debt issued by an entity, guaranteeing payment of the original investment, plus interest, by a specified future date.

Budget Amendment – A change to an adopted budget that may increase or decrease a department's or fund's total budget. The Town Council must approve budget amendments.

Budget Calendar – A budget calendar is a schedule of key dates which the Town follows in preparation, adoption and administration of the budget.

Budget Transfer – A budget transfer is a change to the allocation of budget funds within a department or between departments within a fund.

Build-out – That time in the life cycle of the Town when no incorporated property remains undeveloped. All construction from this point forward is renovation, retrofitting or land cleared through the demolition of existing structures.

Capital Improvement Program (CIP) – A plan of capital expenditures to be incurred each year over a period of ten future years, setting forth each capital project, the amount to be expended in each year and the method of financing those expenditures.

Capital Equipment (Assets) – Capital equipment is defined by the government as furniture/equipment with an initial cost of \$5,000 or and an estimated useful life in excess of two years.

Capital Software (Assets) – Capital software is defined by the government as software with an initial cost of \$50,000 or and an estimated useful life in excess of two years.

Contingency – A budgetary reserve to provide for emergency or unanticipated expenditures during the fiscal year. These funds, if not used, lapse at year end. This is not the same as fund balance.

Debt Service – The payment of principal and interest on borrowed funds such as bonds.

Department – A basic organizational unit of the Town which is functionally unique in its service provided.

Depreciation – The decrease in value of physical assets due to use and the passage of time.

Division – A sub-organizational unit of a Department which is functionally unique in its service provided.

Encumbrance – The commitment of appropriated (budgeted) funds to purchase goods or services. To encumber sets aside those funds for the future when the goods and services have been legally committed.

Expenditure – The disbursement of appropriated funds to pay for goods and/or services.

Fines and Forfeitures – Consists of a variety of fees, fines and forfeitures collected by the state court system, including bail forfeitures, garnishments, legal defenders recoupment and juror/witness fees.

Fiscal Year – Any period of 12 consecutive months designated as the budget year. The fiscal year for the Town is July 1 through June 30.

Fixed Asset – Things the Town owns that cost a considerable amount and has a useful life exceeding two years.

Franchise Fee – Charges to utilities for exclusive/non-exclusive rights to operate within municipal boundaries. Examples are electricity, telephone, cable television, and solid waste.

FTE (Full-Time Equivalent) – A measurement equal to one person working a full-time schedule for one year.

Fund – A self-balancing accounting entity segregated to carry on specific activities or attain certain objectives to meet legal requirements or Generally Accepted Accounting Principals.

Fund Balance – Equals the equity in each fund.

General Fund – This is considered the Town's operating fund. This fund is used to account for all financial resources, property tax revenues (majority revenue source), as well as other general revenue sources that will be used to support services that are provided on a Town wide basis.

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

Grant – A commitment of resources from one organization to another.

Intergovernmental Revenue – Revenue received from or through the Federal, State, or County government.

Mill – A taxation unit equal to one dollar of tax obligation for every \$1,000 of assessed valuation of property.

Millage – The total tax obligation per \$1,000 of assessed valuation of property.

Mission Statement – A statement that identifies the particular purpose and function of a department.

Non-Departmental – Refers to activities, revenues and expenditures that are not assigned to a particular department.

Objective – Something to be accomplished in specific, well-defined, measurable terms and that is achievable within a specific time frame.

Operating Expenditures – Disbursements for goods and services purchased that are consumable in nature or equipment purchases that have a useful life of less than one year.

Operating Budget – A budget for general expenses as distinct from financial transactions or permanent improvements such as salaries and benefits, operating equipment/supplies, utilities, insurance, etc.

Ordinance – The formally adopted Town Council documents that provides the legal authority to levy taxes and expend funds.

Performance Measure – Data measurement used to determine how effective and/or efficient a program is in achieving its objectives.

Personnel Expenditures – Disbursements for salaries, wages, and all related fringe benefits.

Property Tax – Taxes levied on all non-exempt real and personal property located within a county. Property taxes are computed by multiplying the total of all millage rates (for each taxing authority within a county) by the assessed value of the property.

Public Hearing – A special publicly noticed meeting conducted by the Town to consider and adopt the annual budget.

Real Property – Land and the buildings or structures erected upon such land.

Revenue -- Monies received from all sources (with the exception of fund balances) that are used to fund expenditures in a given fiscal year.

Revised Budget – The adopted budget as formally amended by Town Council.

Tax Increment Financing (TIF) – Is a method of funding public investments in an area slated for redevelopment by capturing for a time, all or a portion of the increased tax revenue that may result when the redevelopment stimulates private investment. As private investments add to the tax base within the redevelopment area, the increased tax revenues are placed in a special fund that can only be used for public purposes permitted by law.

Taxable Value – The assessed value of real property.

Ten-Year Capital Plan (also known as a Capital Improvement Program (CIP))- Is a plan of capital expenditures to be incurred each year over a period of ten future years, setting forth each capital project, the amount to be expended in each year and the method of financing those expenditures.

Unemployment Compensation – Amount used to make unemployment compensation payments to former employees.

Workers' Compensation – Premiums and deductible amounts paid for Workers' Compensation coverage.

FY 2008 Financial Structure - all funds

Expenditure Category	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Property Taxes	\$ 10,170,620	\$ 4,620,790	\$ 692,710	\$ 15,484,120
Tax Increment Financing (TIF)	228,410.00	-	-	228,410
Accommodations Taxes - State	1,264,550.00	-	30,000.00	1,294,550
Local ATAX Public Safety	2,293,850	-	-	2,293,850
Hospitality Taxes	2,036,100	757,470	495,000	3,288,570
Beach Preservation Fees	895,850	2,863,610	2,545,000	6,304,460
Real Estate Transfer Fees	-	2,758,160	-	2,758,160
Stormwater Utility Fees	227,560	1,250,710	310,000	1,788,270
Palmetto Electric Franchise Fees	67,260	-	2,282,000	2,349,260
Impact Fees	-	-	350,000	350,000
Business Licenses	7,744,690	-	-	7,744,690
Franchise Fees	601,570	-	-	601,570
Permit Fees	1,640,000	-	-	1,640,000
Intergovernmental Revenue	997,230	-	-	997,230
Grants	158,700	-	4,895,000	5,053,700
Miscellaneous Revenue	2,316,440	-	-	2,316,440
Investments	500,000	350,000	398,000	1,248,000
Bond Proceeds - new	-	-	25,384,000	25,384,000
Bond Proceeds - prior years	-	-	9,514,000	9,514,000
Funds From Prior Years	1,329,130	715,410	470,290	2,514,830
	<u>\$ 32,471,960</u>	<u>\$ 13,316,150</u>	<u>\$ 47,366,000</u>	<u>\$ 93,154,110</u>
Expenditures				
General Government	\$ 1,648,540	\$ -	\$ -	\$ 1,648,540
Management Services	4,460,710	-	-	4,460,710
Building and Fire Codes/Planning	3,177,050	-	-	3,177,050
Public Safety	17,048,220	-	-	17,048,220
Public Projects and Facilities	3,649,500	-	-	3,649,500
Townwide	2,280,200	-	-	2,280,200
Capital Outlay	137,090	-	-	137,090
Capital Projects				
Pathways	-	-	2,752,000	2,752,000
Drainage Improvements	-	-	1,975,000	1,975,000
Road Improvements	-	-	20,391,000	20,391,000
Park Development	-	-	2,996,000	2,996,000
Facilities Improvements	-	-	10,622,000	10,622,000
Public Facilities	-	-	6,204,000	6,204,000
Beach Maintenance	-	-	1,795,000	1,795,000
Land Acquisition	-	-	631,000	631,000
Debt Service	70,650	13,316,150	-	13,386,800
	<u>\$ 32,471,960</u>	<u>\$ 13,316,150</u>	<u>\$ 47,366,000</u>	<u>\$ 93,154,110</u>

