



# Town of Hilton Head Island

## FY 2018 BUDGET IN BRIEF



## Our Mission

- To provide excellent customer service to all who come in contact with the Town
- To wisely manage and utilize the financial and physical resources of Town government
- To promote policies and programs which will assure the long term health and vitality of the community
- To encourage and instill job satisfaction for Town staff
- To develop and enhance the professional growth of all staff members

## Summary

The Town of Hilton Head Island serves a full-time residential population recently exceeding 40,000 as well as 2.65 million visitors annually. Our service delivery systems are designed to accommodate a daily population nearly three times the size of the permanent population.

The preparation of the FY 2018 Budget was more difficult than in previous years. On Oct. 8, 2016, Hurricane Matthew blew onto the island bringing torrential rain and winds of nearly 100 miles per hour. More than 3,700 homes and businesses on Hilton Head Island, or about 19 percent of the total number of structures, sustained damage from the storm. Several thousand trees were lost and flooding occurred throughout the island. The estimated cost of cleanup from the storm is approximately \$70 million. We expect FEMA to reimburse approximately \$40 million with the balance (\$30 million) of the cost the Town's responsibility – FEMA reviews and pending State and County participation.

The budget presents a balanced but optimistic approach as the Town's economy recovers from the devastation of last year. Despite the challenges, the fiscal year 2018 budget ensures our continued long-term financial stability – enabling us to continue to meet customer needs responsively and responsibly well into the future. The budget honors our commitment to our community by maintaining service levels while maximizing a limited resource of funds.

## Budget Summary – Governmental Funds

The fiscal year 2018 budget represents a funding plan designed to meet the needs of the Town's citizens. The total consolidated budget amount is \$81,443,036 representing the General and Debt Service Funds, as well the Capital Improvement Plan that is comprised of multiple funds.

The General Fund budget maintains the current level of high quality service. Overall, General Fund expenditures are programmed at \$40.3 million for fiscal year 2018 compared to \$39.6 million last fiscal year, an increase of \$705,393 or 1.8%. The Town worked diligently to keep the operating expenses as low as possible, while still maintaining the high level of services its citizens and visitors require. The proposed budget is essentially the same as last year.

The budgeted expenditures for the Debt Service Fund are programmed at \$24.2 million for fiscal year 2018 compared to \$13.6 million last fiscal year. There are four new bond issues programmed for FY 2018: (1) \$36.0 million in Beach Preservation Fee Bonds, (2) \$32.0 million in TIF Bonds, (3) \$28.5 million in General Obligation Bonds, and (4) \$18.0 million in General Obligation Bonds to replenish reserves (Hurricane Matthew Recovery).

The budgeted expenditures in the Capital Improvement Plan are programmed at a much more sustainable rate of \$16.9 million for fiscal year 2018 compared to a budget of \$49.4 million for fiscal year 2017. New projects added to the Capital Improvement Plan in fiscal year 2018 are as follows:

- Pathway accessibility & safety enhancement projects \$100,000
- Private dirt roads and intersection improvements \$775,000
- Park upgrades and Cordillo tennis court upgrades \$500,000
- Recreation Center new building upfit \$309,000
- Recreation Center dome replacement \$316,000
- Recreation Center miscellaneous capital \$109,000
- Sewer projects \$2,526,000
- Fire hydrant expansion project \$100,000
- Beach management and monitoring \$500,000
- Dune fencing and planting \$300,000
- Beach renourishment project \$7,750,000
- Fire and Rescue vehicle replacement \$2,085,000
- Other storm related projects not covered by FEMA \$150,000

**Summary of Expenditures by Fund**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Budget
FY 2017 Adopted Budget	\$ 39,613,643	\$ 13,572,500	\$ 49,440,250	\$ 102,626,393
FY 2018 Adopted Budget	40,319,036	24,200,000	16,924,000	81,443,036
Amount of Increase/(Decrease)	\$ 705,393	\$ 10,627,500	\$ (32,516,250)	\$ (21,183,357)

**Budgets by Fund as a Percent of the Total Budget**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Budget
FY 2017 Adopted Budget	38.6%	13.2%	48.2%	100.0%
FY 2018 Adopted Budget	49.5%	29.7%	20.8%	100.0%

## Millage Rate

For fiscal year 2018, 16.38 mils will be allocated to the General Fund (57% of levy), .84 mils to the Capital Projects Fund (3% of levy), 5 mils will be used to restore disaster reserves utilized for Hurricane Matthew recovery (18% of levy), and 6.14 mils (22 % of levy) will be used for the retirement of debt. The total Town millage rate is 28.36.

The General Fund millage rate will be adjusted by the allowable CPI increase for the past three years plus the current year. Over the past three years the Town chose not to adjust the millage rate by the CPI. This is a 1.18 (7.8%) mil increase over last year's millage rate of 15.20. The increase is necessary in order to rebalance the General Fund revenues with the expenditures, avoiding the use of turn-back funds from prior years.

The temporary 5 mil override will fund \$18.0 million in General Obligation Bonds that will be used to replenish reserves. The 5 mils are planned to last 5 years, however, if additional funds are made available through the state or federal governments the override may be sunsetted early.

	<u>FY 2017</u>	<u>FY 2018</u>
<b><u>Millage Rate by Fund</u></b>		
General Fund	15.20	16.38
Disaster Recovery *	-	5.00
Debt Service Fund	6.14	6.14
Capital Projects Fund	<u>0.84</u>	<u>0.84</u>
	<u>22.18</u>	<u>28.36</u>
Value of Home	\$ 350,000	\$ 350,000
Taxable Value (4% Primary Residence)	\$ 14,000	\$ 14,000
<b><u>Taxes Paid</u></b>		
General Fund	\$ 212.80	\$ 229.32
Disaster Recovery	-	70.00
Debt Services Fund	85.96	85.96
Capital Projects Fund	<u>11.76</u>	<u>11.76</u>
<b>Total</b>	<u>\$ 310.52</u>	<u>\$ 397.04</u>

The increase translates to \$7.21 per month or \$86.52 annually.

\* A temporary millage rate increase is being imposed in accordance with Section 6-1-320(B)(2) of the South Carolina Code of Laws. The 5 mil increase will be used to replenish Town reserves used as part of the recovery funding associated with Hurricane Matthew. The millage rate increase will be imposed for a five (5) years period and is expected to generate approximately \$21.2 million dollars.

## General Fund

A mix of property taxes, business licenses and franchise fees, permitting fees, local accommodations tax for public safety and tourism facilities, state-shared funds, and funds from prior years (fund balance) supports the General Fund budget of \$40,319,036. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund.

### General Fund – Major Revenues

Revenue Source	2017 Adopted Budget	2017 Estimated Actual	2018 Budget	% Change	
				FY 2017 Budget	FY 2017 Estimated Actual
Property Taxes	12,950,053	12,610,002	13,473,000	4.0%	6.8%
Business Licenses & Franchise Fees	9,371,000	9,244,347	9,983,007	6.5%	8.0%
Permit Fees	1,620,233	1,417,319	1,443,239	-10.9%	1.8%
Local Accommodations Tax	3,119,000	3,280,166	3,312,968	6.2%	1.0%
Transfers In:					
State Accommodations Tax	1,347,181	1,365,900	1,565,900	16.2%	14.6%
Beach Preservation Fee	1,111,138	1,111,138	1,361,138	22.5%	22.5%
Hospitality Tax	3,392,245	3,392,245	3,492,245	2.9%	2.9%
Subtotal "Major" Revenue Sources	32,910,850	32,421,117	34,631,497	5.2%	6.8%
All Other Revenue Sources	4,689,150	4,743,777	5,126,897	9.3%	8.1%
<b>Total General Fund Revenues</b>	<b>37,600,000</b>	<b>37,164,894</b>	<b>39,758,394</b>	<b>5.7%</b>	<b>7.0%</b>

### General Fund – Expenditures

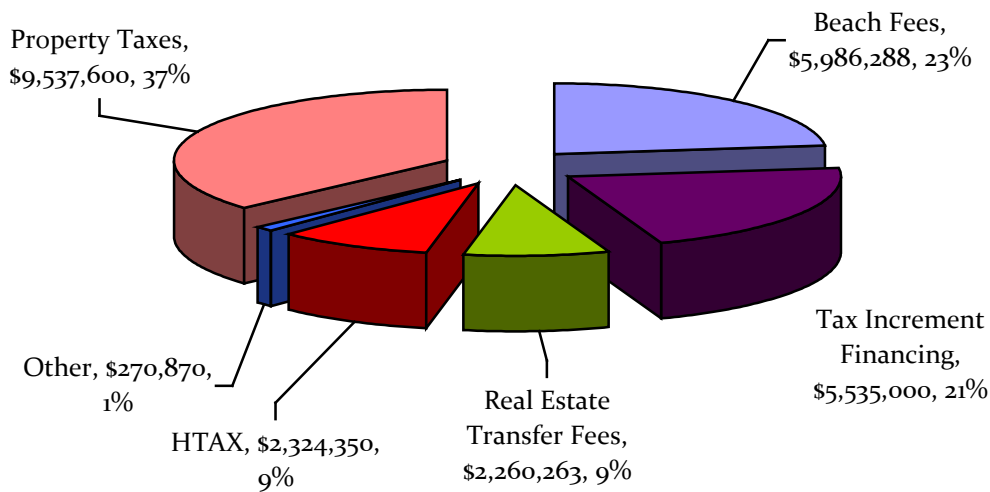
	FY 2017 Adopted Budget	FY 2017 Estimated Actual	FY 2018 Budget	% Change	
				FY 2017 Budget	FY 2017 Estimated Actual
Personnel	\$ 23,070,589	\$ 22,409,008	\$ 23,688,294	2.7%	5.7%
Operating	9,580,554	8,786,160	10,412,569	8.7%	18.5%
Sheriff/Other Public Safety	3,717,896	3,717,896	3,728,316	0.3%	0.3%
Capital	1,318,222	1,085,304	927,322	-29.7%	-14.6%
Grants	1,926,382	2,822,425	1,562,535	-18.9%	-44.6%
<b>Grand Total</b>	<b>\$ 39,613,643</b>	<b>\$ 38,820,793</b>	<b>\$ 40,319,036</b>	<b>1.8%</b>	<b>3.9%</b>

## 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. The debt service budget for fiscal year 2018 is programmed at \$24,200,000.

The Town plans four new bond issues in 2018; a General Obligation Bond of \$28 million to fund the Capital Improvement Plan, a TIF Bond scheduled for \$28 million, Beach Fee Bonds planned for \$36 million, and a Hurricane Matthew reserve replenishment bond planned for \$18 million.

The Debt Service Fund has the following sources of funding for fiscal year 2018.



## Capital Improvement Plan

The Town adopts a formal Capital Improvement Plan (CIP) for fiscal year 2018 and also presents a ten-year projection of anticipated new projects. The cost of new projects and equipment added to the Capital Improvement Plan in fiscal year 2018 are programmed at \$16,924,000. In addition, the current CIP includes \$84.0 million in projects appropriated in previous years. The ten-year plan includes an additional \$25.3 million in proposed projects for the upcoming years.

The Town's larger projects planned for fiscal year 2018 are the Recreation Center expansion; new facility and road improvements for the USCB Campus; Coligny Area/Pope Avenue Initiative improvements with a Community Park; replacement of fire apparatus, sewer service projects, acquisition of private roads and road improvements, and beach renourishment.

The chart below reflects the historical, estimated actual, and budgeted expenditures by category:

	FY 2017 Adopted Budget	FY 2017 Revised Budget	FY 2018 Budget	% Change	
				FY 2017 Revised Budget	FY 2017 Estimated Actual
Beach Maintenance	\$ 750,000	\$ 17,854,093	\$ 8,550,000	1040.0%	-52.1%
Existing Facilities	2,850,000	4,048,485	884,000	-69.0%	-78.2%
Park Development	5,300,000	15,053,417	500,000	-90.6%	-96.7%
New Facilities	31,515,000	34,833,568	2,626,000	-91.7%	-92.5%
Pathway Improvements	100,000	206,057	100,000	0.0%	-51.5%
Roadway Improvements	8,172,250	12,166,474	775,000	-90.5%	-93.6%
Land Acquisition	-	-	20,000	100.0%	100.0%
Vehicles & Specialized Equipment	-	-	2,085,000	100.0%	100.0%
Transfer and Other Bond Costs	753,000	1,128,000	1,384,000	83.8%	22.7%
<b>Grand Total</b>	<b>\$ 49,440,250</b>	<b>\$ 85,290,094</b>	<b>\$ 16,924,000</b>	<b>-65.8%</b>	<b>-80.2%</b>

## Budget Summary – Proprietary Fund

The Town has one proprietary fund, the Stormwater Fund, which operates as an enterprise fund. The Fund's expenses and transfers out are programmed at \$4.8 million for fiscal year 2018 compared to \$3.8 million for fiscal year 2017. Funds will be used to perform routine channel, ditch, and culvert maintenance; weir, lagoon and drainage pipe cleaning; and systems repairs. In addition, two new positions will be added to the program.

The fiscal year 2018 budget includes a rate increase from \$108.70 to \$150.00 per household annually. The rate increase is anticipated to generate approximately \$1.0 million in new funds to provide funding for a backlog of stormwater projects.

The Stormwater operations plans a \$3.1 million bond issue during fiscal year 2018. This will be funded from future stormwater fee collections.

The following chart reflects the fiscal year 2017 and fiscal year 2018 expenditures.

	FY 2017 Adopted Budget	FY 2017 Estimated Actual	FY 2018 Budget	% change	
				FY 2017 Budget	FY 2017 Estimated Actual
<b>Revenues:</b>					
Stormwater Fees	3,725,000	3,703,613	4,800,000	28.9%	29.6%
Interest	300	450	450	50.0%	0.0%
<b>Total Revenues</b>	<b>3,725,300</b>	<b>3,704,063</b>	<b>4,800,450</b>	<b>28.9%</b>	<b>29.6%</b>
<b>Expenses:</b>					
Personnel	370,887	348,359	544,042	46.7%	56.2%
Operating	702,100	188,350	357,735	-49.0%	89.9%
Debt Service	1,153,000	1,152,998	1,153,673	0.1%	0.1%
PUDS	1,034,000	728,082	1,788,000	72.9%	145.6%
Non-PUDs	471,000	151,988	832,000	76.6%	447.4%
SCDOT Property	-	7,619	-	0.0%	-100.0%
Transfers	95,000	95,000	125,000	31.6%	31.6%
<b>Total Expenses</b>	<b>3,825,987</b>	<b>2,672,396</b>	<b>4,800,450</b>	<b>25.5%</b>	<b>79.6%</b>
<b>Net Change in Fund Balance</b>	<b>(100,687)</b>	<b>1,031,668</b>	<b>-</b>		
Beginning Fund Balance	5,829,142	5,829,142	6,860,810		
<b>Ending Fund Balance</b>	<b>5,728,455</b>	<b>6,860,810</b>	<b>6,860,810</b>		

## Summary

We developed this year budget based on fiscal conservancy. In October of 2016 the Town was seriously impacted by Hurricane Matthew. Prior planning – both operational and financial – served the Town very well in the hurricane response. The Town has focused most of fiscal year 2017 on the recovery effort and will continue to do so next year.

The Town has worked very closely with FEMA on its recovery efforts to ensure the highest reimbursement allowable. These efforts will continue well into fiscal year 2018. With a potential total cost of \$70.0 million, the Town has also worked closely with state and county officials for their participation in the recovery effort.

Tourism on the Island is back in business, and continues its importance. It is a retirement destination for many. It is a home to many young families. As a result, our budget addresses the need to maintain our facilities reflecting the expectations of a diverse residential population as well as visitors that make the island their tourism destination. The Town will



continue to find ways to support and stimulate our economy in order to better face the many challenges of increasing demands for service by residents and tourists alike, and to prepare for the next storm.

For any questions relative to this document, please contact the Finance Department at 341-4650.

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The entire budget document can be found on the Town's website  
[www.hiltonheadislandsc.gov](http://www.hiltonheadislandsc.gov)

