



Town of Hilton Head Island
Finance & Administrative Committee
Tuesday, June 16, 10:00 a.m.
Special Meeting
AGENDA

This meeting is being conducted virtually in accordance with Town Council Emergency Ordinance 2020-11. The meeting can be viewed on the Town's Public Meeting Facebook page (<https://www.facebook.com/townofhiltonheadislandmeetings/>) and the Town's website (<https://www.hiltonheadislandsc.gov/>).

1. Call to Order

2. FOIA Compliance - Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act and the requirements of the Town of Hilton Head Island.

3. Approval of Agenda

4. Approval of Minutes

a. Finance & Administrative Committee Meeting, March 3, 2020

5. Citizen Comments

6. Unfinished Business - None

7. New Business

a. Review and Discussion Regarding the Town's Revenue Collections and May 2020 Financial Statements

8. Executive Session

a. **Contractual Matters:**

Discussion incident to proposed contractual negotiations relative to Designated Marketing Organization Services Pursuant to Section 6-4-10 of the South Carolina Code of Laws.

9. Possible actions by Finance & Administrative Committee concerning matters discussed in Executive Session

10. Adjournment

Public comments concerning agenda items can be submitted electronically via the Town's Virtual Town Hall public comment portal (<https://hiltonheadislandsc.gov/opentownhall/>). The portal will close at **Noon on June 15th, 2020**. Citizens may also call 843-341-4646 to sign up for public comment participation during the meeting by phone. The public comment period will close at **Noon on June 15th, 2020**. All comments will be provided to the committee members for review and made part of the official record.

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



Town of Hilton Head Island
Finance & Administrative Committee Meeting

Tuesday, March 3, 2020 at 2:00 p.m.

Conference Room 3

MEETING MINUTES

Present from the Committee: Tom Lennox, *Chairman*; Bill Harkins and Tamara Becker
Council Members

Present from Town Council: David Ames and Glenn Stanford; *Council Members*

Present from Town Staff: Charles Cousins, Assistant to the Town Manager; Stephen Ryan, Town Attorney; John Troyer, *Director of Finance*; Heidi Boring, Finance Administrator; Cindaia Ervin, *Finance Assistant*

Present from Media: Kathrine Kokal, Island Packet

1. Call to Order

The Chairman called the meeting to order at 2:01 p.m.

2. FOIA Compliance

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

3. Approval of Minutes

- a. Finance & Administrative Committee Meeting, February 18, 2020.

Mr. Harkins moved to approve the minutes from February 18, 2020. Mrs. Becker seconded. The motion was approved by a vote of 3-0.

4. Unfinished Business-None

5. New Business

- a. Review and Discussion of Commentaries from the Bond Rating Agencies about the Town of Hilton Head Island's Financial Results and Position.

Tom Lennox, Chairman, introduced John Troyer, Director of Finance who provided the Committee with commentaries from the Town's Bond Rating Agencies. Mr. Troyer informed the Committee that the comments were received after the Town's last General Obligation Bond Issue (Series 2019). The bond was issued for \$5M to provide for the new construction of Fire Station #2 and to complete the Town's Sewer Main Extension project. Rating Agency comments were compiled from Moody's, Standard & Poor's and Fitch.

Moody's rated the Town's bonds AAA. Some of the positive comments they stated were that the Town has a sound financial condition, sizeable and growing tax base, strong expanding economy and strong commitment to ample reserves. Though there were favorable comments Moody's felt that some credit challenges that the Town could face were dependence on more economically sensitive revenues, limited revenue raising ability as a result of Act 388, the coastal location susceptible to weather-related events and raising sea levels. Mr. Troyer stated that there are several factors that could lead to a downgrade. Factors that can contribute to a downgrade are reduced financial flexibility, declines in the tax base and significant increases in debt burden.

Standard & Poor's (S&P) rated the Town's bonds AA+. Some of the positive comments they offered were they believe that the Town has a strong and mature economy, strong financial policies and practices, diverse taxpayer base and adequate debt and contingent liability position. They also felt that "Assuming all other credit factors remain stable, we could raise the rating if the town incorporates more comprehensive planning for potential weather-related impacts into its long-term capital and financial planning given the Town's coastal location and tourism industry presence" which shows that the Town is going in right direction of being financially responsible. S & P felt that the only way they would lower the rating would be if the Town experiences financial pressure that resulted in structural budget imbalance or sustained declines in reserves.

Fitch rated the Town's bonds AA+. Positive comments from Fitch included that the Town has an exceptional financial profile, prudent debt and reserve policies, solid flexibility to control expenditures and 20% debt capacity reserved for disasters. Fitch's rating sensitivities comments included that the Town's key rating factors are stable, however, rating pressure may stem from increased debt and carrying charges or rating pressure may stem from a shift in Fitch's expectation for solid long-term revenue growth.

Mr. Troyer reminded the Committee that only some of the factors presented are under Town Council's control. Those factors include tax rates, budgets, debt levels, spending priorities and building codes. Town Council can also have some influence over the factors as far as encouraging private investments that help grow the tax base and adopting policies that encourage economic growth to further the Towns' financial status. The Committee had many favorable comments regarding Mr. Troyer's presentation of Commentaries from the Bond Rating Agencies. Mr. Lennox thanked Mr. Troyer and all present for the discussion.

6. Executive Session

a. Contractual Matters:

Discussion incident to proposed contractual negotiations relative to Designated Marketing Organization Services Pursuant to Section 6-4-10 of South Carolina Code of Laws.

Mr. Lennox stated that he had a need to enter into Executive Session to discuss the proposed contractual negotiations relative to Designated Marketing Organization Services Pursuant to Section 6-4-10 of South Carolina Laws.

At 2:39 p.m. Mr. Harkins moved to go into Executive Session for the item mentioned by Mr. Lennox. Mrs. Becker seconded. The motion was approved by a vote of 3-0.

At 4:21 p.m., the Committee returned.

7. Possible Actions by the Finance & Administrative Committee concerning matters discussed in Executive Session.

There was no action taken as a result of Executive Session.

8. Adjournment

At 4:21p.m. The Committee returned from Executive Session. Mr. Harkins moved to adjourn. Mrs. Becker seconded. The motion to adjourn was approved by vote of 3-0.

Submitted by: Cindaia Ervin, Secretary

Approved: _____

Tom Lennox, Chairman

DRAFT



TO: Finance and Administrative Committee

FROM: John M. Troyer, Director of Finance

DATE: June 4, 2020

RE: Update on the Town's revenues

As Town Council considered the proposed budget for FY 2021, one issue at the forefront of the discussion was revenue uncertainties due to the COVID-19 pandemic. How long will the Island be less than fully open? What kind of impact will this have on our revenue collections? Town Council recognized that once a budget was adopted for FY2021, close monitoring of the revenue collections would be especially important this year.

As part of the pandemic response, Town Management is identifying expenditure items to reduce, cut or delay. A couple of examples already implemented are: approximately \$4 million in capital spending, implementation of merit raises for Town employees, and implementation of recommendations from a recent salary survey -- these have all been deferred -- pending better collection information to ensure collections can support those expenditures. Further examination for possible candidates to reduce, delay or cut spending will continue.

In order to give Town Council as clear a picture of the Town's revenue collections and financial position, I plan to give Finance and Administrative Committee an update during the June 16th Finance and Administrative Committee meeting. I plan to walk through the May financial statements, and offer my expectations for the rest of the fiscal year. This will give the Finance and Administrative Committee a framework and a starting point for future discussions. We will continue those discussions monthly to ensure the Town is appropriately positioned in this economic environment.