



Town of Hilton Head Island
Special Meeting of Town Council
Tuesday, June 2, 2020, 2:00 p.m.
REVISED AGENDA

This meeting is being conducted virtually and can be viewed on the Town's Facebook Page (<http://facebook.com/TownofHiltonHeadIslandSC>), the Town's website (<https://www.hiltonheadislandsc.gov/>), the Beaufort County Broadcast Channel website (<https://beaufortcountysc.gov/the-county-channel/live.html>), and Hargray Channels 9 & 113 and Spectrum Channel 1304.

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. **Pledge of Allegiance**
4. **Invocation – Pastor Michael Carr, Central Church**
5. **Approval of Agenda**
6. **Public Hearing**
 - a. Palmer Simmons Appeal of Removal from the Planning Commission

Citizens who wish to speak on the record during the Public Hearing may do so by calling 843.341.4701 no later than **TWO (2) Hours** prior to the start of the scheduled meeting.
7. **Approval of the Minutes**
 - a. Special Meeting of Town Council, May 19, 2020
8. **Unfinished Business**
 - a. Discussion of Proposed Fiscal Year 2021 Budget
 - b. Discussion of Beach and Park Access
9. **New Business**
 - a. **Consideration of a Recommendation – Approval of Destination Marketing Plan**

Consideration of a Recommendation from the Accommodations Tax Advisory Committee for the Chamber of Commerce Visitor and Convention Bureau's proposed 2020-21 Marketing Plan.
 - b. **Consideration of the Hiring Process for a New Town Manager**
10. **Town Council Discussion**
11. **Executive Session - NONE**

12. Possible Actions Taken by Council as a Result of Discussions in Executive Session

13. Adjournment

Public comments concerning agenda items can be submitted electronically via the Town's Virtual Town Hall portal (<https://hiltonheadislandsc.gov/opentownhall/>). The portal will close **TWO (2) HOURS** prior to the scheduled meeting. All comments will be provided to Town Council for review and made part of the official record.

**THE TOWN OF HILTON HEAD ISLAND
TOWN COUNCIL SPECIAL MEETING MINUTES**

Date: Tuesday, May 19, 2020

Time: 2:00 p.m.

Present from Town Council: John J. McCann, *Mayor*; Bill Harkins, *Mayor Pro-Tempore*; David Ames, Tamara Becker, Marc Grant, Tom Lennox, Glenn Stanford, *Council Members*

Present from Town Staff: Steve Riley, *Town Manager*; Josh Gruber, *Assist. Town Manager*; Shawn Colin, *Director of Community Development*; Krista Wiedmeyer, *Exec. Assist/Town Clerk*

1. Call to Order

Mayor McCann called the meeting order at 2:00 p.m. By way of roll call, Mayor McCann confirmed the attendance of all members of Council.

- 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. Pledge of Allegiance

4. Invocation – Associate Pastor Brian Parker, First Baptist Church HHI

Pastor Parker delivered the invocation.

5. Approval of Agenda

Mr. Harkins moved to approve. Mr. Stanford seconded. By way of roll call, the agenda was approved as written by a vote of 7-0.

6. Approval of Minutes

- a. Special Town Council Meeting, May 12, 2020, 1:30 p.m.**
- b. Special Town Council Meeting, May 12, 2020, 2:00 p.m.**

Mr. Harkins moved to approve both sets of minutes from May 12, 2020. Mr. Stanford seconded. With no discussion on this items, by way of roll call, the motion was approved by a vote of 7-0.

7. Update from Jeremy Clark, CEO of Hilton Head Regional Healthcare

Jeremy Clark, CEO of Hilton Head Regional Healthcare, gave an update to the members of Council regarding the hospitals actions related to the COVID-19 pandemic. He also discussed the new doctors and staff who have recently joined Hilton Head Regional Healthcare.

8. New Business

a. Consideration of a Recommendation – Shelter Cove Towne Center

Consideration of a Recommendation from Town staff to Town Council to forego the pier element included in the Shelter Cove Community Park preliminary master plan and to authorize the Town Manager to reallocate these funds and any other unspent Shelter Cove Park funds toward the execution of the concept plan for Shelter Cove Connectivity. Staff further recommends that Town Council authorize the Town Manager to negotiate and execute an extension with Shelter Cove Towne Center, LLC to the 5-year performance period to install additional parking improvements in the Shelter cove Area, currently set to expire June 5, 2020.

Mr. Harkins moved to approve. Mr. Stanford seconded. Mr. Riley discussed and answered questions from Council related to this item. With no further discussion, by way of roll call, the motion was approved by a vote of 7-0.

9. Unfinished Business

a. Discussion of Beach Access

Mr. Riley opened the discussion by describing what events had taken place since Council's last discussion about the same. Scott Liggett, Director of Public Projects and Facilities/Chief Engineer, reviewed a recommendation concerning the next steps for a continued phased opening of the beach and park access. The recommendation included opening up the remaining of the beach access and parking areas for the same. The metered parking would return to normal operations as well.

Mr. Harkins moved to approve the staff recommendation. Mr. Stanford seconded. Council continued to discuss the staff recommendation at length. Mr. Ames moved to amend the initial motion, adding in the opening of Chaplin Park. Mr. Grant seconded. Council discussed whether or not opening Chaplin Park was the right thing to do at this time. With the conclusion of the discussion, by way of roll call, the motion as amended failed 3-4, Mayor McCann, Ms. Becker, Mr. Lennox, and Mr. Stanford opposed. With more discussion about the initial motion regarding the approval of staff's recommendation, Mr. Lennox moved to amend the initial motion, removing the roadside parking on Burkes Beach Road. Ms. Becker seconded. Council discussed the pros and cons of this amendment, agreeing that this should not be a limited or one time change, but a permanent change due to a potential public safety issue. With the conclusion of this discussion, by way of roll call, the motion as amended failed 2-5, Mayor McCann, Mr. Ames, Mr. Grant, and Mr. Harkins opposing. Mayor McCann then called the question on the original motion to approve the staff recommendation. With no further discussion, by way of roll call, the motion was approved 6-1, Ms. Becker opposing.

10. State of Emergency Business

a. Consideration of Proposed Emergency Ordinance 2020-14 - Extension of Electronic Town Council Meetings

Reading of Proposed Emergency Ordinance 2020-14 of the Town Council of the Town of Hilton Head Island, South Carolina, extending the standards for electronic meetings in the Town of Hilton Head Island, and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. Stanford seconded. With no discussion, by way of roll call, the motion was approved 7-0.

b. Consideration of a Resolution – Urging Citizens to Wear Face Masks

Consideration of a Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, urging all citizens, residents, tourists, and visitors to wear protective face masks anytime they are outside of their home or place of lodging.

Mr. Harkins moved to approve. Mr. Stanford seconded. Council discussed the importance of wearing a face covering or mask. With no further discussion, by way of roll call, the motion was approved 7-0.

11. Town Council Discussion

Mayor McCann called on each member of Council who discussed items of importance to the community.

12. Executive Session

Mr. Riley stated that he had a need to enter Executive Session for a discussion of negotiations incidents to the proposed sale, lease, or purchase of property in the Stoney area and Union Cemetery area.

At 3:13 p.m. Mr. Harkins moved to enter Executive Session for the matter described by Mr. Riley. Mr. Stanford seconded. By way of roll call, the motion was approved by a vote of 7-0.

13. Possible action by Town Council concerning matters discussed in Executive Session

14. Adjournment

Council returned from Executive Session, and by unanimous vote, the meeting adjourned at 3:32 p.m.

Approved: June 2, 2020

Krista M. Wiedmeyer, Town Clerk

John J. McCann, Mayor



MEMORANDUM

TO: Town Council

FROM: John Troyer, CPA, Director of Finance

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

DATE: May 15, 2020

RE: **Second Reading of Proposed Ordinance No. 2020-12**

Recommendation:

Staff recommends Town Council approve the second reading of Proposed Ordinance No. 2020-12 which establishes Fiscal Year 2021 (FY21) budget. In coordination with the Town Manager, staff has incorporated the comments provided by Town Council at its meeting on May 12th into the proposed FY21 budget. Specifically, funding in the amount of \$25,000 for Gullah Geechee initiatives and \$25,000 for affordable housing initiatives have been carried forward from unused appropriations from the current FY20 budget into the new FY21 budget. Additionally, no funding has been allocated in the FY21 budget for the public education consultant that was hired by the Town in February of this year. Because the alterations recommended by Council that are identified above have been able to be successfully incorporated into the FY21 budget without impacting the financial parameters outlined in the budget Ordinance that was passed previously by Town Council, we would respectfully recommend that Town Council provide final adoption of the FY21 budget at its meeting on June 16, 2020.

Town Manager's Letter



Dear Members of Town Council and Citizens of Hilton Head Island:

As I am writing this, our Town, our State, our nation and our world are all working diligently to fight the spread of the COVID-19 virus. Here locally, in order to practice social distancing many businesses have had to close temporarily. Our Town has long enjoyed the company and the economic benefit of a strong tourism draw. This year, we have all had to manage differently. Even our signature event the Heritage Golf Tournament was delayed. I want you to know your Town continues to work for you. Public Safety with our Fire Rescue personnel have stepped up their game in difficult circumstances. You can still get your plans reviewed, buildings inspected, business license issued, even though we had to close the front doors to Town Hall temporarily. This is where we find ourselves today.

Town Council has prepared for the unexpected. Last year, Town Council raised our reserve levels. Town Council has increased the amount of bonding capacity set aside for emergencies. Town Council passed a budget with a small surplus to add to reserve levels. If you look at our financials for the first nine months of the fiscal year our “before” economy was strong. We have had practice with hurricanes and evacuations the last three years. All of these things point toward helping us to face the current pandemic.

According to Town Code, I need to present a budget for review and approval of Town Council. Given the uncertainty of a reopening schedule any projection would be based on conjecture. Thankfully, Town Council had the foresight last year to adopt the Town’s first two year budget. Fiscal Year 2020 was the first of two years and Fiscal Year 2021 is the second.

The Fiscal Year 2021 budget approved last year, was already slightly less than the Fiscal Year 2020 budget. It is an excellent place to start. We are adjusting our operations to only essential functions. All optional purchases are delayed. We will continue to support local businesses whether by issuing building permits, business licenses, or just providing public safety. If we have to adjust down again we will. In times like these, the need for our services can be at its highest point.

So, as we monitor daily the health crisis and our financial position we are prepared to act further. I recommend affirmation and continuation of the already approved Fiscal Year 2021 budget as we consider the effect on our economy and our Town’s continued appropriate response.

Sincerely,

Stephen G. Riley, ICMA~CM

Town Manager

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Budget Summary

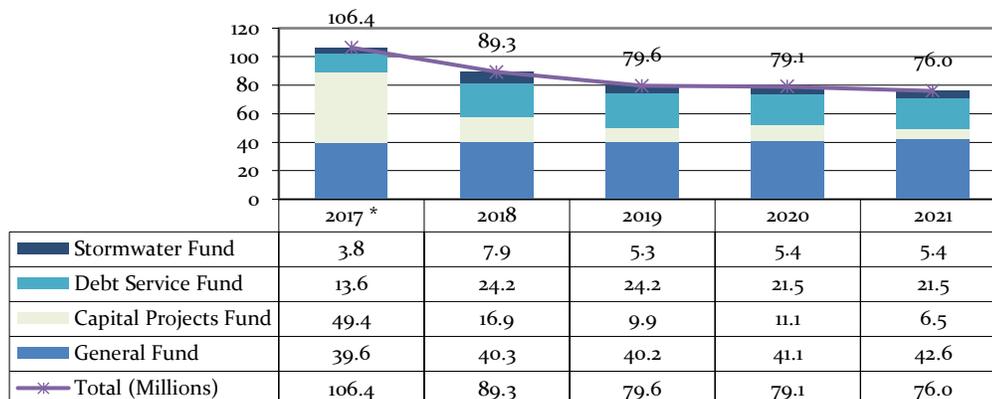
Due to the uncertainties related to the global health crisis (COVID-19) the Town has chosen to recommend affirmation of the Fiscal Year 2021 budgets for the Town’s four major funds (General, Debt, CIP, and Stormwater) as was presented and adopted by Town Council in the Fiscal Year 2020 biennial budget. The only exceptions were in the CIP where a road project and a parking project were eliminated, reducing the CIP budget by \$2.6 million. The effect of the pandemic on the Town’s budget is yet to be determined. There is talk about the planned re-opening of activities. There is no official timeline yet. The Town is well-positioned beforehand, maintaining essential services, and deferring spending where possible. The Town will do a mid-year adjustment if necessary to account for the economic impact on the community and appropriate operational adjustments to the new normal. As you can see on the chart below, the Town has reduced its adopted budget for the last three years, and proposes to continue that trend. By keeping the budget as efficient as possible, the Town was in better position to respond to these events.

Tourism on the Island continues its importance. It is also a permanent home for many. It is a part-time home to many young and old alike. 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 table and chart below provide a historical comparison of budgeted expenditures by fund.

Figure 1: Historical Comparison of Budgeted Expenditures by Fund

	FY 2018 Adopted Budget	FY 2019 Adopted Budget	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
General Fund	40,319,036	40,257,829	41,108,317	42,558,448	3.5%
Debt Service Fund	24,200,000	24,200,000	21,500,000	21,500,000	0.0%
CIP	16,924,000	9,876,000	11,139,500	6,471,000	-41.9%
Stormwater Utility	7,898,000	5,311,000	5,400,000	5,450,000	0.9%
Total	\$ 89,341,036	\$ 79,644,829	\$ 79,147,817	\$ 75,979,448	-4.0%



* Fiscal Year 2017 was Hurricane Matthew. Since then, the Town has focused on: disaster response, disaster reimbursement, and now completing projects temporarily delayed because of the storm.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Figure 2: Fiscal Year 2021 Revenues and Expenditures Breakdown by Fund

Fiscal Year 2021	General Fund	Debt Service Fund	CIP	Total
Revenues				
Property Taxes	15,386,182	5,360,838	-	20,747,020
ATAX - Local	3,690,430	-	-	3,690,430
Business Licenses and Franchise Fees	10,959,917	-	-	10,959,917
Permits	1,522,575	-	-	1,522,575
Intergovernmental	840,000	-	-	840,000
Investment Income	300,000	60,000	-	360,000
Funds from Prior Years	-	336,081	50,000	386,081
Bond Issue	-	-	-	-
Operating Transfers In	7,943,691	15,678,081	5,523,000	29,144,772
Miscellaneous	2,252,287	65,000	898,000	3,215,287
Total Revenues	42,895,082	21,500,000	6,471,000	70,866,082
Expenditures				
General Government	2,013,858	-	-	2,013,858
Management Services	5,967,556	-	-	5,967,556
Community Services	9,512,851	-	-	9,512,851
Public Safety	19,825,011	-	-	19,825,011
Townwide	4,925,953	-	-	4,925,953
Transfers Out	-	-	-	-
Capital	313,218	-	6,471,000	6,784,218
Debt Issue Costs	-	250,000	-	250,000
Debt Service	-	21,250,000	-	21,250,000
Total Expenditures	42,558,448	21,500,000	6,471,000	70,529,448
Revenues Over/(Under) Expenditures	336,634	-	-	336,634

The CIP in Fiscal Year 2021 is different than the budget originally approved in the adoption of the Fiscal Year 2020 and Fiscal Year 2021 Biennial Budget. A road project and a parking project were eliminated, reducing the CIP budget by \$2.6 million.

From Fiscal Year 2017 through Fiscal Year 2020 the Town has experienced four hurricane events: Matthew, Irma, Florence and Dorian, and we came out stronger than ever. In fiscal year 2017 the established the Natural Disasters Fund with an ending fund balance of \$4.5 million. Over the course of Fiscal Year 2019 and to-date Fiscal Year 2020 the Town has managed to increase the funds set aside for future emergencies by increasing the fund balance to approximately \$31.3 million, with the largest increase was an \$18.0 million bond. This bond issue is repaid with the 5 mils for 5 years property tax override for this specific purpose. For Fiscal Year 2021 the 5 mil funding will be in the fourth year of five years.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

In Fiscal Year 2020 the Town had to address a global pandemic. The financial impact on the Town is not yet known but due to the Town Council’s foresight and reserve planning we believe we have the financial resources to maintain appropriate services during this difficult time.

Millage Rate

The millage rate for Fiscal Year 2021 will be the same as Fiscal Year 2020, 28.10 mils. It should also be noted the Town is in the fourth year of the planned five years of the 5 mil override for disaster recovery.

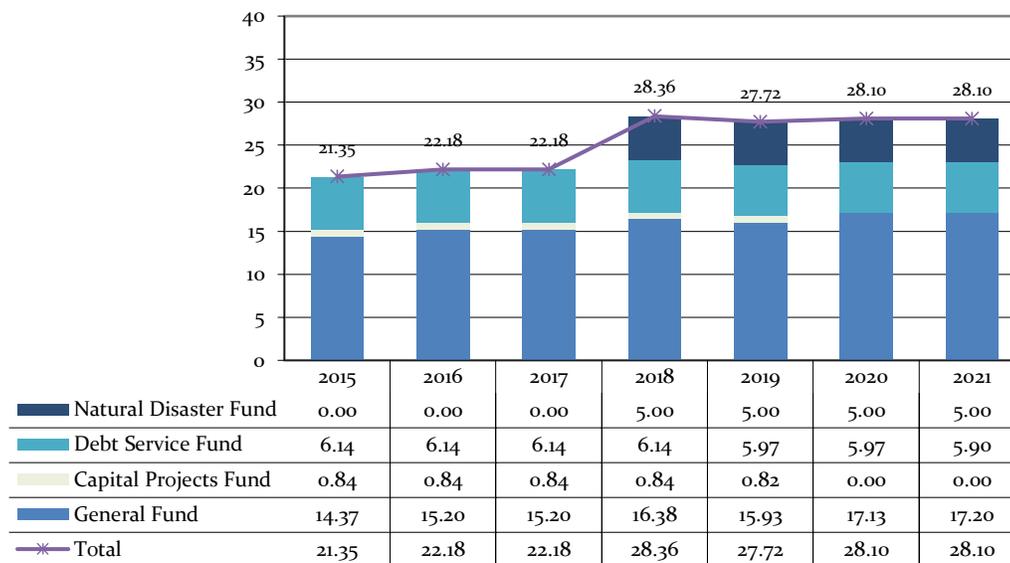
Figure 3: Millage Rate Comparison

Millage Rate by Fund	FY 2019	FY 2020	FY 2021
General Fund	15.93	17.13	17.20
Disaster Recovery *	5.00	5.00	5.00
Debt Service Fund	5.97	5.97	5.90
Capital Projects Fund	0.82	-	-
	<u>27.72</u>	<u>28.10</u>	<u>28.10</u>

* 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 pay the debt service costs on bonds issued to replenish Town **reserves** used as part of the recovery funding associated with Hurricane Matthew in order to be better prepared for the next storm. The millage rate increase will be imposed for a five (5) years period and is expected to generate approximately \$21.2 million dollars. **Fiscal Year 2021 is the fourth of the five (5) years.**

** Per South Carolina Code section 6-1-320, 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 indices for the most recent twelve-month period consisting of January through December of the preceding calendar year.

Figure 4: Historical Millage Rates by Fund



**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Figure 5: Town Staffing

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Town Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Town Manager	4.0	4.0	4.0	4.0	5.0	5.0	5.0
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Administrative Services	22.0	22.0	22.3	25.3	19.7	19.7	19.7
Finance	19.3	19.3	19.3	19.3	21.3	21.3	21.3
Community Development	26.1	27.4	27.7	30.1	31.1	33.1	33.1
Public Projects and Facilities	19.0	19.0	19.0	19.0	19.0	19.0	21.0
Fire and Rescue	145.1	144.7	145.9	145.9	145.3	145.3	145.3
Total General Fund	246.5	247.4	249.2	254.6	252.4	254.4	256.4
PPF Stormwater Fund	4.0	4.0	4.0	6.0	6.0	6.0	6.0
Total Town Staff	250.5	251.4	253.2	260.6	258.4	260.4	262.4
							+2

Fiscal year 2021 staffing changes:

1. Two (2) Facilities Technicians; Public Facilities; Lowcountry Celebration Park

Town Funds

The Town formally adopts budgets for four (4) of its major funds General Fund, Debt Service Fund, CIP, and Stormwater Fund.

The Towns funds are as follows:

1. The **General Fund** is used to account for the daily operations of the Town. Funds are reserved according to policy and used to maintain Town operations to offset the seasonality of revenues.
2. **Tax Increment Financing (TIF) District** – Funds were approved for a specific list of capital projects intended to be undertaken with those revenues.
3. **State Accommodations Tax (State A-tax)** – the State provides funding and an approved allocation process for specific uses of these funds by local governments.
4. **Real Estate Transfer Fees** – were specifically approved for land purchases and other special uses.
5. **Beach Preservation Fees** – were approved primarily for Beach Renourishment, and Beach related services.
6. **Hospitality Fees** – were approved primarily for specific capital projects and to offset some tourist-related expenditures.
7. **Debt Service** – these funds are used for the retirement of the Town's debt.
8. **Capital Projects Funds** – are used to provide resources for the approved capital plan. As of 4/14/20, there were \$48 million in approved capital appropriations.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

9. The **Natural Disasters Fund** was created in the response to Hurricane Matthew – to account for the response activities and the related reimbursements. The fund is one indicator of the Town's demonstration of readiness for the next storm and storm response.
10. **Non-Major Governmental Funds** – are primarily the electric franchise fee – which is being collected and used to bury power lines on the island. The purpose of this is aesthetic and functional -- protecting power sources in a storm and storm aftermath.
11. **Stormwater Fund** – is used to account for the costs associated with the management, construction, maintenance, protection, control, regulation, use, and enhancement of stormwater systems within the Town in concert with Beaufort County and other resource management programs.

General Fund Budget

The General Fund is the operating fund of the Town and accounts for all financial resources of the Town except those required for capital projects and debt service as well as the proprietary fund.

Revenues

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.

Figure 6: Statement of Revenue and Expenditures

	2018 Actual	2019 Actual	2020 Adopted Budget	2021 Adopted Budget	% Change
Major Revenues					
Property Taxes	\$ 14,133,876	\$ 14,390,694	\$ 15,127,344	\$ 15,386,182	1.7%
Business Licenses & Franchise Fees	11,196,245	10,692,146	10,900,639	10,959,917	0.5%
Permit Fees	1,880,231	1,513,153	1,515,000	1,522,575	0.5%
Local Accommodations Taxes	3,543,910	3,740,071	3,653,891	3,690,430	1.0%
Transfers In:					
Capital Fund	678,000	678,000	-	-	0.0%
State Accommodations Taxes	1,739,750	1,757,381	1,775,000	1,792,750	1.0%
Beach Preservation Fees	1,361,138	1,361,140	1,361,140	1,498,253	10.1%
Hospitality Taxes	1,492,245	1,746,125	3,337,240	3,819,465	14.4%
Subtotal Major Revenue	36,025,395	35,878,710	37,670,254	38,669,572	2.7%
All Other Revenue Sources	4,285,351	4,227,675	3,774,697	4,225,510	11.9%
Total General Fund Revenues	40,310,746	40,106,385	41,444,951	42,895,082	3.5%
Expenditures					
Personnel	23,404,697	23,520,310	24,946,024	26,294,333	5.4%
Operating	8,218,354	8,607,530	10,113,903	10,231,346	1.2%
Sheriff/Other Public Safety	3,609,305	3,734,121	3,813,237	3,927,634	3.0%
Capital	826,379	313,852	421,880	313,218	-25.8%
Grants	1,513,938	1,671,180	1,813,273	1,791,917	-1.2%
Total General Fund Expenditures	37,572,673	37,846,993	41,108,317	42,558,448	3.5%
Net Change in Fund Balance	\$ 2,738,073	\$ 2,259,392	\$ 336,634	\$ 336,634	
Beginning Fund Balance	16,103,222	18,841,295	21,100,687	21,437,321	
Ending Fund Balance	18,841,295	21,100,687	21,437,321	21,773,955	

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Expenditures

The table below reflects a historical comparison of expenditures by type and department/program for the General Fund.

Figure 7: Historical Comparison of Expenditures by Department/Program

Expenditures Type	2018 Actual	2019 Actual	2020 Adopted Budget	2021 Adopted Budget	% Change
Town Council	\$ 685,138	\$ 347,345	\$ 479,224	\$ 493,601	3.0%
Town Manager	663,662	782,884	846,440	871,833	3.0%
Human Resources	600,358	488,874	687,766	648,424	-5.7%
Administrative Services	3,587,511	3,380,963	3,957,269	4,073,649	2.9%
Finance	1,627,062	1,920,206	1,992,406	2,052,125	3.0%
Community Development	3,509,142	3,181,801	3,553,997	3,601,547	1.3%
Public Projects and Facilities	5,014,843	5,155,329	5,642,043	5,911,304	4.8%
Fire Rescue	14,401,464	14,662,263	15,499,346	15,897,377	2.6%
Sheriff/Other Public Safety	3,609,305	3,734,121	3,813,237	3,927,634	3.0%
Townwide	2,360,250	2,522,027	2,823,316	3,289,037	16.5%
Community/Grants	1,513,938	1,671,180	1,813,273	1,791,917	-1.2%
Grand Total	\$ 37,572,673	\$ 37,846,993	\$ 41,108,317	\$42,558,448	3.5%

Fiscal Year 2021 Budget – expenditure assumptions:

1. A 3% increase in personal and operating costs as presented during the adoption of the Fiscal Years 2020 and 2021 Biennial Budget.
2. The addition of two (2) facilities technicians associated with the opening of Lowcountry Celebration Park.

One-time Fiscal Year 2020 Budget items not included in the Fiscal Year 2021 Budget:

3. **Human Resources** – funding for the compensation study. The consulting budget in this department was reduced from \$82,500 in Fiscal Year 2020 to \$25,000 in Fiscal Year 2021.
4. **Community Development** – funding for (1) Gullah Task Force consultant (\$25,000), (2) remaining funds Work Force Housing consultant (\$25,000).
5. **Public Facilities** – includes two (2) new positions associated with the operation of Lowcountry Celebration Park scheduled to open during the fiscal year.
6. **Fire Rescue** – \$65,000 for E-911 software.

FY 2020 Estimates:

The COVID-19 virus will affect Fiscal Year 2020 collections. For the first nine months of Fiscal Year 2020, the Town reported strong collections, but we know collections will taper off in the last three months. The Town has made a number of operational choices to reduce, delay or eliminate spending where possible. These efforts should make results for the General Fund approach break-even for Fiscal Year 2020. The Town will continue to monitor the impact of the COVID-19 virus on our economy.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

General Fund Four-Year Financial Model

One of the most significant tools employed by the Town for strategic planning is the long-range financial plan (forecast). The financial model provides a picture of the financial impact 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 three-year forecast provides the baseline for next year's budget.

By using this model, the Town is proactively plan for upcoming changes in service level demands as well as identifying potential downturns in revenues and identifying solutions.

Revenue Assumptions – for the extended projections

Revenue Assumptions

- Property Taxes – % increase by year: 2022 – 1.75%, 2023 – 1.50%, 2024 – 1.50%
- ATAX local 1% – 1.00% increase per year 2022-2024
- Business License Fees – 0.50% increase per year 2022-2024
- Franchise Fees – 1.00% increase per year 2022-2024
- Permit Fees – 0.50% increase per year 2022-2024
- Intergovernmental – no increase 2022-2024 (same as 2021)
- Grants – no increase 2022-2024 (same as 2021)
- Miscellaneous Revenue; Beach Services – 1.00% increase per year 2022-2024
- Miscellaneous Revenue; Other – 1.00% increase per year 2022-2024
- Miscellaneous Revenue; Public Safety – EMS – 0.50% increase per year 2022-2024
- Investments – no increase 2022-2024 (same as 2021)
- Transfer in Beach Fees – % increase by year: 2022 – 1.00%, 2023 – 0.00%, 2024 – 0.00%
- Transfer in HTAX – % increase by year: 2022 – 12.00%, 2023 – 5.00%, 2024 – 5.00%
- Transfer in TIF – 2.00% increase per year 2022-2024
- Transfer in State ATAX – 1.00% increase per year 2022-2024
- Transfer in Palmetto Electric Franchise Fee – 3.00% increase per year 2022-2024
- Transfer in Stormwater – no increase 2022-2024 (same as 2021)

* Because of the world-wide health crisis, the Town continues to monitor collections and projections daily. Because of the fluidity and uncertainty, the Town continues to monitor and assess appropriate responses. Because of Town Council's foresight to raise reserve levels this year, the Town is in a better position to make the tough decisions that will probably face us this year.

We expect declines in Fiscal Year 2021 collections in ATAX, HTAX, business license taxes, franchise fees, and other revenues. The Town has made a number of operational choices to reduce, delay or eliminate spending where possible. We will continue to monitor these collections carefully in order to make the appropriate adjustments as necessary.

General Fund Four-Year Financial Model

Expenditure Assumptions – for the extended projections

- Currently established positions will retain the same salary grade in future year
- 3.00% increase in personnel and benefit costs per year 2022-2024
- 3.00% in operating costs per year 2022-2024
- Funding for the implementation of a compensation study in Fiscal Year 2021
- Added two (2) facilities technicians in 2021
- Grants:
 - Recreation Center – 3.00% increase per year 2022-2024
 - Coastal Discovery Museum; General/Capital no increase 2022-2024 (same as 2021)
 - Gullah Executive Director – no increase 2022-2024 (same as 2021)
 - LRTA – no increase 2022-2024 (same as 2021)
 - Event Management & Hospitality Training – 1.00% increase per year 2022-2024
 - Multidisciplinary Court – no increase 2022-2024 (same as 2021)
 - Solicitor Career Criminal Program – no increase 2022-2024 (same as 2021)
 - Community Foundation – no increase 2022-2024 (same as 2021)
 - Operating Grants – no increase 2022-2024 (same as 2021)
 - Beaufort EDC – no increase 2022-2024 (same as 2021)

Note: These are budgetary assumptions only. Town Council has final authority for future spending. Current and future spending has already been limited to essential services in anticipation of revenue shortfalls. As the Town monitors collections, Town management and Town Council are well positioned to make the difficult but necessary adjustments in spending.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Figure 8: General Fund Four-Year Financial Model

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	Years 2, 3, 4		
					2022	2023	2024
Revenues							
Property Taxes	14,133,876	14,390,694	15,127,344	15,386,182	15,655,439	15,890,271	16,128,625
ATAX Local 1%	3,543,910	3,740,071	3,653,891	3,690,430	3,727,334	3,764,608	3,802,254
Business Licenses	10,282,344	9,661,632	9,945,639	9,995,367	10,045,344	10,095,570	10,146,048
Franchise Fees	913,901	1,030,514	955,000	964,550	974,196	983,937	993,777
Permit Fees	1,880,231	1,513,153	1,515,000	1,522,575	1,530,188	1,537,839	1,545,528
Intergovernmental	838,323	848,742	840,000	840,000	840,000	840,000	840,000
Grants	168,267	139,616	143,587	143,587	143,587	143,587	143,587
Miscellaneous Revenue	2,576,749	2,483,209	2,096,110	2,108,700	2,121,490	2,134,369	2,147,340
Transfers In	5,666,133	5,937,646	6,868,380	7,943,691	8,463,129	8,714,786	8,977,880
Investments	307,012	361,108	300,000	300,000	300,000	300,000	300,000
Total Revenues	40,310,746	40,106,385	41,444,951	42,895,082	43,800,705	44,404,967	45,025,039
Expenditures							
General Government	1,949,158	1,619,103	2,013,430	2,013,858	2,073,524	2,134,980	2,199,027
Management Services	5,214,573	5,301,169	5,949,675	6,125,774	6,304,745	6,491,461	6,686,260
Community Services	8,523,985	8,337,130	9,196,040	9,512,851	9,798,237	10,092,184	10,394,949
Fire Resuce	14,401,464	14,662,263	15,499,346	15,897,377	16,374,298	16,865,526	17,371,492
Other Public Safety	3,609,305	3,734,121	3,813,237	3,927,634	4,045,463	4,166,827	4,291,832
Townwide	3,874,188	4,193,207	4,636,589	5,080,953	5,204,439	5,331,594	5,462,528
Total Expenditures	37,572,673	37,846,993	41,108,317	42,558,448	43,800,706	45,082,572	46,406,088
Net change in fund balance	2,738,073	2,259,392	336,634	336,634	-	(677,605)	(1,381,049)

Commentary:

The Town normally projects operating revenues and expenditures for three years beyond the adopted budget. The summary schedule above demonstrates the Town’s anticipated outcomes. The plan is founded on modest revenue growth while not repeating some one-time expenditures and keeping operating costs contained. Each year, the Town updates its four-year plan to ensure its continued timeliness and sustainability.

Among the updates are: after monitoring revenue each year, the forecasts are updated for the most recent data available. Expenditures are continuously monitored to ensure coincidence with revenue collections. Activities may be scheduled-back or delayed to coincide with collections and financial resources.

Over the course of the next several years our initial expenditure plan outpaces the growth in revenues. In order to address this issue the Town is currently monitoring revenue collections, reviewing current revenue policies, exploring alternative revenue sources, and tightening expenditure controls, searching for ways to reduce expenditures, in order to bridge the gap.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Management notes a long history of spending less than allowed in appropriations. The natural savings achieved have traditionally been greater than these amounts. If more adjustments are needed, more purposeful action can be taken. The Town is also normally conservative in its revenue projections. By forecasting a small deficit, the Town has successfully planned out a course of action in case revenues improve more than the initial projections.

Debt Service Fund Budget

The Debt Service Fund accounts for the accumulation of resources and the payment of debt of governmental funds. (The proprietary fund has its own debt.) Debt service payments will be reduced by approximately \$2,500,000 in Fiscal Year 2020 due the payoff of the Beach Preservation Fee Bond Series 2011.

Figure 9: Statement of Revenues and Expenditures *

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% Change
<u>GOVERNMENTAL ACTIVITIES</u>					
<u>Revenues</u>					
Property Taxes	5,297,023	5,372,835	5,336,503	5,360,838	0.5%
Bonds Issued	-	-	-	-	0.0%
Bond Premium	468,259	470,006	-	-	0.0%
BABS Subsidy	-	-	-	-	0.0%
Investment Income	38,770	137,205	60,000	60,000	0.0%
Prior Year Funds	-	-	2,029,543	336,081	-83.4%
<u>Transfers In:</u>					
Beach Preservation Fees	3,037,325	5,305,444	2,973,850	3,975,850	33.7%
Natural Disasters Fund	1,499,473	3,536,568	3,537,565	3,537,265	0.0%
Hospitality Fees	1,634,350	1,543,906	1,629,650	1,629,650	0.0%
Tax Increment Financing	3,318,838	3,926,392	3,929,626	3,926,703	-0.1%
Real Estate Transfer Fees	1,834,365	1,879,703	1,938,263	2,608,613	34.6%
Hospitality Tax Bond	-	-	-	-	0.0%
Beach Bonds 2017	298,930	-	-	-	0.0%
Lease Revenue	65,336	32,668	65,000	65,000	100.0%
Total Revenues	17,492,669	22,204,727	21,500,000	21,500,000	0.0%
<u>Expenditures</u>					
Administrative	14,175	16,425	100,000	100,000	0.0%
Payment to Escrow Agent	-	-	100,000	100,000	0.0%
Contribution to Refunding	-	-	942,281	890,000	100.0%
Transfers	298,930	-	-	-	0.0%
Debt Issue Costs	609,548	227,444	250,000	250,000	0.0%
Principal	11,830,000	15,830,000	15,140,000	15,560,000	2.8%
Interest	3,693,591	5,109,046	4,967,719	4,600,000	-7.4%
Total Expenditures	16,446,244	21,182,915	21,500,000	21,500,000	0.0%
Net change in fund balances	1,046,425	1,021,812	(2,029,543)	(336,081)	
Beginning Fund Balance	9,886,150	10,932,575	11,954,387	9,924,844	
Use of Prior Year Funds	-	-	2,029,543	336,081	
Ending Fund Balance	10,932,575	11,954,387	9,924,844	9,588,763	

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

After issuing more than \$100 million in new debt in Fiscal Year 2018 and Fiscal Year 2019 to fund an aggressive Capital Improvements Plan, no new money borrowings are contemplated for Fiscal Year 2021. The Town will continue to seek refunding opportunities for savings.

The aggregate amounts of current maturities of long-term bonds due are as follows:

Figure 10: Debt Service *

For the Year Ended June 30	Governmental Activities			Business-type Activities		
	Interest	Principal	Total	Interest	Principal	Total
2021	4,269,799	15,555,000	19,824,799	244,356	1,270,000	1,514,356
2022	3,841,665	15,595,000	19,436,665	209,257	1,300,000	1,509,257
2023	3,371,780	16,090,000	19,461,780	173,327	1,340,000	1,513,327
2024	2,904,182	13,025,000	15,929,182	136,292	1,375,000	1,511,292
2025	2,501,542	12,650,000	15,151,542	98,291	1,415,000	1,513,291
2026-2030	7,658,958	29,530,000	37,188,958	87,776	2,155,000	2,242,776
2031-2035	4,243,064	15,585,000	19,828,064	-	-	-
2036-2040	2,236,806	7,885,000	10,121,806	-	-	-
2041-2045	1,150,988	6,685,000	7,835,988	-	-	-
2046-2047	146,251	2,985,000	3,131,251	-	-	-
Total	\$ 32,325,035	\$ 135,585,000	\$ 167,910,035	\$ 949,299	\$ 8,855,000	\$ 9,804,299

Figure 11: Calculation of Legal Debt Limit

<u>Calculation of Legal Debt Limit</u>	<u>June 30, 2019</u>
Estimate Assessed Value from Property Assessments	<u>971,047,790</u>
Debt Limit - Eight Percent (8%) of Assessed Value, without Voter Approval	77,683,823
Reduced by Town Council imposed policy of the greater of twenty percent (20%) or \$20.0 million	<u>(20,000,000)</u>
Adjusted Debt Limit	57,683,823
Bonds Applicable to Debt Limit:	
General Obligation Non-Referendum Refunding Bonds Series 2009A	(2,645,000)
General Obligation Non-Referendum Bonds Series 2013B	(3,073,331)
Series 2017B Reserve Replenishment Bond -- Hurricane Matthew	(13,455,000)
Series 2017A General Obligation Bond -- Capital Plan	(27,310,000)
Series 2019	<u>(5,000,000)</u>
Reductions for Bonds outstanding at 6/30/2019	<u>(51,483,331)</u>
Debt Margin available without a Referendum at June 30, 2019	<u>6,200,492</u>

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

The Town is making a concerted effort to finish collecting State and Federal reimbursements from Hurricanes Matthew, Irma, and Florence. The Town is also working on completing a substantial number of CIP projects delayed by these storms. As these two initiatives are taking place, the Town is also building future debt capacity for future projects and reserves for future storms or emergencies.

Capital Improvement Plan (CIP)

The Fiscal Year 2021 CIP budget is 6.5 million. An additional \$11.8 million is budgeted for fiscal years 202 and 2023.

Figure 12: Statement of Revenues and Expenditures

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% Change
Revenues:					
Ad Valorem Property Taxes	724,681	737,874	575,000	50,000	-91.3%
Investment Income	264,390	380,818	-	-	0.0%
Grants	194,510	111,000	322,000	-	-100.0%
Sunday Liquor Permit Fees	290,300	332,695	300,000	250,000	-16.7%
Impact Fees	476,677	258,017	857,500	628,000	-26.8%
Lease Revenue	108,091	76,338	-	-	0.0%
Other Revenue	94	79,724	-	-	0.0%
Fund Balance/Prior Year Funds	-	-	2,402,000	-	-100.0%
Sale of Property & Equipment	-	3,691	68,000	20,000	-70.6%
Bond Proceeds	86,226,411	5,000,000	-	-	0.0%
Transfers In:					
Beach Preservation Fees	707,592	477,379	2,200,000	500,000	-77.3%
Hospitality Fees	219,362	909,719	3,305,000	4,243,000	28.4%
Tax Increment Financing	333,338	1,731,299	-	450,000	0.0%
General Fund	47,755	-	-	-	0.0%
Debt Service Fund	298,930	-	-	-	0.0%
Road Usage Fee	59,147	269,255	1,110,000	330,000	-70.3%
Total Revenue	89,951,278	10,367,809	11,139,500	6,471,000	-41.9%
Expenditures:					
Beach Maintenance	7,506,099	253,048	500,000	500,000	0.0%
Existing Public Facilities	13,980,575	10,862,561	1,325,000	105,000	-92.1%
Park Development	8,817,100	2,338,380	947,000	250,000	-73.6%
Facilities Improvements	643,702	1,752,469	100,000	100,000	0.0%
Pathway Improvements	17,479	193,987	100,000	100,000	0.0%
Roadway Improvements	2,666,461	5,976,396	6,824,000	980,000	-85.6%
Land Acquisition	490	31,502	68,000	20,000	-70.6%
Other/Prior Appropriation	-	-	525,500	428,000	-18.6%
Debt Service - Principal	25,000,000	-	-	-	0.0%
Debt Service - Interest	1,000,000	-	-	-	0.0%
Bond Issue Costs	1,143,765	-	-	-	0.0%
Transfers Out	1,042,266	710,668	-	-	0.0%
Vehicles & Specialized Equipment	-	-	750,000	3,988,000	431.7%
Total Expenditures	61,817,937	22,119,011	11,139,500	6,471,000	-41.9%
Net Change in Fund Balance	28,133,341	(11,751,202)	(2,402,000)	-	
Beginning Fund Balance	11,999,880	40,133,221	28,382,019	14,731,221	
Appropriation Carryover	-	-	13,650,798	7,731,221	
Ending Fund Balance	40,133,221	28,382,019	14,731,221	7,000,000	

Because of the timing of construction projects, many projects in the CIP span fiscal years. Appropriations by Town Council carryforward until the project is finished.

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

There are two issues that impact the Town’s CIP funding plan:

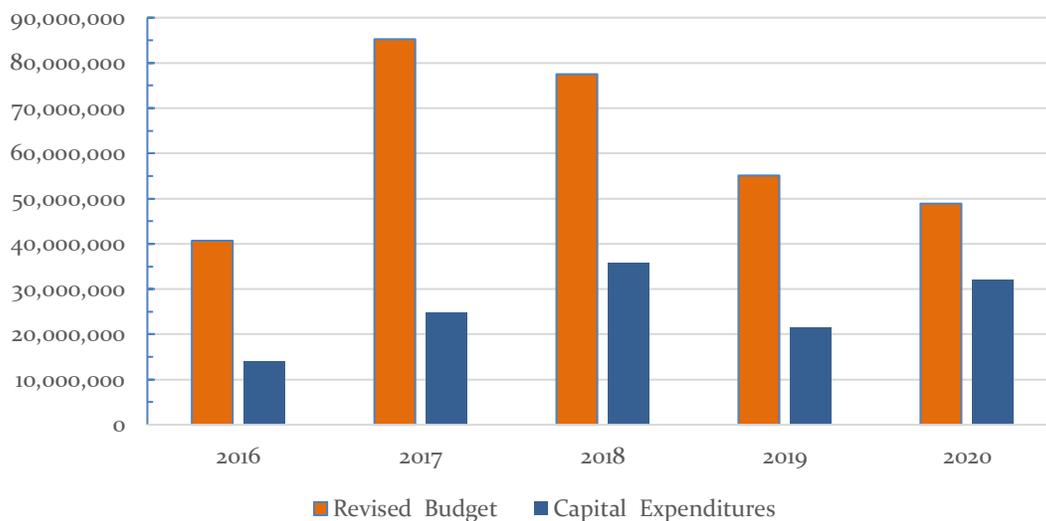
1. In fiscal years 2016 Town Council approved an aggressive CIP spending plan. With two hurricanes and a tropical storm over the past three years the CIP had to be temporarily curtailed to focus on recovery efforts. Now the Town is moving forward advancing these projects.
2. Town Council has increased the amount of debt capacity set aside for emergencies from 20% to the greater of 20% or \$20,000,000. This figure was chosen to match the temporary funding needed for Hurricane Matthew.

There are sufficient financial resources to construct prior year projects in addition to the projects programmed from Fiscal Years 2021 through 2023. Over the course of the next two years the Town will build a new CIP spending plan to include an update to the projects list as well as funding options. As the projects move forward, the Town will consider its infrastructure and facilities within the planned LMO update the Town is embarking on.

The chart below is a comparison between the CIP budgets and actual expenditures from 2016-2020.

Figure 13: Historical Comparison of CIP Budget versus Actual Expenditures

***Capital Improvements Fund --
emphasizing reducing the backlog of
projects approved, but delayed by
Hurricane Matthew***



**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

The following tables provide an overview of the CIP, by program by year, by program by funding source, and fiscal year 2020 projects and funding source.

Figure 14: CIP by Funding Source

CIP By Program	FY 2021	FY 2022	FY 2023	Total
Impact Fees - Roads	\$ 200.0	\$ -	\$ -	\$ 200.0
Impact Fees - Parks	428.0	277.0	55.0	760.0
Property Taxes	50.0	50.0	-	100.0
Hospitality Taxes	4,243.0	2,557.0	2,738.0	9,538.0
TIF	450.0	-	1,000.0	1,450.0
Road Usage Fees	330.0	1,850.0	660.0	2,840.0
Sale of Land	20.0	20.0	20.0	60.0
State/Federal Grants	-	-	-	-
Other	250.0	275.0	686.0	1,211.0
Beach Bond/Beach Fees	500.0	1,100.0	500.0	2,100.0
GO Bond/Prior Year	-	-	-	-
Total	\$ 6,471.0	\$ 6,129.0	\$ 5,659.0	\$ 18,259.0

Figure 15: CIP/Other by Program by Year

CIP By Program	FY 2021	FY 2022	FY 2023	Total
Pathways	\$ 100.0	\$ 100.0	\$ 100.0	\$ 300.0
Roadway Improvements	980.0	1,850.0	660.0	3,490.0
Park Development	250.0	275.0	1,015.0	1,540.0
Existing Facilities and Infrastructure	105.0	50.0	-	155.0
New Facilities and Infrastructure	100.0	100.0	100.0	300.0
Beach Maintenance	500.0	1,100.0	500.0	2,100.0
Sub-Total CIP	2,035.0	3,475.0	2,375.0	7,885.0
Land/Other	20.0	20.0	20.0	60.0
IT Capital Outlay	-	-	-	-
Fire Capital Outlay	3,988.0	2,357.0	2,638.0	8,983.0
Honey Horn	53.0	67.0	55.0	175.0
Recreation Center Capital Outlay	375.0	210.0	571.0	1,156.0
Sub-Total Other	4,436.0	2,654.0	3,284.0	10,374.0
Grand Total	\$ 6,471.0	\$ 6,129.0	\$ 5,659.0	\$ 18,259.0

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Figure 16: Fiscal Year 2021 CIP Projects and Funding Source

Projects	<u>Thousands of Dollars</u>	Funding Source
	FY 2021	
Pathways		
Crosswalk signage and paving markers		
Crosswalk lighting at unsignalized locations	100.0	Hospitality Tax
Roadway Improvements		
Private dirt roads acquisition/paving	330.0	Road Usage Fee
South Forest Beach Drive improvements	100.0	TIF
Intersection improvements: Shelter Cove Towne Center		
Traffic signal mast arms	200.0	
Coligny/Pope Avenue improvements	350.0	TIF
Coligny Master Plan		
Park Development		
Park upgrades		
Park upgrades: Crossings Park batting cages	175.0	Sunday Liquor Permit Fees
Park upgrades: Barker Field picnic shelter	75.0	Sunday Liquor Permit Fees
Shelter Cove area parking		
Public Art Foundation		
Existing Facilities and Infrastructure		
Fire Rescue Training Center enhancements	55.0	Hospitality Tax
Town Hall remodeling	50.0	Property Tax
Fire Station 2 replacement		
New Facilities and Infrastructure		
Fire Hydrant project	100.0	Hospitality Tax
Beach Maintenance		
Beach management & monitoring	500.0	Beach Bond/Fees
Land		
Legal fees related to land and projects	20.0	Sale of Land
Other		
Fire Rescue - apparatus replacement	3,988.0	Hospitality Tax
Cost of Issue		
Computer software and equipment		
Honey Horn capital outlay	375.0	Impact Fees
Recreation Center capital outlay	53.0	Impact Fees
Total	\$ 6,471.0	

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Stormwater Fund Budget

This fund is used to account for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems within the Town in concert with Beaufort County and other water resource management programs. The total expense budget for Fiscal Year 2021 is \$5.45 million and for Fiscal Year 2022 \$5.45 million, including a transfer to the General Fund for support efforts.

Figure 17 Statement of Revenues and Expenses

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% Change
Revenues					
Stormwater Utility Fees	4,775,637	4,895,801	4,800,000	4,824,000	0.5%
Prior Period Funds	-	-	599,000	624,000	4.2%
Total Revenues	4,775,637	4,895,801	5,399,000	5,448,000	0.9%
Operating Expenses					
Planned Unit Developments	633,155	840,261	1,245,000	1,224,356	-1.7%
Non-Planned Unit Developments	255,851	667,739	1,503,000	1,480,000	-1.5%
Personnel	381,779	451,955	554,863	571,510	3.0%
Operating	351,034	314,499	359,000	362,000	0.8%
Capital	-	-	-	30,000	0.0%
Depreciation	1,067,092	1,091,604	1,235,000	1,250,000	1.2%
Total Operating Expenses	2,688,911	3,366,058	4,896,863	4,917,866	0.4%
Operating Income	2,086,726	1,529,743	502,137	530,134	5.6%
Non-Operating Income (Expenses)					
Investment Income	19,696	75,260	1,000	2,000	100.0%
Administrative	(2,500)	-	(2,500)	(2,500)	0.0%
Loss on Refunding	(89,555)	(89,555)	(89,555)	(89,555)	0.0%
Interest	(265,867)	(297,353)	(279,000)	(284,490)	2.0%
Debt Issue Costs	(89,131)	-	-	-	0.0%
Other Charges	(7,500)	(6,500)	(7,082)	(5,589)	-21.1%
Total Non-Operating Income (Expenses)	(434,857)	(318,148)	(377,137)	(380,134)	0.8%
Income (Loss) Before Transfers/Bond Proceeds	1,651,869	1,211,595	125,000	150,000	20.0%
Transfers Out	(125,000)	(125,000)	(125,000)	(150,000)	20.0%
Net Change in Fund Net Position	1,526,869	1,086,595	(599,000)	(624,000)	
Beginning Fund Balance	6,786,748	8,313,617	9,400,212	8,801,212	
Use of Prior Year Funds	-	-	599,000	624,000	
Ending Fund Balance	8,313,617	9,400,212	8,801,212	8,177,212	

**TOWN OF HILTON HEAD ISLAND
FISCAL YEAR 2021 BUDGET**

Financial Structure Multiyear – All Governmental Funds

The charts below reflect all funds used by the Town to manage its financial resources for Fiscal Years 2018 through 2020. Budgets are formally adopted by Town Council for the General Fund, Debt Service Fund, and Capital Projects Fund (CIP). This schedule is presented for information only.

	Tax										
	General	Incremental Financing District	State Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Natural Disasters	Non-major Funds	Total Governmental
Fiscal Year 2020 (ESTIMATED)											
REVENUES	31,121,000	5,064,000	5,974,000	2,939,000	6,252,000	6,150,000	5,413,000	934,000	5,127,000	3,004,000	71,978,000
EXPENDITURES	39,142,000	-	5,274,000	34,000	4,000	273,000	21,833,000	19,192,000	1,500,000	2,302,000	88,904,000
Excess(Deficit)of Revenues and Exp.	(8,021,000)	5,064,000	700,000	2,905,000	6,248,000	5,877,000	(15,770,000)	(18,258,000)	3,627,000	702,000	(16,926,000)
Other Sources and Uses (net)	6,869,000	(5,974,000)	(1,700,000)	(1,879,000)	(7,143,000)	(5,199,750)	15,824,000	4,845,000	(3,536,000)	(359,000)	1,747,250
Net change in fund balance	(1,152,000)	(910,000)	(1,000,000)	1,026,000	(895,000)	677,250	54,000	(13,413,000)	91,000	343,000	(15,178,750)
Fund balances - beginning	21,100,687	7,638,333	3,636,820	6,028,191	12,304,292	9,578,640	11,954,387	28,382,019	31,576,026	10,095,539	142,294,934
Fund balances - ending	\$ 19,948,687	\$ 6,728,333	\$ 2,636,820	\$ 7,054,191	\$ 11,409,292	\$ 10,255,890	\$ 12,008,387	\$ 14,969,019	\$ 31,667,026	\$ 10,438,539	\$ 127,116,184

	Tax										
	General	Incremental Financing District	State Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Natural Disasters	Non-major Funds	Total Governmental
Fiscal Year 2019											
REVENUES	34,168,739	4,783,631	6,899,857	3,432,730	7,578,571	7,621,010	5,510,040	1,976,466	8,690,739	4,609,361	85,331,444
EXPENDITURES	37,671,993	-	4,775,528	33,801	3,678	265,225	21,182,915	21,408,343	916,221	2,388,590	88,646,294
Excess(Deficit)of Revenues and Exp.	(3,503,254)	4,783,631	2,124,329	3,398,929	7,574,893	7,355,785	(15,672,875)	(19,431,877)	7,774,518	2,280,771	(3,315,150)
Other Sources and Uses (net)	5,762,646	(5,837,691)	(1,757,381)	(1,879,703)	(7,143,963)	(4,199,750)	16,694,687	7,680,675	(3,361,568)	(359,255)	5,598,697
Net change in fund balance	2,259,392	(1,054,060)	366,948	1,519,226	430,930	3,156,035	1,021,812	(11,751,202)	4,412,950	1,921,516	2,283,547
Fund balances - beginning	18,841,295	8,692,393	3,269,872	4,508,965	11,873,362	6,422,605	10,932,575	40,133,221	27,163,076	8,174,023	140,011,387
Fund balances - ending	\$ 21,100,687	\$ 7,638,333	\$ 3,636,820	\$ 6,028,191	\$ 12,304,292	\$ 9,578,640	\$ 11,954,387	\$ 28,382,019	\$ 31,576,026	\$ 10,095,539	\$ 142,294,934

	Tax										
	General	Incremental Financing District	State Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Natural Disasters	Non-major Funds	Total Governmental
Fiscal Year 2018											
REVENUES	34,644,613	4,632,343	6,323,551	3,466,189	7,090,057	6,870,260	5,335,793	2,058,743	32,242,024	4,043,844	106,707,417
EXPENDITURES	37,524,918	-	4,360,719	34,635	575	257,500	16,147,314	60,775,671	26,095,645	1,738,448	146,935,425
Excess(Deficit)of Revenues and Exp.	(2,880,305)	4,632,343	1,962,832	3,431,554	7,089,482	6,612,760	(10,811,521)	(58,716,928)	6,146,379	2,305,396	(40,228,008)
Other Sources and Uses (net)	5,618,378	(3,892,175)	(1,739,750)	(1,834,365)	(29,652)	(3,345,957)	11,857,946	86,850,269	16,562,771	(149,147)	109,691,447
Net change in fund balance	2,738,073	800,168	23,082	1,597,189	6,792,959	3,266,803	1,046,425	28,133,341	22,709,150	2,156,249	69,463,439
Fund balances - beginning	16,103,222	7,892,225	3,046,790	2,917,776	5,080,403	3,155,802	9,886,150	11,999,880	4,453,926	6,017,774	70,547,948
Fund balances - ending	\$ 18,841,295	\$ 8,692,393	\$ 3,269,872	\$ 4,508,965	\$ 11,873,362	\$ 6,422,605	\$ 10,932,575	\$ 40,133,221	\$ 27,163,076	\$ 8,174,023	\$ 140,011,387

This schedule is to provide a more complete look of our Town's finances. Prior to the COVID-19 outbreak, the Town had a strong first nine months of collections. COVID-19 will impact the last 3 months of Fiscal Year 2020 and into Fiscal Year 2021. These are initial estimates for Fiscal Year 2020.



MEMORANDUM

TO: Town Council

FROM: John Troyer, CPA, Director of Finance

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

RE: **Chamber of Commerce/Visitor & Convention Bureau 2020-2021 Marketing Plan & Budget**

DATE: May 29, 2020

Recommendation: Staff recommends that Council consider approval of the fiscal year 2020-2021 Marketing Plan & Budget for the Chamber of Commerce Visitor and Convention Bureau (VCB) which is required by State law and Town Code for the VCB to continue as the Town's designated marketing organization (DMO) for State Accommodations Tax purposes.

The Accommodations Tax Advisory Committee (ATAC) voted unanimously to recommend to Town Council that the proposed 2020-2021 Marketing Plan & Budget be approved. The ATAC recommendation letter is attached.

Summary: On May 28, 2020, the VCB presented in detail to ATAC its proposed budget and marketing plan for 2020-2021. The plan is presented in a format as recommended by ATAC and Council. The budget breaks down expected revenues and expenses in rows by functional categories and in columns by the major funding sources with the Town of Hilton Head Island in the second column (after the total column) with a budget of \$1,100,000.

Background: According to State law, 30% of the two percent bed tax funds collected by the State of South Carolina is allocated to the pre-determined Destination Marketing Organization with an ongoing tourist program, which the Town Council has designated the VCB. Town Code requires ATAC to review the VCB's proposed budget and marketing plan each year and make a recommendation to Town Council. Attached is the recommendation memo from the ATAC Chairman Brad Marra which includes a synopsis of the VCB's 2020-2021 proposed marketing plan & budget. Each Council member has previously been provided a bound book from the VCB entitled 2020-2021 Hilton Head Island Destination Marketing Plan. The budget found on pages 26-27 has been superseded by the budget attached.



THE TOWN OF HILTON HEAD ISLAND ACCOMMODATION TAX ADVISORY COMMITTEE

To: Mayor John McCann, Town of Hilton Head Island
Town Council Members, Town of Hilton Head Island

CC: Steve Riley, Town Manager, Town of Hilton Head Island

From: Brad Marra, Chairman, Accommodation Tax Advisory Committee

Date: May 29, 2020

Subject: Recommendation for the HHI-Bluffton Chamber of Commerce's 2020-2021 Marketing Plan & Budget

On May 28, 2020, the Accommodations Tax Advisory Committee (ATAC) met to hear and review the marketing plan and budget presentation of the Town's Designated Marketing Organization (DMO), the Hilton Head Island Visitor and Convention Bureau (HHIVCB). The purpose of the DMO is to promote and enhance tourism on Hilton Head Island. As the Town's DMO, the HHIVCB is allocated 30% of the available annual ATAX funding, by State Law, The Committee is charged to make a recommendation to Town Council whether or not to approve the DMO's marketing plan and budget for its upcoming fiscal year.

Summary of Presentation

Ariana Pernice, VP of the HHIVCB, started the presentation by reviewing the past year. She shared information regarding the number of visitors to Hilton Head, website visits, social engagement, public relations ad equivalency and Hotel/Home & Villa statistics. The statics showed positive records for Hilton Head thru their strong marketing efforts. The vision of the DMO is to lead the Hilton Head Island Region, community and partners collaboratively in effective education, advocacy and innovative programming ensuring tourism development and sustainable growth. The Hilton Head Island Visitor & Convention Bureau continues to design campaigns to reach Hilton Head's target audience keeping evolving and international markets at the top of their mind. The goal of the Destination Marketing Organization is to focus on personalization and customization when speaking to today's traveler through ensuring choices and options for all to enjoy while on Hilton Head. Additionally, the DMO's mission is to envision and advocate the common interest of their partners and stimulate the regional economy while enhancing the quality of life for all. Mrs. Pernice was also able to speak about the projected downturns of the U.S. travel industry as a result of the 2020 Coronavirus. She stated that a decline in the travel industry could cause more than a \$1.2 Trillion total economic loss and more than 8M people with total loss of employment subsequently causing more than 9x the impact of 9/11.

Conclusions:

- The HHIVCB has consistently presented detail oriented presentations showing continued improvement in the adoption of strong business management and effective measurement principles and processes.
- ATAC Committee continues to have confidence in how well HHIVCB is doing their job
- \$ 1.5 Billion in economic impact
- \$15.90 ROI – per dollar of marketing money invested
- 16,684 jobs generated from Hilton Head Island Tourism
- 2.1 Million Website visits – 728K+ website conversions to partners

2019 Year in Review:

Year in Review



Key discussion points include:

- Very effective 2019 Public Relations and Media recognition of Hilton Head Island with over 3,700 covered stories, 6.9B impressions for an ad equivalency of \$21M
- ADARA Technology, announcement and integration providing unique and holistic insight on today's traveler and articulating the value of the HiltonHeadIsland.org website to stakeholders
- Expansion of air-service and air-carriers at both, Hilton Head Island Airport and Savannah/Hilton Head International Airport
- Embarked on a 10 year Destination Management Plan that will provide the roadmap and shared vision for the community to ensure responsible and sustainable tourism growth

Committee Review

The Committee was impressed with the format and content of the 2020-2021 Marketing Plan & Budget. Continuing to stay relevant on the visitors mind with the marketing tools provided has shown a year over year positive effect. There was an extensive question and answer session between the Committee and Mrs. Pernice related to the presentation. In addition, the Committee commended Mrs. Pernice's positive influence on how well she and her team have consistently prepared for and handled the presentation. The Committee remains encouraged with the direction of the Island's destination marketing efforts and applauds the HHIVCB's extensive tourism research and continuous forward planning. The path to dealing with the Global Pandemic of Covid-19 will be a difficult road, however, we are confident in the HHIVCB's plan to market effectively and responsibly.

Recommendation

Overall, the Committee continues to conclude that the HHIVCB is representing Hilton Head Island appropriately and effectively. This year's budget has shown the Committee that the HHIVCB is undoubtedly committed to understanding the potential constraints of the economy due to the Coronavirus which was shown by reducing their budget and reallocating fund where needed. Their commitment to implementing new initiatives and actions will further Hilton Heads key areas of interest for all to enjoy when visiting. Mrs. Pernice said it best, "it all starts with if you build a place where people want to live, you'll build a place where people want to work, businesses need to be and where people want to visit" and through the HHIVCB's continuous efforts, Hilton Head Island is that place.

The Committee made a motion to recommend to Town Council that they approve the 2020-2021 Marketing Plan & Budget as presented. The motion was seconded and was approved by a vote of 5-0.

Respectfully submitted on behalf of the Accommodations Tax Advisory Committee,

Brad Marra, Chairman
Accommodations Tax Advisory Committee

Accommodations Tax Advisory Committee Members:

Brad Marra, Chairman
Dru Brown, Vice Chairman
James Fluker
Roger Freedman
Julie Smith
Richard Thomas
Stephen Arnold

Hilton Head Island-Bluffton Chamber of Commerce
Hilton Head Island Visitor Convention Bureau Schedule of Functional Revenues and Expenditures
FY2020-2021 Budget

	VCB TOTALS	Town of HHI DMO	VCB Private Sector	SCPRT Dest. Specific	SCPRT Co-ops	Town of Bluffton DMO	Beaufort Co DMO	Membership
Revenues								
Town of HHI DMO	1,100,000	1,100,000						
Town of HHI Supplemental Grant	250,000	250,000						
Town of HHI Supplemental Grant-Crisis Fund	400,000	400,000						
Private Sector	270,000		270,000					
SCPRT Destination Specific	980,000			980,000				
SCPRT Coop	270,000				270,000			
Private Match Coop	540,000				540,000			
Town of Bluffton DMO	105,000					105,000		
B/C Bluffton & Dausfuskie	173,000						173,000	
Total Revenues	4,088,000	1,750,000	270,000	980,000	810,000	105,000	173,000	
Membership Revenue								1,500,000
Total Revenues with Membership	5,588,000							
Expenses								
Media Buys - Leisure	50,000	24,517	0	25,483				
Social Media								
Partner Promotions	0	0	0	0				
Paid Brand Social Media	60,000	29,421	0	30,579				
Social Media Management	0	0	0	0				
Social Content Marketing & Strategy	66,000	32,363	0	33,637				
Crowdriff	22,050	10,812	0	11,238				
Sub-total	148,050	72,595	0	75,454				
Digital Marketing								
Digital Strategy, Web Maintenance & Support	60,000	29,421	0	30,579				
Technology Improvements	25,000	12,259	0	12,741				
SEO	24,000	11,768	0	12,232				
SEM / Display	350,000	171,620	0	178,378				
Managed Web Hosting and Content Delivery Network	1,800	883	0	917				
eNewsletter/Drip Campaign	24,000	11,768	0	12,232				
Digital Contingency	0	0	0	0				
Sub-total	484,800	237,718	0	247,079				
Destination PR								
PR Strategy, Maintenance & Support	150,000	73,551	0	76,448				
Journalists/Influencers	30,000	14,710	0	15,290				
Monitoring Services (Print/Online/Broadcast Tracking)	18,182	8,915	0	9,266				
PR Contingency	20,000	9,807	0	10,193				
Sub-total	218,182	106,984	0	111,197				
Group Sales & Marketing								
Promotional Giveaways	2,400	1,177	0	1,223				
Site Inspections/ Flights for Sites	1,200	588	0	612				
VCB Dues and Subscriptions	24,000	11,768	0	12,232				
Trade Sponsorships	6,000	2,942	0	3,058				
Tradeshows	12,000	5,884	0	6,116				
FAM / In-Market Events	0	0	0	0				
Focused Service	0	0	0	0				
SC Sports Alliance	5,000	2,452	0	2,548				
SEM	9,000	4,413	0	4,587				
SEO	0	0	0	0				
Social Media	9,000	4,413	0	4,587				
Website	0	0	0	0				
Collateral	2,000	981	0	1,019				
Trade Media	6,000	2,942	0	3,058				
Sub-total	76,600	37,560	0	39,039				

Hilton Head Island-Bluffton Chamber of Commerce
Hilton Head Island Visitor Convention Bureau Schedule of Functional Revenues and Expenditures
FY2020-2021 Budget

	VCB TOTALS	Town of HHI DMO	VCB Private Sector	SCPRT Dest. Specific	SCPRT Co-ops	Town of Bluffton	DI Beaufort Co	D Membership
International								
Coastal SC USA Coop	25,000	12,259	0	12,741				
International Promotions	0	0	0	0				
International Tradeshows	0	0	0	0				
Sub-total	25,000	12,259	0	12,741				
Destination Photography & Video	6,240	3,058	0	3,190				
Insiders/Collateral/Fulfillment								
Vacation Planner	150,000	73,551	0	76,448				
Fulfillment	75,000	36,776	0	38,224				
Toll-Free Phone	3,996	1,959	0	2,037				
Sub-total	228,996	112,287	0	116,708				
Research & Planning	108,132	53,022	0	55,110				
HHI Destination Marketing Operations & Management								
VCB Sales, Mkt, V Services & Ops:								
Personnel	980,000	308,000	189,000	205,800	199,360	29,400	48,440	
Benefits	140,000	44,000	27,000	29,400	28,480	4,200	6,920	
Operations	280,000	88,000	54,000	58,800	56,960	8,400	13,840	
Sub-total	1,400,000	440,000	270,000	294,000	284,800	42,000	69,200	
HHI Supplemental Grant								
Golf	100,000	100,000						
Meetings & Group	50,000	50,000						
Accolade Marketing Initiative	50,000	50,000						
Festival and Events	50,000	50,000						
Multi-Channel Chatbot & Comm. Program	0	0						
Island Arts & Cultural Video Promotion	0	0						
VCB Sales, Mkt, Visitor Services & Operations	0	0						
Sub-total	250,000	250,000						
HHI Supplemental Grant--Crisis Fund								
Crisis Funds	400,000	400,000						
SCPRT								
SC PRT - Leisure	290,000				290,000			
SC PRT - Meetings & Groups	90,200				90,200			
SC PRT - Sports	145,000				145,000			
Sub-total	525,200				525,200			
Town of Bluffton DMO								
Promotions	63,000					63,000		
B/C Bluffton & Daufuskie DMO								
Promotions	103,800						103,800	1,500,000
TOTAL VCB EXPENSES	4,088,000	1,750,000	270,000	980,000	810,000	105,000	173,000	1,500,000
Difference btw Revenue & Expense	0	0	0	0	0	0	0	0
Total Expenses with Membership	5,588,000							
Expenses for Hilton Head Island Specific Programs								
Expenses for other marketing programs								



MEMORANDUM

To: Town Council
From: Angie Stone, Human Resources Director
Date: June 1, 2020
Subject: Town Manager Recruitment Process

Recommendation:

As you undertake the selection process for a new Town Manager, one of your first decisions will be whether to retain the services of an executive search firm or to utilize Town Human Resources staff to aid you in conducting this important recruitment effort.

In order to maximize the time available to conduct this search, staff recommends that Council vote on whether to engage an executive search firm or utilize in-house resources to support this effort at its June 2, 2020 meeting.

Summary:

Based on the Town Manager's announcement that he will retire on or before December 31, 2020, a selection process must be undertaken to hire his replacement. Given a timeline of just under seven months to fill the Town Manager position, time is of the essence to begin developing a comprehensive position profile and marketing strategy.

There are two options available to provide Town Council support in this effort:

- Utilize an executive search firm; or
- Utilize the Town's Human Resources staff.

A decision on which method of support to utilize will allow Town Council to begin focusing on the process of identifying and hiring a new Town Manager.

Draft Town Manager Search Timeline – 2020

As of 6-1-20

With Human Resources Department Support

Target Date	Milestone	Responsible Party
5/20/20	Town Manager job description to Town Council	HR Director
5/26/20	Job description feedback due	Town Council
5/28/20	Draft timeline and executive search firm RFP (including scope of work) to Town Council	HR Director
6/1/20	Scope of work feedback due to HR Director	Town Council
6/1/20	Town Manager announces retirement	Town Manager
6/2/20	Town Council vote on whether to use external search firm (Decision – No executive search firm)	Mayor/Town Council
6/3/20	Meetings w/ Town Council & others scheduled	HR Director
6/15/20	Draft advertising collateral to Town Council for review	HR Director
6/19/20	Position posted (recommend minimum 30 day posting)	Human Resources
7/20/20	Application period closes	
7/26/20	Applicant pool narrowed to 10 – 20 most viable candidates	Human Resources
8/14/20	Council identifies candidates for phone/video interviews	TC w/ Human Resources Support
8/24/20	Phone interviews begin (5 – 10 finalists)	TC w/ Human Resources Support
8/31/20	Phone interviews completed	TC w/ Human Resources Support
9/11/20	Finalists identified for onsite interviews	TC w/ Human Resources Support
9/14/20	Background checks initiated on finalists	Human Resources
9/21/20	Onsite finalist interviews begin	TC w/ Human Resources Support
10/2/20	Onsite interviews completed	TC w/ Human Resources Support
10/6/20	Executive Session – Town Manager selection made by Town Council	TC w/ Human Resources Support
10/7/20	Offer extended	TC w/ Human Resources Support
10/14/20	Contract negotiations completed	TC w/ Human Resources Support
12/7/20	Candidate begins work	

Draft Town Manager Search Timeline – 2020

As of 6/1/20

With Executive Search Firm Support

Target Date	Milestone	Responsible Party
5/20/20	Town Manager job description to Town Council	HR Director
5/26/20	Job description feedback due	Town Council
5/26/20	Draft timeline and executive search firm RFP (including scope of work) to Town Council	HR Director
5/28/20	Scope of work feedback due to HR Director	Town Council
5/29/20	Search Firm RFP prepared for distribution	Procurement Officer
6/1/20	Town Manager announces retirement	Town Manager/Mayor?
6/2/20	Regular Council Meeting - TC votes on whether to use external search firm	Mayor/Town Council
6/3/20	RFP distributed via: <ul style="list-style-type: none"> • Advertisement • Direct email to select firms 	Procurement Officer
6/17/20	RFP deadline/Bid opening	Procurement Officer, HR Dir.
6/22/20	TC vendor scoring due	Procurement Officer, HR Dir., TC
6/23/20	Executive Session – TC selects search firm finalists	Town Council
6/29/20	Search firm interviews & onsite visit w/ selected firm completed	Procurement Officer, HR Dir., TC
6/30/20	TC votes to approve negotiation with selected firm	Town Council
7/6/20	Search firm contract signed	HR Dir., Mayor/TC, Procurement Officer
7/7/20	Meetings w/ Town Council and others scheduled	HR Dir., Search Firm
7/20/20	Draft advertising collateral to TC for review	Search Firm
7/22/20	Position posted (recommend minimum 30 day posting)	Search Firm
8/22/20	Application period closes	
8/28/20	Applicant pool narrowed to 10 – 20 most viable candidates	Search Firm
9/4/20	Council identifies candidates for phone/video interviews	TC w/ Search Firm and HR Support
9/8/20	Phone interviews begin (5 – 10 finalists)	TC w/ Search Firm and HR Support
9/14/20	Finalists identified for onsite interviews	TC w/ Search Firm and HR Support
9/21/20	Onsite finalist interviews begin	TC w/ Search Firm and HR Support
10/2/20	Onsite interviews completed	TC w/ Search Firm and HR Support
10/6/20	Executive Session – Town Manager selection made by Town Council	TC w/ Search Firm and HR Support
10/7/20	Offer extended	TC w/ Search Firm and HR Support
10/14/20	Contract negotiations completed	TC w/ Search Firm and HR Support
12/7/20	Candidate begins work	

Town Manager Search – Scope of Work for Search Firm RFP

6-1-20

The selected search firm will:

- Provide guidance to Town Council on the most effective selection process based on the Council's requirements.
- Develop a comprehensive position profile based upon information obtained in meetings with the Town Council and others as directed.
- Develop a marketing strategy that utilizes professional contacts throughout the geographic area identified and supplement the candidate identification process through selected advertising, use of internet and direct solicitation of known desirable candidates.
- Implement a screening process that narrows the field of candidates to those that most closely match the needs of the Town, including discussing results of preliminary reference checks on top candidates. The extent of screening to be conducted by the selected search firm will be determined by the Town Council.
- Thoroughly vet the top candidates that meet the stated criteria through the use of:
 - Personal interviews.
 - Background checks – including criminal, driver's license, credit and other related checks.
 - Other means deemed appropriate by the selected firm.
- Deliver a product in the form of a search report that recommends the top group of candidates and provides Town Council with detailed information about their backgrounds and experience.
- Assist during the final interview and the selection process, including developing suggested interview questions.
- Assist, if requested, in negotiating a total compensation package with the desired candidate.