

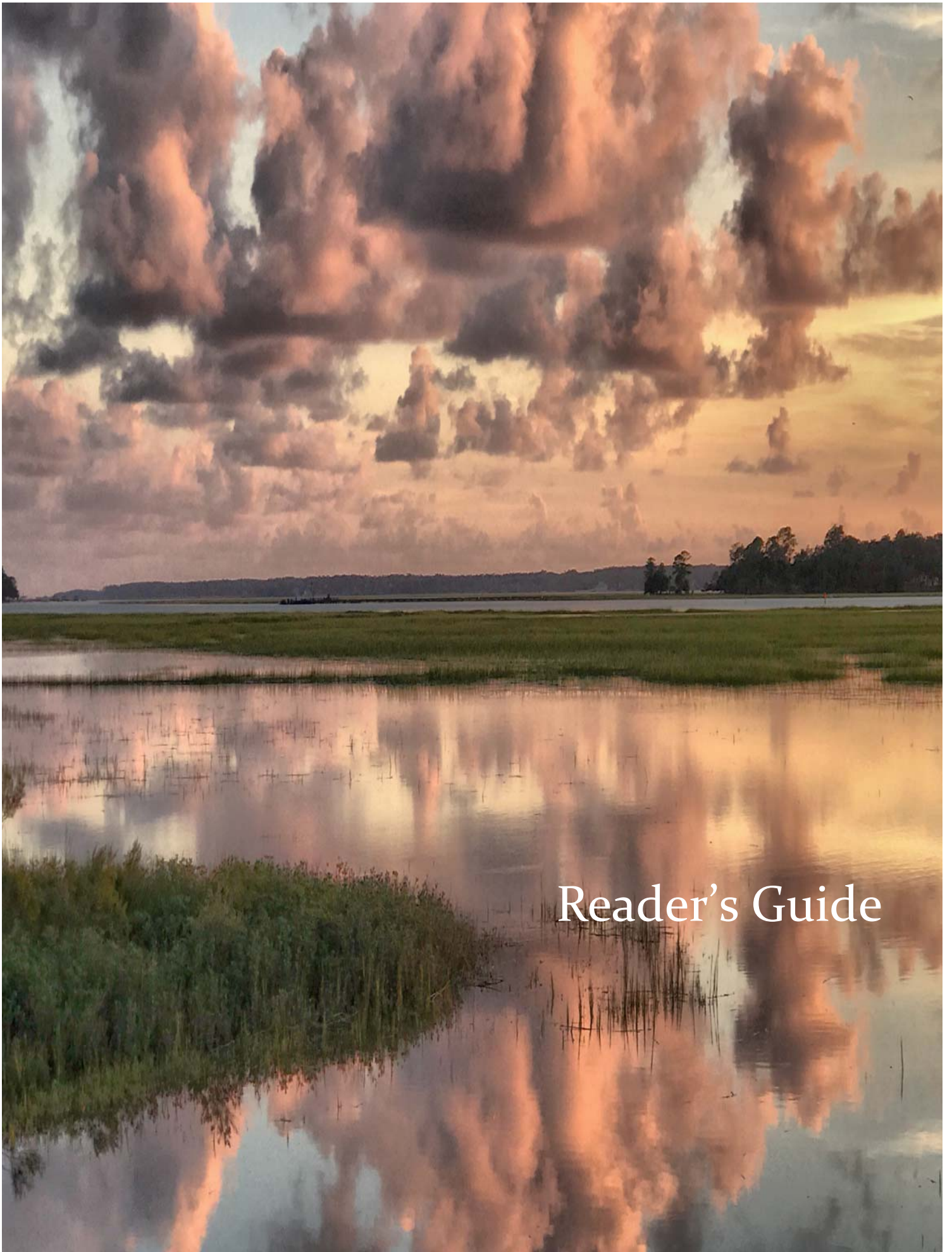


FY 2021 Budget

Town of Hilton Head Island,
South Carolina

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Reader's Guide

Reader's Guide

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

[Town Manager's Letter](#)

This section provides a high level preview of the Town's budget, economic overview, and vision for the future.

[Budget Overview](#)

This section provides a summary of the Town's budget.

[Town Council 2019 Strategic Goals Dashboard; page 62](#)

This section identifies Town Council's goals for calendar year 2019.

[Financial Structure Multiyear – All Governmental Funds](#)

The section provides a summary of 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.

[About Hilton Head Island](#)

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

[General Information](#)

This section includes the location of Hilton Head Island map, Hilton Head Island at a Glance, town-wide organizational chart, and budget calendar.

[Budget Process Overview](#)

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

[Consolidated Budget Summary – Governmental Funds](#)

This section includes an introduction, the Fiscal Year 2021 consolidated budget, where the money comes from (table), where the money goes by program (chart), where the money goes by category (chart), trend analysis of expenditures by fund (chart), historical overview of revenues and expenditures (schedule), budget highlights, property tax analysis, millage rate historical analysis (chart), and staffing changes. The Town has three budgeted governmental funds.

General Fund

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

Reader's Guide

Debt Service Fund

This section includes a historical overview and five-year comparison of revenue and expenditures (schedule), calculation of legal debt limit, and a list of outstanding debt issues.

Capital Improvement Plan (multiple funds)

This section includes a summary of capital projects by funding source for the current fiscal year and the next two years.

Proprietary Fund

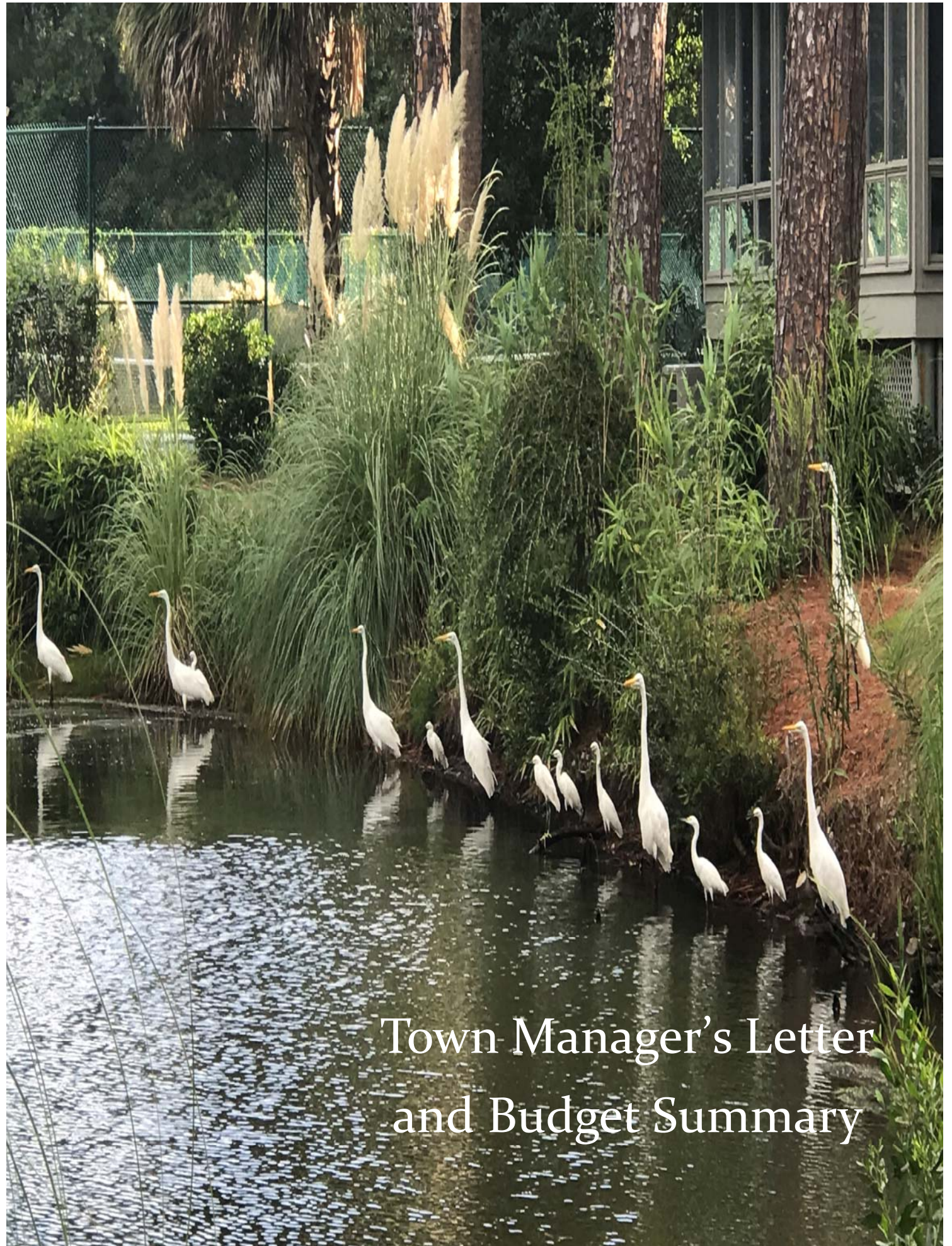
The Town has one budgeted proprietary fund which is the Stormwater Fund. It operates as an enterprise fund.

Stormwater Fund

This section includes an overview and summary of major revenue sources, expenditures by category, historical overview and five-year comparison of revenue and expenditures (schedule), the Town's stormwater capital improvement plan for the upcoming year as well as the three-year plan.

Appendix

1. Financial balance changes greater than 10%
2. Adopted budget ordinance
3. Glossary of terms



Town Manager's Letter
and Budget Summary



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 was 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,

A handwritten signature in black ink that reads "Stephen G. Riley". The signature is written in a cursive, flowing style.

Stephen G. Riley, ICMA-CM
Town Manager

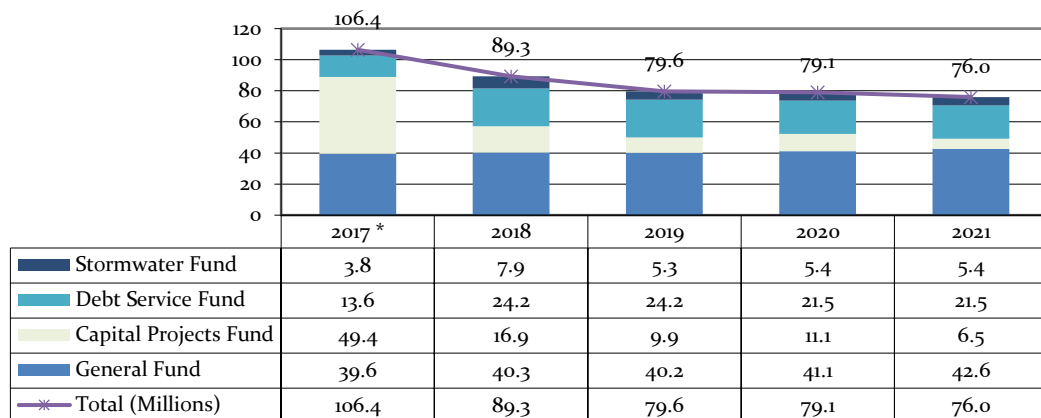
Budget Overview

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.

	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.

Budget Overview (continued)

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 emergency responses balance to approximately \$31.3 million. The largest increase was an \$18.0 million bond issue to increase reserves for the next event or disaster. This bond issue is funded 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.

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 planning with reserves we believe we have the financial resources to ride out this difficult time.

Town Council Strategic Planning Initiative

Town Council held a two day workshop on December 5th and 6th 2019. Part of the workshop involved the development of the Town's overall strategic plan (see below). The second part of the workshop was the identification of important factors to be considered when developing the overall financial plan for the Town's operations in calendar year 2020 (see the Town Council budget later in this document).

Mission

To provide world-class services to the Town's residents and tourists that promotes open town government, financial stability and economic development, community and environmental vitality, world-class leisure and recreational opportunities for residents and guests, and promoting unity while supporting diversity in the community.

Vision

America's best island focused on environmental stewardship, history and heritage, the spirit of volunteerism, quality of residence, and fiscal strength.

Goals

- Best in class services and facilities
- Exceptional quality of life
- Prosperity and innovation

The image shows a wide, dark expanse of water in the foreground, likely a bay or a large body of water. In the middle ground, there is a prominent, light-colored rocky reef or breakers line. The sky above is a deep blue, filled with numerous white, fluffy clouds of varying sizes, some appearing more dense and greyish. The overall scene is a natural coastal landscape.

Financial Structure Multiyear
All Governmental Funds

Financial Structure Multiyear – All Governmental Funds

The chart below reflects 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.

Fiscal Year 2020 (ESTIMATED)	General	Tax Increment 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
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	21,183,000	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

Fiscal Year 2019	General	Tax Increment 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
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	4,669,361	85,331,144
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

Fiscal Year 2018	General	Tax Increment 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
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	(3,832,175)	(1,739,750)	(1,834,365)	(296,523)	(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	223,082	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	2,911,776	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.

As mentioned in the previous section the Natural Disaster Fund was established in Fiscal Year 2017 to capture the costs of the response to Hurricane Matthew, and the subsequent reimbursements from state and federal sources. Since then, the Town has issued an \$18.0 million bond to fortify its capacity for future hurricanes or disaster responses. The proceeds of the bonds are deposited in this fund.

Financial Structure Multiyear – All Governmental Funds

Notes on Funds:

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 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 and facilities.
6. **Hospitality Fees** – were approved primarily for specific capital projects and to offset some tourist-related expenditures.
7. **Debt Service** – are funds are set aside to be 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. *
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.

* Currently the Town has a number of capital projects in process: Lowcountry Celebration Park, a new fire station, a number of road improvements, stormwater projects and other capital projects. These projects are moving forward towards completion.



About Hilton Head

About Hilton Head Island¹

History

Hilton Head Island, also referred to as simply Hilton Head, is a lowcountry resort town located on an island of the same name in Beaufort County, South Carolina, United States. It is 20 miles (32 km) northeast of Savannah, Georgia, and 95 miles (153 km) southwest of Charleston. According to the United States Census Bureau, the town has a total area of 69.2 square miles (179.1 km), of which 41.4 square miles (107.1 km) is land, and 27.8 square miles (71.9 km), or 40.17%, is water. Although the town occupies most of the land area of Hilton Head Island there is a small part near the main access road from the mainland, William Hilton Parkway, which is not incorporated into the town. The island is named after Captain William Hilton, who in 1663 identified a headland near the entrance to Port Royal Sound, which he named "Hilton's Head" after himself. The island features 12 miles (19 km) of beachfront on the Atlantic Ocean and is a popular vacation destination. In 2019, an estimated 2.68 million visitors pumped more than \$1.5 billion into the local economy^(b). The year-round population is approximately 39,000 according to the Hilton Head Island-Bluffton Chamber of Commerce. During the peak of summer vacation season the population can swell to 150,000.

The island has a rich history that started with seasonal occupation by Native Americans thousands of years ago, and continued with European exploration and the Sea Island Cotton Trade. It became an important base of operations for the Union blockade of the Southern ports during the Civil War. Once the island fell to Union troops, hundreds of ex-slaves flocked to Hilton Head, which is still home to many "native islanders", many of whom are descendants of freed slaves known as the Gullah (or Geechee) who have managed to hold on to much of their ethnic and cultural identity.

The Town of Hilton Head Island incorporated as a municipality in 1983 and is well known for its eco-friendly development. The Town's Land Management Ordinance minimizes the impact of development and governs the style of buildings and how they are situated among existing trees. As a result, Hilton Head Island enjoys an unusual amount of tree cover relative to the amount of development. Approximately 70% of the island, including most of the tourist areas, is located inside gated communities. However, the town maintains several public beach access points.

Hilton Head Island offers an unusual number of cultural opportunities for a community its size, including Broadway-quality plays at the Arts Center of Coastal Carolina, the 120-member full chorus of the Hilton Head Choral Society, the highly-rated Hilton Head Symphony Orchestra, the largest annual outdoor, tented wine tasting event on the east coast, the Concours d' Elegance Motoring Festival, and several other annual community festivals. It also hosts the RBC Heritage a stop on the PGA Tour which is played on the Harbour Town Golf Links in The Sea Pines Resort.

The beginning of Hilton Head as a resort started in 1956 with Charles E. Fraser developing Sea Pines Resort. Soon, other developments followed, such as Hilton Head Plantation, Palmetto Dunes Plantation, Shipyard Plantation, and Port Royal Plantation, imitating Sea Pines' architecture and landscape. Sea Pines however continued to stand out by creating a unique locality within the plantation called Harbour Town, anchored by a recognizable lighthouse. Fraser was a committed environmentalist who changed the whole configuration of the marina at Harbour Town to save an ancient live oak. It came to be known as the Liberty Oak, known to generations.

¹ Wikipedia with updates
(a) 2019 Destination Marketing Organization Industry Metrics

About Hilton Head Island

Geography

Barrier Island

Hilton Head Island is sometimes referred to as the second largest barrier island on the Eastern Seaboard after Long Island (which is not actually a barrier island but two glacial moraines). Technically, however, Hilton Head Island is only a half barrier island. The north end of the island is a sea island dating to the Pleistocene epoch, and the south end is a barrier island that appeared as recently as the Holocene epoch. Broad Creek, which is actually a land-locked tidal marsh, separates the two halves of the island.

The terrain of a barrier island is determined by a dynamic beach system with offshore bars, pounding surf, and shifting beaches; as well as grassy dunes behind the beach, maritime forests with wetlands in the interiors, and salt or tidal marshes on the lee side, facing the mainland. A typical barrier island has a headland, a beach and surf zone, and a sand spit.

Wildlife

The Hilton Head Island area is home to a vast array of wildlife, including alligators, deer, loggerhead sea turtles, manatees, hundreds of species of birds, and dolphins. Small stingrays inhabit the quieter, shallow region of ocean floor just beyond the break of the surf, typically buried beneath a thin layer of sand. Stingrays are a type of demersal, cartilaginous fish common to the South Carolina coast as well as other areas on the Atlantic shoreline. The waters around Hilton Head Island are one of the few places on earth where dolphins routinely use a technique called "strand feeding", whereby schools of fish are herded up onto mud banks, and the dolphins lie on their side while they feed before sliding back down into the water. Plankton support marine life including oysters, shrimp and other invertebrates, and bait-fish species including menhaden and mullet, which in turn support larger fish and mammal species that populate the local waterways. Popular sport fish in the Hilton Head Island area include the red drum (or spot tail bass), spotted sea trout, sheepshead, cobia, tarpon, and various shark species. The saltmarsh estuaries of Hilton Head Island are the feeding grounds, breeding grounds, and nurseries for many saltwater species of game fish, sport fish, and marine mammals. The dense plankton population gives the coastal water its murky brown-green coloration.

Climate

Hilton Head Island has a humid subtropical climate. Source: Weatherbase													
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Average Temperature °F (°C)	49.1 (9.5)	52.0 (11.1)	58.1 (14.5)	65.0 (18.3)	72.1 (22.3)	77.6 (25.3)	80.7 (27.1)	80.0 (26.7)	76.2 (24.6)	67.4 (19.7)	58.8 (14.9)	51.5 (10.8)	65.7 (18.7)
Average high °F (°C)	59.6 (15.3)	62.8 (17.1)	68.8 (20.4)	75.9 (24.4)	82.0 (27.8)	86.6 (30.3)	89.3 (31.8)	88.4 (31.3)	84.4 (29.1)	77.1 (25.1)	69.4 (20.8)	62.1 (16.7)	75.5 (24.2)
Average low °F (°C)	38.7 (3.7)	41.2 (5.1)	47.4 (8.6)	54.2 (12.3)	62.4 (16.9)	68.6 (20.3)	72.1 (22.3)	71.6 (22.0)	68.0 (20.0)	57.6 (14.2)	48.2 (9.0)	40.9 (4.9)	55.9 (13.3)
Average precipitation inches (mm)	3.8 (98)	3.5 (89)	3.9 (100)	3.0 (75)	3.8 (96)	5.1 (131)	6.3 (161)	7.8 (199)	5.9 (149)	3.5 (89)	2.5 (62)	2.9 (74)	52.1 (1,323)

About Hilton Head Island

Demographics²

The year-round population of the Town is approximately 39,000. The racial makeup of the Town was 88.0% White, 7.0% African American, 0.7% Asian, 0.1% Pacific Islander, 11.8% Hispanic or Latino, and 1.3% from two or more races population.

The median income for a household in the town was \$73,972 (2018), and the per capita income for the Town was \$51,773.

Economy

According to Hilton Head Island's 2019 Comprehensive Annual Financial Report, the top ten employers in the Town are:

#	Employer	# of Employees	Rank in 2018
1	Serg Group Restaurants	1,010	1
2	Sea Pines Resort	650	2
3	Marriott Vacation Club International	529	4
4	Beaufort County School District	443	5
5	Cypress of Hilton Head	360	6
6	Omni Hilton Head Oceanfront Resort	300	9
7	Town of Hilton Head Island	254	-
8	Greenwood Communities & Resorts (Palmetto Dunes)	250	-
9	Publix	236	-
10	Kroger Super Markets	200	10

Arts and Culture

Organizations

- The **Arts Center of Coastal Carolina** is a showcase for professional performing and visual arts, as well as cultural festivals and educational outreach. The Arts Center also offers community education, including Visual and Performing Arts Camps, Theater Camp, and other workshops and classes.
- The **Coastal Discovery Museum** offers a variety of programs, activities, and indoor and outdoor exhibits year-round to over 125,000 visitors. The Discovery House has permanent exhibitions about the natural history and cultural heritage of the lowcountry. The museum offers many tours of its 68-acre property that includes salt marsh boardwalks, trails, a native butterfly habitat and various gardens.
- The **Hilton Head Choral Society** is a non-profit organization founded in 1975. The choirs of the Hilton Head Choral Society are known for their diverse musical repertoire including classical masterworks, pops concerts and lighter fare, patriotic and Americana, and gospel and musical theatre. There is also a 20-voice chamber choir and a youth choir. The 120-member full chorus presents four major programs per season: *A Fall Pops Concert*, *The Christmas Concert*, *The Musical Masterworks Concert* and a pair of Memorial Day concerts celebrating the art of American choral singing and a patriotic tribute.

² U.S Census Bureau Quick Facts

About Hilton Head Island

Arts and Culture Organizations

- The **Hilton Head Symphony Orchestra** was started 25 years ago by a handful of musicians and classical music aficionados who dreamed of bringing "big city" culture to Hilton Head. Since then, they have transformed from a small group of classical music lovers to a highly rated symphony orchestra. A branch formed from the Hilton Head Symphony Orchestra is the Hilton Head Youth Orchestra, helping young musicians across the county with their love for music.
- The **Arts Council of Beaufort County's** mission is to promote and foster the arts of Beaufort County, including Hilton Head Island. Its vision is to position and maintain Beaufort County as a vibrant arts community and destination through active marketing, service to current arts organizations and artists and advocacy for the arts. Programs include Quarterly Community Arts Grants, the Ever Expanding Arts Calendar, Get Your Art Out emerging artist initiative, the print publication ArtNews, and Arts of the Roundtables, which are free quarterly seminars exploring the business of art.
- The **Main Street Youth Theatre** is a non-profit community theatre dedicated to enriching the lives of the island's youth by providing a true theatrical experience. Each year, the theater performs four or five Broadway-quality shows that run about two months at a time. During the tourist season, the theater is a major tourist attraction and is also a local hot spot year round. The organization also provides acting, dance, and vocal instruction after school and during the summer.
- **Lifelong Learning of Hilton Head Island** offers the adult community of Hilton Head Island a collection of educational and fun classes covering subjects from history, arts, yoga, and current events to outer space exploration and beyond.
- The **Heritage Library of Hilton Head Island** is the repository for Hilton Head Island history and a premier ancestry research center. The Heritage Library is a non-profit member library that is open to the public for a small daily fee, and offers history programs, genealogy classes, and special programs throughout the year.

Annual Events

- **Gullah Celebration** – Gullah culture can be seen at the annual Hilton Head Island Gullah Celebration which is held at Shelter Cove Community Park in February. In the summer, the acclaimed Hallelujah Singers present a Gullah concert series at Hilton Head's Arts Center of Coastal Carolina.
- **WineFest** – The Annual WineFest is the largest outdoor, tented wine tasting on the East Coast, featuring over 1,500 domestic and international wines.
- **St. Patrick's Day Parade** – The annual St. Patrick's Day Parade draws over 20,000 people.
- **WingFest** – The annual event is held at Shelter Cove Community Park. The event is operated by the Island Recreation Association, and all proceeds benefit the Island Recreation Scholarship Fund.
- **HarbourFest** – Is held every Tuesday night from June to August at Shelter Cove Marina. It features arts and crafts, live entertainment, and fireworks at sunset. There is a special HarbourFest celebration on July 4.
- **RBC Heritage** – The PGA golf tournament is held every April at Harbour Town Golf Links in Sea Pines Resort.
- **Rib Burnoff and Barbecue Fest** – The annual festival is held at Honey Horn Plantation.
- **Celebrity Golf Tournament** – This event is held at the Golf Club at Indigo Run, the Robert Trent Jones course in Palmetto Dunes and Harbour Town Golf Links. The tournament has contributed over \$3 million to 18 children's charities.

About Hilton Head Island

Arts and Culture

Annual Events

- **FoodFest** – This event celebrates the talent of the local hospitality industry and provides attendees with several spectator events including: The Best Bartender Drink Making Contest, The Hospitable Waiter's Race, and The Tailgate Gourmet Challenge.
- **Chili Cookoff** – The annual Chili Cookoff is held at Honey Horn Plantation.
- **Community Festival** – The annual Community Festival at Honey Horn Plantation features a "haunted trail" in the "haunted forest" presented by the Hilton Head Rotary Club and the Interact Clubs from Hilton Head Island High School and Hilton Head Preparatory School.
- **Motoring Festival and Concours d'Elegance** – World-class automobiles take center stage each November at the annual Hilton Head Island Motoring Festival & Concours d'Elegance at the Honey Horn Plantation. The festival features some of the country's finest collector automobiles, including classic cars, two-wheeled machines, wooden boats, and beach mobiles.

Government

The Town of Hilton Head Island incorporated as a municipality in 1983 and has jurisdiction over the entire island except Mariner's Cove, Blue Heron Point, and Windmill Harbor. The Town of Hilton Head Island has a Council-Manager form of government. The Town Manager is the chief executive officer and head of the administrative branch and is responsible to the municipal council for the proper administration of all the affairs of the town. The Town Council exercises all powers not specifically delegated to the Town Manager. The Mayor has the same powers, duties, and responsibilities as a member of Town Council. In addition, the Mayor establishes the agenda for Town Council meetings, calls special meetings, executes contracts, deeds, resolutions, and proclamations not designated to the Town Manager, and represents the town at ceremonial functions.

Town functions include: General Government, Finance, Administrative Services, Community Development, Public Projects and Facilities, and Fire Rescue.



General Information

General Information – Location of Hilton Head Island, South Carolina



General Information – Hilton Head at a Glance

Population

2009	34,249
2010 (census)	37,099
2011	37,585
2012	38,366
2013	38,366
2014	39,412
2015	40,039
2016	40,512
2017	40,500
2018	39,000

Median Age 50.9

Number of Households 17,005

Average Persons per Household 2.29

Average Family Size 2.64

Per Capita Income \$ 51,773

Racial Composition (2010 Census)

White	88.0%
Black or African American	7.0%
Hispanic	11.8%
Other	2.1%

Land Use

Land Area	54 sq. miles
Miles of Beach	13

Tourism

Monthly Peak Summer Population	150,000
Total Annual Visitors (2013)	2.4 million
Annual Visitor Expenditures	\$1.5 billion

Property Tax Millage Rate

General Fund	17.2
Natural Disasters Fund	5.0
Debt Service	5.9
Total Millage Rate	<u>28.1</u>

Bond Ratings

Moody's Investor Service	Aaa
Standard and Poor's	AA+
Fitch	AA+

Operating Budget

FY 2021 \$ 75,979,448

Town Staff (FTEs)

FY 2021 262.4

Recreation and Culture

Public Tennis Clubs	7
Tennis Courts Public and Private	300

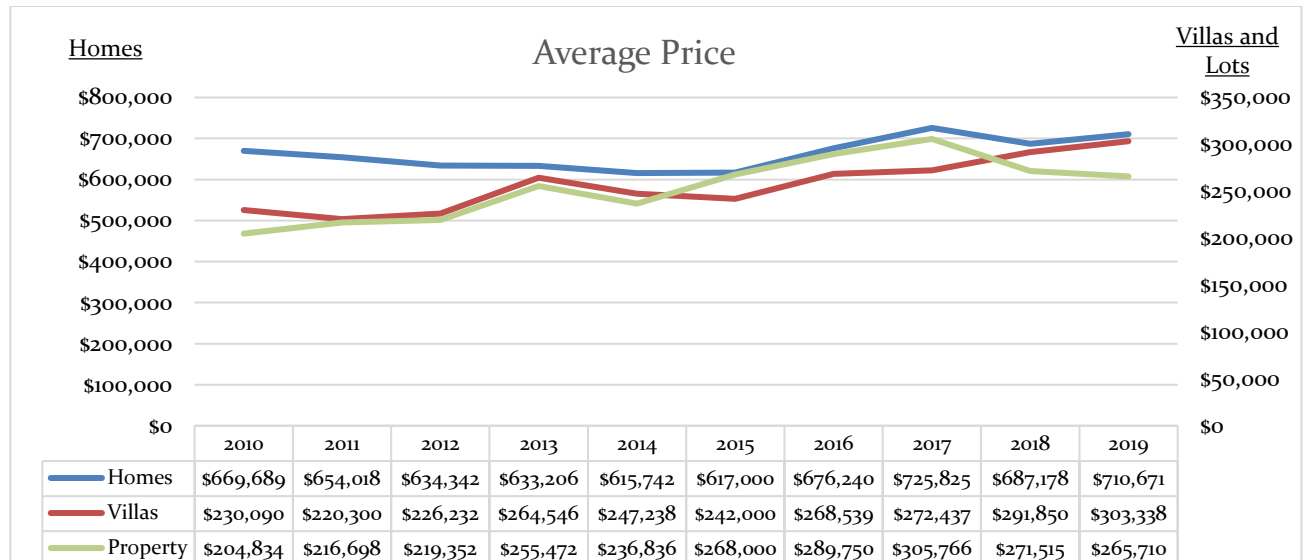
Public Recreation Facilities

Active Recreation	3
Beach Access/Parks	7
Pools	1
Arts Center	1
Libraries	2
Museums	1
Nature Preserves	3
Marinas	8
Golf Courses in Town Limits (non-nuncipal)	23

General Information – Hilton Head at a Glance

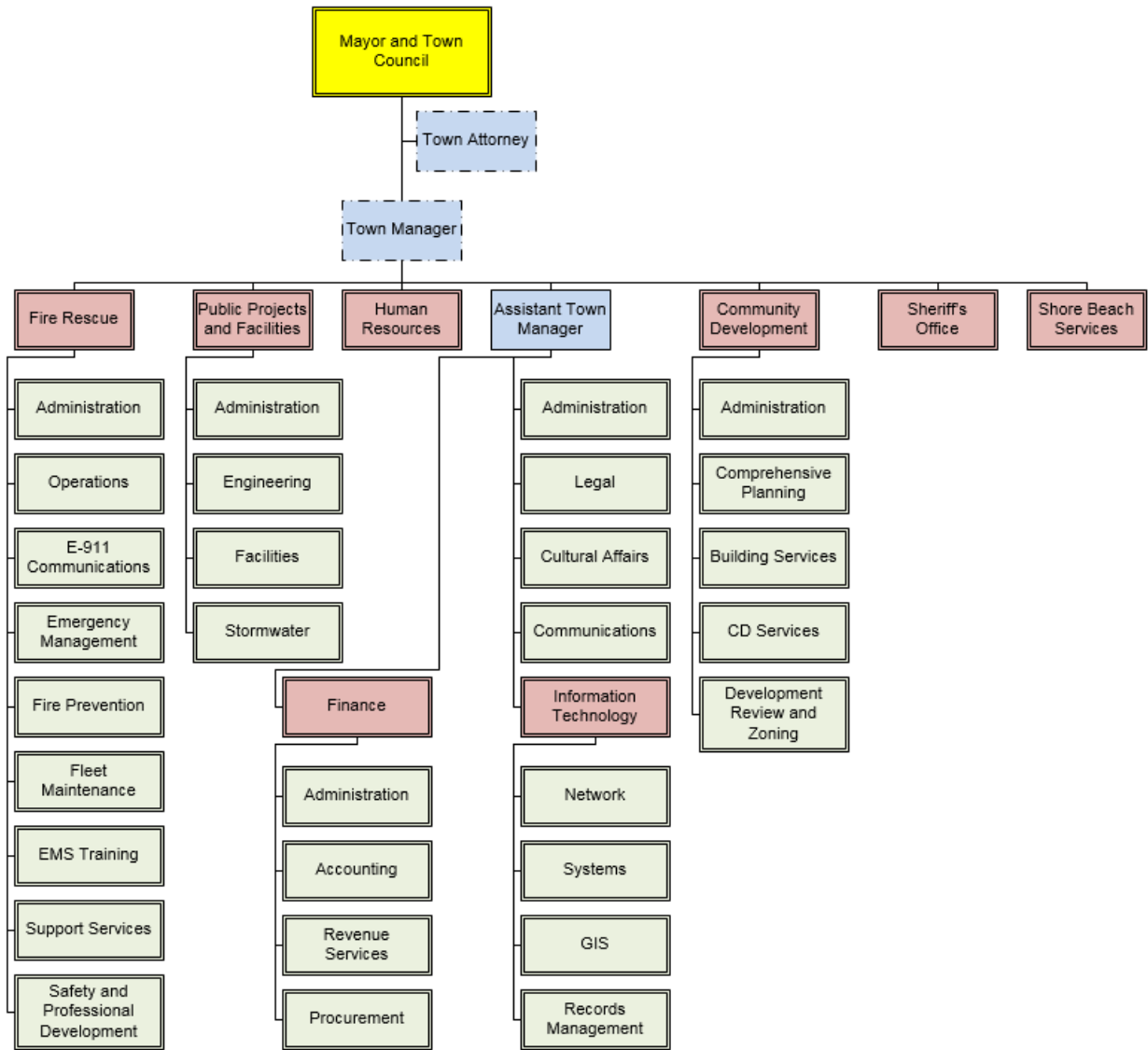
Property Sold Through Real Estate Agents¹

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Homes Sold	611	673	768	830	882	932	830	916	1,142	1,095
% change	11%	10%	14%	8%	6%	6%	-11%	10%	25%	-4%
Average Price	\$669,689	\$654,018	\$634,342	\$633,206	\$615,742	\$617,000	\$676,240	\$725,825	\$687,178	\$710,671
% change	-8%	-2%	-3%	0%	-3%	0%	10%	7%	-5%	3%
Villas Sold	725	747	896	885	881	938	937	1,094	1,120	1,179
% change	42%	3%	20%	-1%	0%	6%	0%	17%	2%	5%
Average Price	\$230,090	\$220,300	\$226,232	\$264,546	\$247,238	\$242,000	\$268,539	\$272,437	\$291,850	\$303,338
% change	-12%	-4%	3%	17%	-7%	-2%	11%	1%	7%	4%
Lots Sold	83	103	122	185	168	146	111	127	146	145
% change	77%	24%	18%	52%	-9%	-13%	-24%	14%	15%	-1%
Average Price	\$204,834	\$216,698	\$219,352	\$255,472	\$236,836	\$268,000	\$289,750	\$305,766	\$271,515	\$265,710
% change	-53%	6%	1%	16%	-7%	13%	8%	6%	-11%	-2%



¹Data obtained from MLS of Hilton Head Island, Inc.

General Information – Town Organizational Chart



All the departments identified above are budgeted in the General Fund with the exception of Stormwater which is a separate fund.

Notes:

1. Position detail can be found in the department budgets
2. Sheriff's Office and Shore Beach Services are contract services

General Information – Budget Calendar

Week of January 7, 2019	Finance personnel meet with the Town Manager and Assistant Town Manager to develop broad, overall goals and strategies for the budget and the budget process including possible adoption of the Town's first 2 year budget
February 1, 2019	Budget kick-off departmental budget packages distributed
February 28, 2019	Department budgets are due to Finance
March 1, 2019 – March 8, 2019	Finance Department prepares abridged proposed budget document
Week of March 11, 2019 and March 18, 2019; March 22, 2019	Administrative review of budget requests with each department
April 2019	Finance prepares abridged budget for presentation to Town Council
May 7, 2019	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 14, 2019	Town Council workshop
May 21, 2019	Town Council workshop
June 4, 2019	Second and final reading of budget
July 1, 2019	Begin new fiscal year with adopted budget for Fiscal Year 2020 and Fiscal Year 2021
May 5, 2020	Recommendation of affirmation of the second year of the Town's two-year budget and first reading
May 19, 2020	Discussion of recommendation and possible revised first reading
June 2, 2020	Public Hearing
June 2, 2020	Second reading and adoption
July 1, 2020	Beginning of Fiscal Year 2021

A long wooden pier extends into a body of water at dusk. The pier is illuminated by warm, yellow lights along its railings, creating a strong perspective that leads the eye towards the horizon. The sky is a deep blue with a hint of sunset colors near the horizon. Several boats are docked along the pier, and a small building is visible in the distance. The overall mood is serene and peaceful.

Accounting and Financial Policies

Accounting and Financial Policies

The accounting and financial policies of the Town are adopted/reaffirmed as part of the budget adoption process.

Accounting Policies

General Guidelines

The Comprehensive Annual Financial Report (CAFR) presents the status of the Town's finances on a basis consistent with Generally Accepted Accounting Principles (GAAP), i.e., the governmental funds use the modified accrual basis of accounting and the proprietary funds use the accrual basis. The CAFR presents the Town's funds on a GAAP basis in the Government-wide and Fund Financial Statements. The Town adopts a formal budget for the General, Capital Projects, Debt Service and Stormwater Funds. In order to provide a meaningful comparison of actual results with the budget, the Town presents budget and actual statements for its four budgeted funds in the Other Supplementary Information section of the CAFR. The budgets are adopted on a modified accrual basis including the Stormwater Fund. The budget and actual statements are reconciled to the appropriate GAAP basis in the CAFR.

Government-Wide Statements (CAFR)

The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. The Town reports its Stormwater Fund, an enterprise fund in the Proprietary Fund Group, as business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a program or function; and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements (CAFR)

The fund financial statements provide information about the Town's funds of which all except the Stormwater Fund are considered governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The Town reports the following major governmental funds:

General Fund. This fund is used to account for all financial resources except those required to be accounted for in another fund. Its primary operating expenditures are general government, administrative services, sheriff/other public safety, fire, community services, and public projects and facilities.

Natural Disaster Fund. This fund is used for accumulating resources for post-disaster recovery funding.

Accounting and Financial Policies

Fund Financial Statements (CAFR)

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

Capital Projects Funds. These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment. For the new fiscal year, these funds are transitioning from a fiscal year budget to a project length budget. In the aggregate they are known as the Capital Improvement Program (CIP).

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

Local Accommodations Tax Fund. This fund is used to account for the Town's receipts from the one percent (1%) tax levied on rentals of transient accommodations within the corporate limit. According to statutory provisions the purpose of these funds is to pay, in whole or in part, for the current and future needs of the town, for the following items: tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and re-nourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; water and sewer infrastructure to serve tourism-related demand; and, the operation and maintenance of those items previously enumerated, and police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

State Accommodations Tax Fund (Special Revenue Fund). This fund is used to account for the Town's receipts from the two percent (2%) tax levied on rentals of transient accommodations within the corporate limit. According to statutory provisions, these funds are used for the promotion of tourism and the arts.

Beach Preservation Fee Fund (Special Revenue Fund). This fund accounts for the Town's receipts from the two percent (2%) fee levied on the gross proceeds derived from the rental for any rooms, campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients within the corporate limit.

Hospitality Tax Fund (Special Revenue Fund). This fund is used to account for the Town's receipts from the two percent (2%) percent tax imposed on the gross sales price of prepared meals and beverages sold in establishments and also on the gross sales price of sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine. The tax is imposed throughout the corporate limits of the Town. According to statutory provisions, the purpose of these funds is to pay, in whole or in part, for the current and future construction, enhancement, preservation and maintenance of tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and re-nourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; and water and sewer infrastructure to serve tourism-related demand.

Accounting and Financial Policies

Fund Financial Statements (CAFR)

Real Estate Transfer Fee Fund (Special Revenue Fund). This fund accounts for a fee equal to one quarter of one percent (.0025) of the purchase price upon the transfer of any real property interest in any real property situated within the corporate limits of the Town.

These funds are used (a) to acquire fee and less than fee interest in land while it is still available to be held in perpetuity as wildlife preserves or believed to be needed by the public in the future for active and passive recreation uses and scenic easements, to include the following types of land: ocean, harbor and pond frontage in the form of beaches, dunes and adjoining backlands; barrier beaches; fresh and saltwater marshes and adjoining uplands; land for bicycle paths; land protecting existing and future; public water supply, well fields, highway buffering and aquifer recharge areas; and land for wildlife preserves; and land for future public recreational facilities and (b) to acquire already developed land or development rights in order to convert its use to a public use, to restore the property to open space, or to redefine that property in accordance with the town's current comprehensive plan and dispose of it as soon as possible.

Non-major Funds (Special Revenue Fund). The Town reports the Palmetto Electric Franchise Fees and the Home Grant as Special Revenue funds under non-major governmental funds.

Note on Funds without Formally Adopted Budgets. The Town does not formally adopt budgets for its Special Revenue Funds. These funds have minimal direct expenditures; instead, the majority of the sources in these funds are transferred to the three budgeted governmental funds and expended from those funds. The Tax Increment Financing Fund (TIF), Accommodations Tax Fund, Beach Preservation Fees Fund, Real Estate Transfer Fee Fund, Road Usage Fee, and Electricity Franchise Fee Fund budgets are reflected in the General Fund, Capital Projects Fund (CIP), and Debt Service Fund as “transfers in”. Any additional funds expended from these funds are approved at the time the funds are expended.

The Town reports the following enterprise fund:

Stormwater Utility Fund. The Clean Water Act, signed into law 1973, requires local governments to manage stormwater pollution. As a result of this federal mandate Beaufort County established a Stormwater Management Utility (SWU). The utility is responsible for protecting the health of our valuable waterways and for reducing flooding due to storms in our vulnerable low-lying region. The Town sets the fee and notifies Beaufort County to include the fee on its property tax bills. The County collects the Stormwater fee and remits the funds to the Town minus an administrative overhead fee. The Town uses these funds for drainage infrastructure maintenance and any associated debt service costs. The Town currently operates on a pay as you go basis.

Measurement Focus and Basis of Accounting

The Town maintains all budgeted funds during the year using the modified accrual basis of accounting. The proprietary fund uses this same basis for budgetary purposes but is converted to accrual basis at yearend for the CAFR.

Accounting and Financial Policies

Measurement Focus and Basis of Accounting (continued)

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Taxpayer-assessed income and gross receipts are recognized as revenue when in the hands of intermediary collecting governments (state shared revenues, sales and accommodation tax revenue). Business license revenues are recognized when measurable and available. Property tax revenues are recognized when received or available for payment of liabilities of the current period. The Town considers property taxes as available if collected within 60 days after year-end.

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting as described above for the government-wide financial statements. The operating statement does not report the issuance of debt, debt service principal payments and capital outlay.

Cash and Cash Equivalents

The Town considers cash on hand, cash with fiscal agents, demand deposits, and all other short-term investments that are highly liquid to be cash equivalents. Highly liquid short-term investments are those readily convertible to a known amount of cash, that at the day of purchase, have a maturity date no longer than three months.

Investments

In accordance with the provisions of two South Carolina Statutes, S.C. Code Ann. § 6-5-10 and S.C. Code Ann. § 11-1-60, the Town is authorized to invest in the following instruments:

- Government National Mortgage Association (GNMA)
- Federal Home Loan Banks (FHLB)
- Small Business Administration (SBA)
- U.S. Maritime Administration (MA)
- Tennessee Valley Authority (TVA)
- U.S. Export-Import Bank (Eximbank)
- Farmers Home Administration (FHA)
- Federal Financing Bank (FFB)

Accounting and Financial Policies

Investments

- General Services Administration (GSA)
- Department of Housing and Urban Development (HUD)
- Repurchase agreements whose underlying purchased securities consist of the afore-mentioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The Town's primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held by Wells Fargo Bank in an interest-bearing depository account. As such, they are collateralized per Section 6-5-15 of the SC Code which outlines securing bank deposits.

Restricted Assets

Certain debt proceeds as well as certain resources that are set aside for their repayment are classified as restricted assets because their use is limited by applicable bond covenants.

Capital Assets and Depreciation

In general, all capital assets including land, buildings, machinery and equipment, and infrastructure with an original cost of \$5,000 or more will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. Software licenses and other intangibles of a consumable nature the value of which is \$50,000 or more and an estimated useful life of at least two years following the date of acquisition will be considered capital items.

Capital assets are reported in the applicable governmental column in the government-wide financial statements.

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where costs cannot be determined from the available records, estimated historical costs have been used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair value at the date of acquisition. Most of the Town's road network is owned by the State or deeded by the Town to the County and is not included in the Town's capital asset inventory. The remaining Town-owned roads are carried in the capital asset inventory.

Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred.

Accounting and Financial Policies

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

Buildings	30 years
Infrastructure	25 years
Vehicles	8-15 years
Furniture, fixtures, equipment	5-20 years
Land	20-30 years
Roads	25-30 years
Waterway	30 years
Software	10 years

Physical Inventory

An annual inventory will be conducted to ensure the replacement, maintenance, and capital improvement program projections are accurate, and that sufficient internal control over capital items is exercised.

Compensated Absences

The Town has a policy to accrue compensated absences for employees when the obligation relating to the employee's rights to receive compensation is attributable to the employee's services already rendered, when the rights vest and accumulate and when the payment is payable. Vacation pay meets the above criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee reaches retirement eligibility. In accordance with GASB no liability is recorded for non-vesting accumulative rights to receive sick pay benefits.

Sick leave benefits are not paid to terminating employees who have not reached retirement eligibility. Employees who retire (as defined by the employee's primary retirement plan) or who die after reaching retirement eligibility receive a contribution equal to 100% of the value of their accrued sick leave to a Vantage Care Retirement Health Savings Plan account. The balance in this account may be used for payment of retiree medical expenses.

Long-Term Obligations

In the government-wide financial statements and the fund financial statements for the proprietary fund, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Accounting and Financial Policies

Bond Discounts/Issuance Costs/Deferred Charges on Advance Refunding

As mentioned above in the fund financial statements, bond discounts and issuance costs for governmental funds are recognized in the current period. For proprietary funds, bond discounts, issuance costs, and deferred charges on advance refunding are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred charges on advance refunding are presented as a reduction of the face amount of the bonds payable, whereas issuance costs are recorded as deferred charges in accordance with Governmental Accounting Standards.

In the government-wide financial statements, bond discounts, bond premiums and deferred charges on advance refunding are accounted for in the same manner as in the proprietary funds.

Budgetary Accounting

The Town uses the modified-accrual basis for budgeting, the same as the basis of accounting used in the Town's audited financial statements. Budgets are formally adopted for governmental funds: the General Fund, Debt Service Fund, and funds associated with the Capital Improvement Plan (CIP). The Town also adopts a formal budget for its proprietary fund: the Stormwater Fund operating as an enterprise. These are annual appropriations, except for the capital projects funds which are project-based appropriations.

The State Accommodations Fund budget is determined by Town Council as it awards grants in the middle of the fiscal year. Grants from 65% of the total fund are awarded for the calendar year. The remainder of the fund is established by State law (first \$25,000 and 5% transferred to the General Fund, and 30% designated for marketing to the Hilton Head Chamber of Commerce – Visitor and Convention Bureau).

The budget book also includes special revenue funds' plans as well. Budgets are not formally adopted for the various special revenue funds. However, they provide significant sources of funds for the three major governmental funds. The Town presents this funding as transfers out of the special revenue funds and transfers in to the formally budgeted funds. The Town's special revenue funds are the State Accommodations, Tax Increment Financing (TIF), Beach Preservation Fees, Hospitality Tax, Real Estate Transfer Fees (RETF), Road Usage Fees, and Palmetto Electric Franchise Fees. The Town does not budget grants generally as it has few recurring grant funds. Beginning in Fiscal Year 2015, the Town established a special revenue fund for grants. A budget will not be formally adopted for this fund.

As required by State law, the Town Manager submits to Town Council a proposed annual budget for the General Fund, Debt Service Fund, CIP (capital projects funds), and the Stormwater Utility which includes proposed expenditures and the means of financing them.

Public hearings are held for citizens' comments regarding the budgets for the General Fund, Debt Service Fund, CIP (capital projects funds), and the Stormwater Fund.

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

Budgetary transfers between departments and projects may be authorized by the Town Manager up to established limits. Changes or amendments altering total expenditures of any fund must be approved by Town Council.

Accounting and Financial Policies

Accounting Policies, continued

The Town prepares and adopts budgets on a basis consistent with the appropriate generally accepted accounting principles and basis of accounting. All appropriations except capital projects lapse at year end.

Encumbrances at year-end are approved to be carried forward to the new-year. Amounts specifically designated to be carried forward to the subsequent year are re-appropriated by ordinance in the following year.

Financial Policies

Revenues

The Town estimates its annual revenues by objective and analytical processes to include trend analysis and economic factors. General Fund revenue forecasts for the next three years shall be conservative and will be reviewed and updated annually.

The Town shall maintain a diversified and stable revenue system to the extent provided by law to insulate it from short run fluctuations in any one revenue source.

The Town will avoid dependence on temporary revenues to fund day-to-day municipal services. One-time revenues will generally be used for one-time expenditures/expenses.

All potential grants will be carefully examined for matching requirements (both dollar and level-of-effort matches).

Current revenues will be sufficient to support current expenditures/expenses (balanced budget) unless Council approves limited uses of excess prior year funds.

Expenditures/Expenses

All current operating expenditures/expenses will be paid for with current operating revenues. Budgetary procedures that fund current expenditures/expenses at the expense of future needs, such as postponing expenditures/expenses, accruing future revenues or rolling over short-term debt, will be avoided.

All assets will be maintained at a level that protects capital investment and minimizes future maintenance and replacement costs.

The budget will provide sufficient funding for adequate maintenance and orderly replacement of capital infrastructure and equipment.

All equipment needs and replacements for the next five years will be projected and the projection will be reviewed and updated each year.

Future operating costs and maintenance will be determined to the extent estimable prior to construction of all new capital facilities.

Accounting and Financial Policies

Financial Policies, continued

Before any actions are taken or agreements are entered into that create fixed costs, the current and future years cost implications (both operating and capital) will be fully determined.

Where practical, performance measures and productivity indicators will be integrated into the budget.

Expenditure forecasts for the General Fund and Stormwater Fund for the next three years shall be all-inclusive and will be reviewed and updated annually. Debt service costs are forecast for the next five years and will be reviewed and updated annually.

Capital Improvement Plan (CIP)

The Town is required by State law to develop a ten-year Capital Improvements Plan (CIP) and update it annually. The CIP is the initial source for developing the capital improvement funding for the upcoming year. There are multiple funding sources (each a separate fund within the accounting system) for the CIP. This document reflects the projects to be undertaken by funding source.

State law recognizes millage as either operating or debt. The Town chooses to establish a separate millage for the General Fund and CIP; however for State millage purposes, both are combined into the operating millage.

Once a project is approved and funds appropriated the project will automatically roll-over from year to year until the project is finished, unless Town Council directs otherwise. During the annual budget process Town Council will be asked to approve any new projects or adjustments to the already approved projects and appropriate into the CIP. Town staff will recommend funding sources for any new projects.

Excess appropriated funds shall be used to fund future capital projects, over budget projects, or to refund financial instruments.

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

Projects that will exceed budget must have a revised budget and request for additional funding submitted to Finance at the earliest possible time. Additional funding identified through savings on other capital projects or other means is adopted in accordance with the budget transfer policy.

Contingency

The Town will establish a contingency in each year's budget to:

1. Provide for temporary funding of unforeseen needs of an emergency or nonrecurring nature;
2. Permit orderly budgetary adjustments when revenues are lost through the action of other governmental bodies;
3. Provide a local match for public or private grants; or
4. Meet unexpected small increases in service delivery costs.

Debt Management Policies

Market Review

The Town reviews its outstanding debt annually for the purpose of determining if the financial market place will afford the Town the opportunity to refund an issue and lessen outstanding debt.

Accounting and Financial Policies

Financial Policies, continued

Debt Issuance

When the Town finances capital projects by issuing bonds, it shall amortize the debt over a term not to exceed the average useful life of the project(s) financed.

The Town may confine long-term borrowing to capital improvements and projects that have lives of 4-50 years, (in accordance with the estimated useful life definition of a capital asset).

When appropriate, the Town may use special assessments or self-supporting bonds, so those benefiting from the improvements will bear all or part of the cost of the project financed.

Debt Service Levels

General statutes limit the amount of general obligation debt that a unit of government can issue up to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The Town may incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law.

The Town's total assessed value from property assessments is \$971,047,790. The legal debt margin for the Town of Hilton Head Island is \$77,683,823. The Town Council has self-imposed a further limiting 80% cap to reserve bonding capacity in case of a disaster, reserving a minimum of \$20 million. At June 30, 2019 the Town had \$6,200,492 in bonding capacity available.

Bond Ratings

The Town shall periodically review possible actions to maintain or improve its bond ratings by various rating agencies. The Town shall follow a policy of "full disclosure" in its Comprehensive Annual Financial Report and bond prospectuses.

As a result of the Town's prudent financial management, it has been rewarded with excellent bond ratings by all three rating agencies.

Moody's Investor Service	Aaa
Standard and Poor's	AA+
Fitch	AA+

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

Financial Reserves

In an effort to maintain a sound fiscal condition, the Town continues to maintain stringent expenditure controls. Another measure of the Town's financial strength is the level of fund surpluses (i.e. revenues exceeding expenditures). For several years, the General Fund reserves have continued to grow as a result of growth related revenues, improved productivity and prudent financial management policies. These funds are held in reserve to protect the Town's assets against catastrophic events or to fund unplanned expenditures.

Accounting and Financial Policies

Financial Policies, continued

To the extent there is an imbalance between revenues and budgeted expenditures, it is important that reserves are used carefully and judiciously, since reserves are a one-time, nonrecurring funding source. Just as reserves are built up over time, drawing down on reserves should be done in measured amounts. The long-term health of the fund requires that a structural imbalance must be addressed promptly. If an imbalance occurs a plan should be developed to address the imbalance concurrently with the planned draw down of reserves.

Disaster Planning Reserves

To protect its assets against catastrophic events, the Town established the following reserves.

Operating Reserve

The Town established and maintains an operating reserve based on a range with a minimum of 35% up to a maximum of 40% of the Town's upcoming adopted fiscal year operating budget. This was increased with the adoption of the fiscal year 2020 budget. The operating reserve may be utilized for emergency purposes in pre-disaster and post-disaster occurrences; to offset an early fiscal year tax revenue income stream deficiency; to avoid emergency Town borrowing or use of tax anticipation notes; to cushion the effects of an economic downturn, to provide for emergency expenditures or to offset a revenue shortfall from unforeseen circumstances.

For Fiscal Year 2019-2020 the General Fund Budget is \$41,108,317.

Based on that approved budget, the Town reserve calculations would be:

A minimum balance of 35% or \$14,387,911; and a maximum balance is 40% or \$16,443,327.

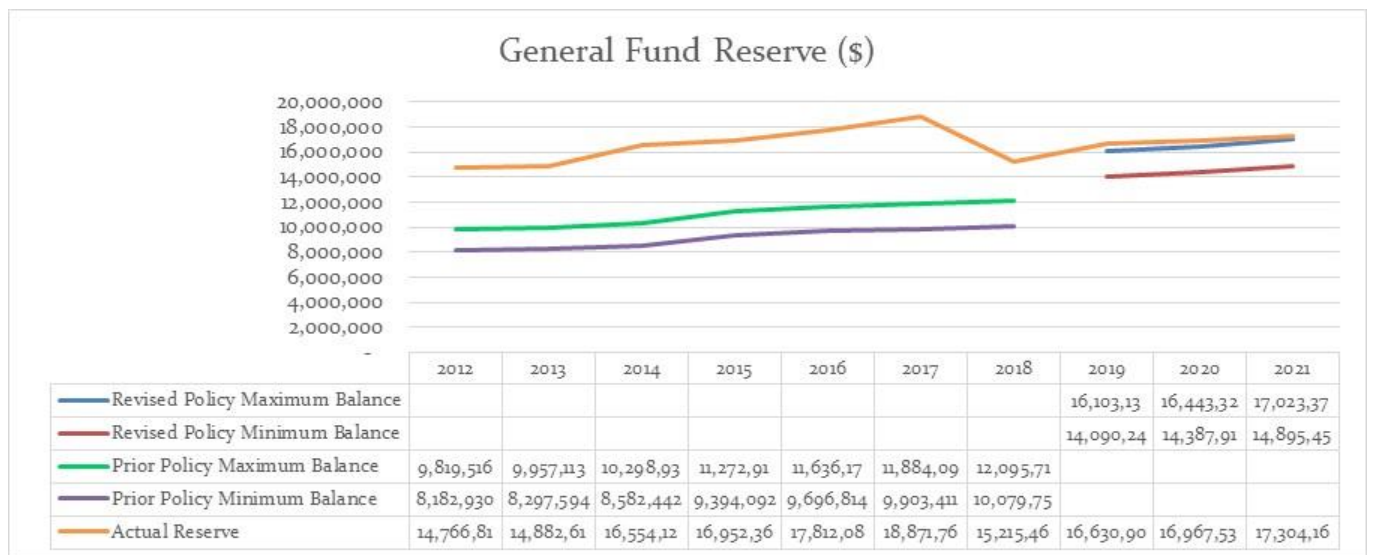
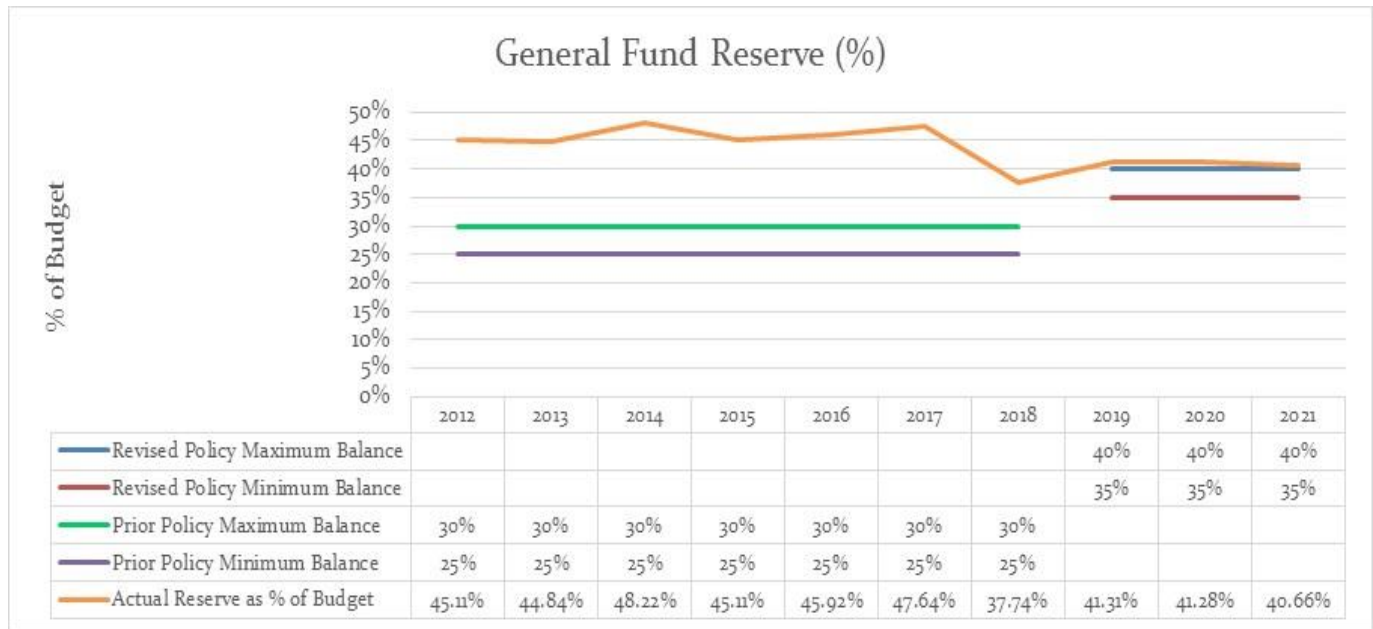
At 6/30/2019, the General Fund Balance included \$17,939,891 in committed (which includes \$1,000,000 in advertising reserves), \$1,023,117 in assigned, \$66,593 in restricted, and \$2,071,086 in unassigned funds for a total of \$21,100,687.

Therefore at 6/30/2019, the Town's General Fund Balance would be \$496,564 above the maximum per the operating reserve policy.

Unassigned General Fund balances are balances above the maximum level of the operating reserve policy, and not set aside for other purposes.

Accounting and Financial Policies

Financial Policies, continued



The Director of Finance is authorized to transfer the amount of unassigned fund balance above the 40% maximum balance into the following funds:

1. The Debt Service Fund to maintain an account reserved for the reduction of the Town's general obligation debt. These funds may be used for early debt retirement or other debt payments; or
2. The Natural Disasters Fund to maintain an account for disaster preparation, disaster response, or disaster recovery.
3. The Capital Improvements Fund – subject to Town Council appropriations for usage from the CIP Fund.

Accounting and Financial Policies

Financial Policies, continued

The Town Manager may recommend use of these funds for:

1. Emergency purposes
2. Disaster preparation and response purposes
3. To set aside for debt payments or to pay down debt
4. One-time capital expenditures

These recommendations are subject to Town Council appropriation approvals.

A report shall be given each year to Town Council, at the close of the fiscal year, identifying the status of the fund balance in relation to the operating reserve policy, and any potential excess funds that could be transferred or used.

Restricted for Advertising

The Town shall maintain a Restricted Advertising Account for the purpose of having ready access to funds for special advertising needs in cases of, a) a near miss of a hurricane, b) for advertising in response to a declared disaster, c) for other such targeted advertising needs as determined by Council on a case-by-case basis, and d) for supplemental annual tourism advertising. The Town shall maintain a balance of \$1.0 million in this account. If the balance falls below \$1.0 million, the Town shall deposit two percent (2%) of the local hospitality tax revenues and five percent (5%) of the local accommodations tax, (ATAX), revenues collected annually into the Restricted for Advertising account.

The Town may distribute the funds in the following manner.

- A. The Town Manager may authorize advertising expenditures associated with responding to a near miss or declared disaster and are the only expenditures authorized to take the account below one million dollars.
- B. Following a vote of Town Council, funds may be distributed for other such targeted advertising needs as approved. In no case shall such a release of funds for such purposes take the account below one million dollars.

The local ATAX reserve is a component of the General fund. Beginning in Fiscal Year 2018 Restricted for Advertising monies will be held in the Natural Disasters Fund.

Debt Service Levels

General statutes limit the amount of general obligation debt that a unit of government can issue up to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The Town may incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law. In addition, Town Council has imposed an 80% cap on this amount. The remaining 20% is reserved for additional bonding associated with disaster recovery.

Accounting and Financial Policies

Financial Policies, continued

The Town Council has further stated the disaster recovery reserve capacity should be at least \$20.0 million.

Real Estate Transfer Fee Debt Service Reserve

The Town will set aside \$1 million of real estate transfer fees into a disaster debt service reserve account in the Real Estate Transfer Fee Fund. The funds will be used to fund debt service payments during a disaster or financial crisis.

Beach Preservation Reserve

The Town will hold in an interest bearing account a portion of the amounts on deposit in the Town of Hilton Head Island Beach Preservation Fee Account. The amount to be held in this reserve account shall be \$12 million in addition to the restricted reserve.

Funds held in the reserve account may be used for the following items.

- A. Direct expenditures to pay costs of any project or purposes identified in Section 4-9-70 as such may be amended of the Municipal Code and in Section 6-1-50 of the Code of Laws of South Carolina 1976 as amended.
- B. To pledge as security for or to use as debt service for any debt or financial obligation of the Town incurred for a purpose as identified in subsection (A) above.
- C. To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Town Council shall have a reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state or federal source.

Authorization to utilize monies from the reserves shall be by resolution duly adopted by the Town Council if circumstances allow for the convening of a meeting of Town Council. In the event circumstances do not allow for the convening of a meeting of Town Council, the Town Manager may authorize the utilization of monies from the reserves, provided that such utilization is presented to Town Council at the first practicable opportunity for ratification.

Natural Disasters Fund

Following Hurricane Matthew, the Town will endeavor to hold emergency reserves and unused debt bonding capacity in order to be able to respond to an emergency with at least as many resources as Hurricane Matthew required. This amount may be increased for higher damage levels and higher expected costs. This calculation will incorporate the Town's various disaster reserves with its debt capacity as its measure for financial preparedness for the next disaster. Amounts needed to accommodate for the seasonality of General Fund operations will not be counted toward these amounts – as Hurricane season corresponds with the low point of the Town's cash flow levels. The General Fund reserves are to maintain Town services and Town facilities in the event of a disaster.

Accounting and Financial Policies

Financial Policies, continued

Disaster Response Reserve

The table below reflects the Town's current reserve funds available for disasters compared to the Hurricane Matthew benchmark.

Funding Available for a Disaster

	FY 2018 Actual	FY 2019 Actual	FY 2020 Estimate
Disaster Reserve Fund fund balance	\$ 27,163,076	\$ 31,576,026	\$ 31,576,826
Beach Preservation Fee Reserves	11,873,362	12,304,292	12,000,000
Debt Capacity reserved for Disasters	20,000,000	20,000,000	20,000,000
Funding Available for a Disaster	\$ 59,036,438	\$ 63,880,318	\$ 63,576,826

Funding Needed for a Disaster

Hurricane Matthew Cost (goal)	\$52,000,000	\$52,000,000	\$ 52,000,000
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Funds Available as a % of Goal

	113.5%	122.8%	122.3%
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The Town has reimbursement requests for about \$1 million of State and Federal reimbursement for expenditures associated with Hurricanes Matthew, Irma, Florence, and Dorian. No significant additional spending is expected beyond repayment of the debt funded with the 5 mills for 5 years. The COVID-19 response although a declared disaster by both the Governor and the Mayor, has not had significant spending. The response has been focused on preparing for the emergency by primarily using existing appropriations.

The financial effects will be primarily for revenues not collected during the social distancing. Again, we do not know how long this will last, and adjustments are expected to be reflected in the Town's mid-year budget adjustment.



Budget Process

Budget Process

Budget Process Overview

The budget is a tool with which the Town can allocate its financial, human and capital resources in an effective and efficient manner to meet residents' needs. The process incorporates the development, implementation and evaluation of a plan for the provision of services and capital assets. Through the budget process, the Town makes decisions on the allocation of human and financial resources to achieve long and short-term goals and objectives as set forth by the Town Council. These resource decisions address desired quality of service, staffing levels, technology needs, equipment and capital improvements, and programs considered to be priorities by the Town Council. The Town of Hilton Head Island's fiscal year starts on July 1 and runs through June 30. To make these decisions, the Town uses the budget model described below.

Policy and Strategy Phase

The Council's goals and directives set the tone for the development of the budget. At an annual workshop, the Council identifies priorities, issues and projects that will provide the direction and framework of the budget. These key policy issues are presented at the "budget kickoff" meeting as are budgeting guidelines for the operating and capital budgets, timelines and an overview of fiscal constraints and resources available for allocation. Within this general framework, departments identify and formulate the more specific budgetary issues.

Assessment Phase

As part of the budget process, departments evaluate performance towards meeting current and past goals and objectives and assess current conditions, programs and needs. Various financial analyses, as well as productivity and staffing analyses, are performed. Programs and services are also reviewed thoroughly to assess their value and priority to the residents of the Town. These internal analyses are necessary to determine service needs and delivery improvements, cost savings opportunities and required staffing levels. Additionally, departments identify possible trade-offs in an attempt to provide the "best fit" for resources between service and workload estimates. Departments also establish departmental goals, objectives and performance measures corresponding to the goals, objectives and specific actions established by Town Council.

Format of Department Budgets

1. **The department's budget is separated into the following components.**

Mission Statement

The statement must identify the particular purpose for the department and how it relates to the Town's overall mission.

Core Services

A listing of the fundamental services that the department is designed to provide.

Current Fiscal Year Accomplishments

A broad statement of what was accomplished in the **current** fiscal year.

Format of Department Budgets (continued)

Goals

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

Objectives

An objective is a task to be undertaken to attain a goal. The objectives focus on particular program accomplishments that will be attained within the current year.

Performance Measures (not all departments report this information)

Specific quantitative and qualitative measures of work performed as an objective of the department.

2. **Department Expenditures by Division and Category**

The budget for a department is summarized by division, if applicable, and by category of expenditure.

Categories of expenditures are as follows:

Personnel – salaries, overtime, other pay including holiday pay and temporary wages, FICA, retirement contributions, and health and other benefits;

Operating – contract and professional services, consulting; printing and publishing; uniforms and protective gear; travel, meetings and conferences; office and operating supplies; repairs and maintenance; capital outlay for equipment and furniture costing less than \$5,000 and software purchases costing less than \$50,000;

Capital Outlay – equipment and furniture costing \$5,000 or more, and software purchases costing \$50,000 or more.

The **Townwide – Non-departmental** budget is used for centralized expenditures and purchases not assigned to a department or division. The Town distinguishes the expenditures in the budget in the following categories.

The **personnel category** reports employees' Palmetto Pass; retiree expenditures; short-term temporary salary and benefits including most summer interns; and workers' compensation deductibles (not premiums).

In the **operating category**, the Town reports most utilities, insurance, maintenance contracts, Palmetto Pass for Town vehicles, copier leases and supplies, and vehicle fuel.

The **grants category** includes Town funding for its affiliated organizations such as the Island Recreation Center; Coastal Discovery Museum management fee and turtle watch program; Solicitor's Office for career criminals program and drug court; Lowcountry Regional Transportation Authority, (LRTA); and the Beaufort County EDC.

The **capital outlay category** includes equipment and furniture costing \$5,000 or more, and software purchases costing \$50,000 or more which is not directly associated with a specific department. An example is for security cameras throughout the Town.

Format of Department Budgets (continued)

3. Department Expenditures by Division and Category

The *debt service* category is used for short-term debt such as capital leases or bank notes for equipment, vehicles, or software. Currently, the Town does not have any debt service in the General Fund.

Approach to the Budget Review Process

The budget process begins by reviewing all current services in comparison to the Strategic Plan. Are current services sufficient or necessary? What new initiatives should be undertaken to meet basic requirements? Based on this analysis, a list of recommended changes is developed, creating the basis for the operating budget (business plan).

The mission statement for the department is the basis of the department's budget and lays down the direction of the department. A department's proposed budget is developed based on the previous year's budget, adding new initiatives and removing discontinued services.

From there, a department identifies specific goals, objectives and performance measures (not all departments report this information) to be accomplished within the upcoming year.

Based on the aforementioned analysis, departments submit staffing requests to the Human Resources Department. The Human Resources Department along with the Finance Department develops the personnel budget for each department including anticipated benefit costs. The proposed staffing models will then be reviewed and approved for each department.

It should be noted that departments not only develop a budget for the upcoming fiscal year, they develop a three-year expenditure forecast beyond the upcoming fiscal year as well. This includes any anticipated staffing adjustments that may be necessary. This information is incorporated with the three-year financial model developed by the Finance Department, with assistance from the departments, to create the Town's three-year financial forecast that is incorporated in the budget document.

At the same time the operating budgets are being created, the Public Projects and Facilities Director and staff are developing the ten-year Capital Improvement Program (CIP) for Planning Commission approval. This budget is submitted to the Finance Department and incorporated as part of the budget document.

The Director of Finance, in conjunction with the Deputy Director of Finance develop the revenue budget based on historical records, trends, and economic conditions – local, regional, and national.

The Debt Service Budget is developed in accordance with legal bond requirements.

The Stormwater (Proprietary) Fund budget is developed in conjunction with two of the Town's major governmental funds (General Fund, Capital Projects Fund). Revenue projections are developed along with any proposed rate increase necessary to support the funding of capital improvements, debt service costs, and project management costs charged by the General Fund.

The Finance Department staff consolidates the operating budgets for the Town's three major governmental funds: General Fund, Debt Service Fund, and Capital Improvement Plant (capital projects funds); as well as the Stormwater (Proprietary) Fund budget into the Town's upcoming fiscal year business plan. In addition, a three-year financial forecast is created for the General Fund and incorporated into its upcoming fiscal year business plan.

Budget Approval Process

During the months of March and April, the Town Manager reviews the proposed budget for the upcoming fiscal year with department directors and makes final adjustments to the budget. The Finance Department staff prepares the final Town Manager's Consolidated Municipal Budget to be submitted to Town Council at its first meeting in May.

During the months of May and June, Town Council reviews the proposed budget. The Town Council either approves or makes changes to the budget and returns it to staff for further review.

Public hearings and final adoption of the budget occurs by June 30 in accordance with state law.

Monitoring the Budget

The Finance Department prepares a monthly financial report for Town Council comparing actual expenditure activity to the budget.

Budget Transfers, Amending the Budget and Encumbrances

Budget Transfers – the Town Manager is authorized to transfer funds as follows:

- a. Make any budget line item transfer within a department in the General Fund.
- b. Transfer up to One Hundred Thousand Dollars (\$100,000) between departments in the General Fund.
- c. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects as long as the project is complete and closed.
If reserve funds (amending the cost of the Capital Improvement Plan (CIP)) need to be used or a project slid (amending the CIP spending plan) the transfer must be approved by Town Council.
- d. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Tax Increment Financing Fund (TIF) per (c) above.
- e. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved line items in the Debt Service Fund.
- f. Any other transfers between a department's line items or capital projects exceeding the thresholds outlined above will be submitted to Town Council for approval.
- g. No budget transfers shall (a) be made between the General Fund, Capital Projects Fund, Debt Service Fund, or Tax Increment Financing Fund (TIF) with the exception of transfers identified in (c) above related to the Capital Projects Funds , or (b) conflict with any existing Bond Ordinances.

Contract Authority – the Town Manager is authorized to enter into Town contracts if the total contract amount does not exceed the budgeted line item by ten percent (10%) or One Hundred Thousand Dollars (\$100,000), whichever is less. If the total contract amount exceeds said thresholds, the funding proposal must be submitted to Town Council for approval.

Budget Amendments – any change in the adopted budget which would increase or decrease the total of the combined authorized revenues or expenditures must be approved by Town Council.

Encumbrances – appropriations are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. While appropriations lapse at the end of each fiscal year, re-appropriation of legal encumbrances at year-end of the fund balance are provided through the passage of the new fiscal year budget to increase the revenues (funds from previous fiscal year(s)) and roll-forward the appropriated budget expenditures from the prior year. The threshold for encumbrance roll-over is \$1,500. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.

Capital Budgets are Project-Based

Capital budgets are approved on a project-based basis. Unlike operating budgets that expire at year-end, capital budgets carry-forward until the project is complete. **This includes projects budgeted in the CIP as well as the Stormwater Fund.**

Specific Carryforwards and Designations

1. Town Council has designated the proceeds of a legal settlement of \$449,261 of business license fees toward work force housing and transportation initiatives. The funds are set aside, and further direction from Town Council for specific criteria to utilize these funds is forthcoming.
2. Town Council also designates \$200,000 per year toward its dredging initiative.



Consolidated Budget Summary
Governmental Funds

Consolidated Budget Summary – General, Debt, and CIP Funds

Introduction

The budget process this year was preempted by the COVID-19 Pandemic. Consequently, the Fiscal Year 2021 budget is the same as was presented and adopted by Town Council during the adoption of the Fiscal Year 2020 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 dollars. The financial resources have been allocated in the budget in a manner that we believe will successfully meet the challenges and opportunities before the Town and set the stage for the Town’s continued success in the future.

Fiscal Year 2021 Consolidated Budget – Governmental Funds

The combined Fiscal Year 2021 budgeted expenditures for the three major governmental funds is \$70,529,448. The table below reflects revenues by source as a percentage of total revenues for each fiscal year. Note, revenues are anticipated to exceed expenditures by \$336,634. The additional funds will help offset revenue shortages.

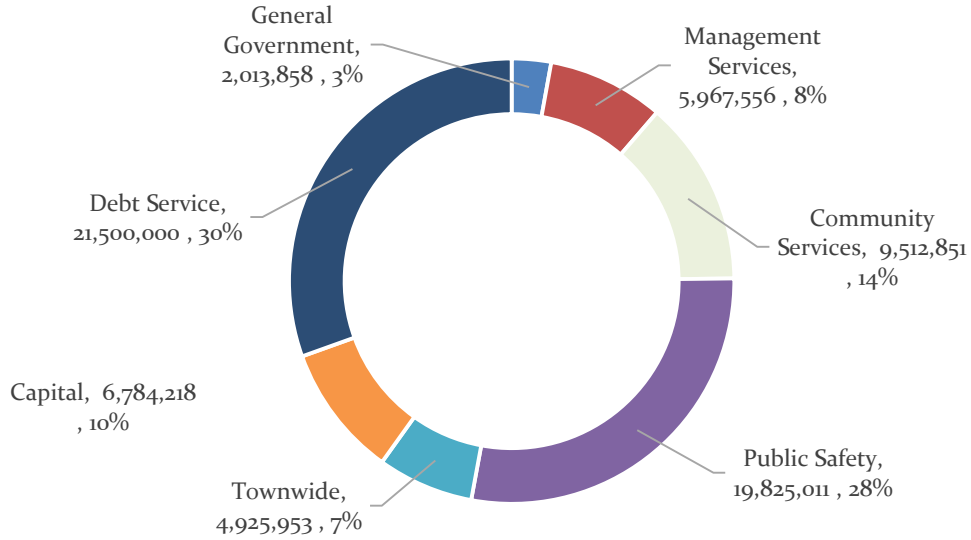
The budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures.

All Government Funds - Where the Money Comes From

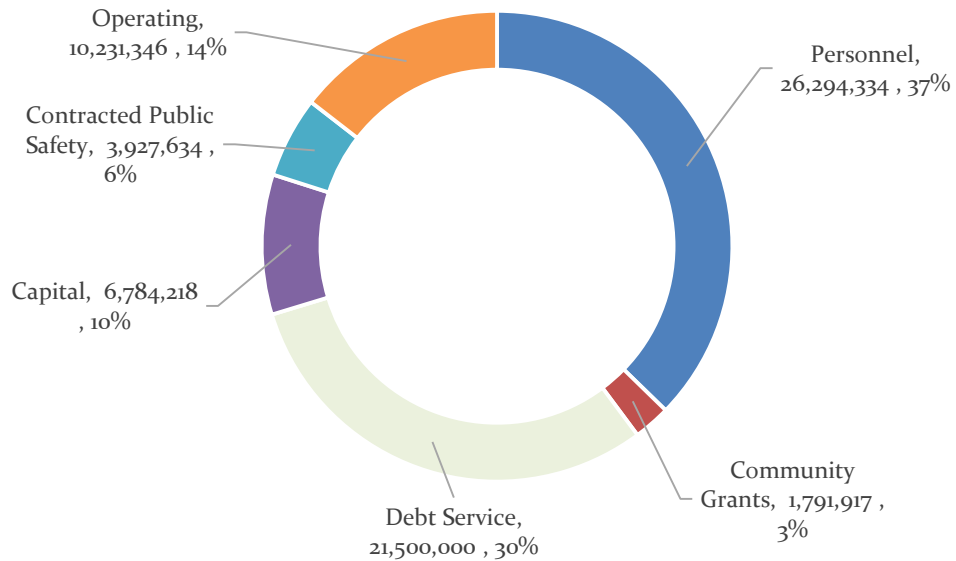
<u>Revenues</u>	2021 Adopted Budget	% of Total
Property Taxes	20,747,020	29.28%
ATAX Local 1%	3,690,430	5.21%
Business Licenses/Franchise Fees	10,959,917	15.47%
Permit Fees	1,522,575	2.15%
Intergovernmental	840,000	1.19%
Miscellaneous Revenue	3,215,287	4.54%
Beach Fees	5,974,104	8.43%
Hospitality Fee	9,692,115	13.68%
Tax Increment Financing	4,560,303	6.44%
State ATAX	1,792,750	2.53%
Electric Franchise Fee	499,622	0.71%
Road Usage Fee	330,000	0.47%
Natural Disasters Fund	3,537,265	4.99%
Real Estate Transfer Fees	2,608,613	3.68%
Stormwater	150,000	0.21%
Prior Year Funds	386,081	0.54%
Investments	360,000	0.51%
Total	70,866,082	100.00%

Consolidated Budget Summary – General, Debt, and CIP Funds

All Government Funds - Where the Money Goes by Program

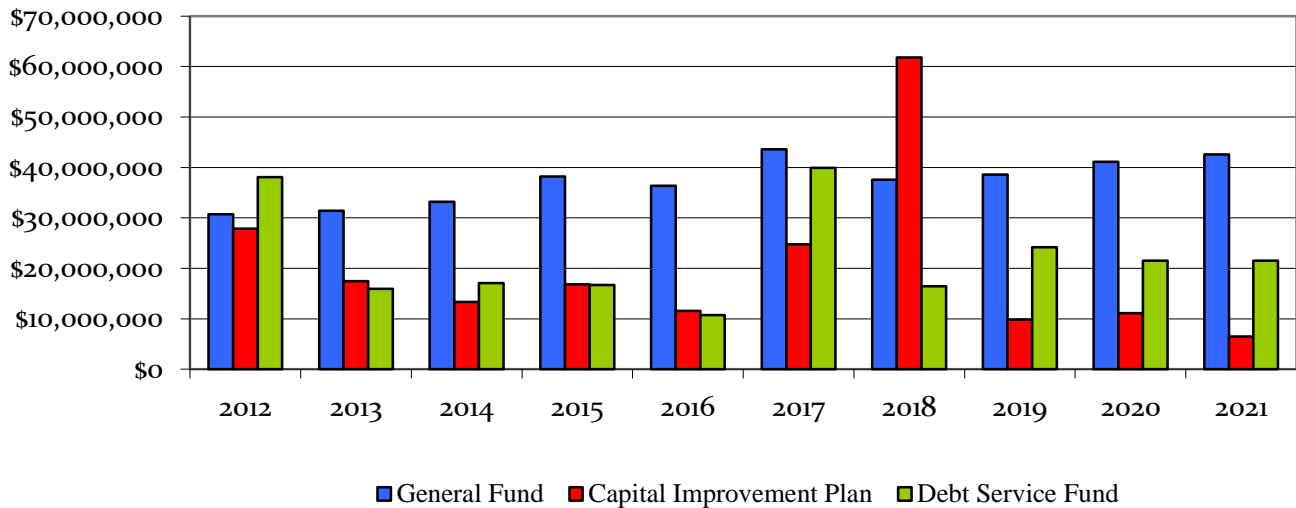


All Government Funds - Where the Money Goes by Category



Consolidated Budget Summary – General, Debt, and CIP Funds

Trend Analysis of Expenditures by Fund



Notes:

1. Actual through Fiscal Year 2019, and budgeted in Fiscal Years 2020 and 2021.
2. In Fiscal Year 2018 the Town repaid a bond anticipation note, the repayment is reflected in the Capital Improvement Plan actual expenditures.

Consolidated Budget Summary – General, Debt, and CIP Funds

	2018 Actual	2019 Actual	2020 Adopted Budget	2021 Adopted Budget	% Change
<u>Revenues</u>					
Property Taxes	20,155,580	20,501,403	21,038,847	20,747,020	-1.4%
ATAX - Local	3,543,910	3,740,071	3,653,891	3,690,430	1.0%
Business Licenses and Franchise Fees	11,196,245	10,692,146	10,900,639	10,959,917	0.5%
Permits	1,880,231	1,513,153	1,515,000	1,522,575	0.5%
Intergovernmental	838,323	848,742	840,000	840,000	0.0%
Investment Income	610,172	879,131	360,000	360,000	0.0%
Funds from Prior Years	-	-	4,431,543	386,081	-91.3%
Bond Issue	86,525,341	5,000,000	-	-	0.0%
Operating Transfers In	18,656,608	25,517,311	27,560,334	29,144,772	5.7%
Miscellaneous	4,348,283	3,986,964	3,784,197	3,215,287	-15.0%
Total	147,754,693	72,678,921	74,084,451	70,866,082	-4.3%
<u>Expenditures</u>					
General Government	1,949,158	1,619,103	2,013,430	2,013,858	0.0%
Management Services	5,214,573	5,301,169	5,949,675	5,967,556	0.3%
Community Services	8,523,985	8,337,130	9,196,040	9,512,851	3.4%
Public Safety	18,010,769	18,396,384	19,312,583	19,825,011	2.7%
Townwide	3,874,188	4,193,207	4,370,589	4,925,953	12.7%
Transfers Out	1,042,266	710,668	-	-	0.0%
Capital	33,631,416	21,408,343	11,405,500	6,784,218	-40.5%
Bond Anticipation Note Repayment	26,000,000	-	-	-	0.0%
Debt Issue Costs	1,753,313	227,444	250,000	250,000	0.0%
Debt Service	15,836,696	20,955,471	21,250,000	21,250,000	0.0%
Total	115,836,364	81,148,919	73,747,817	70,529,448	-4.4%
Excess/(Deficiency) of Revenues over Expenditures	31,918,329	(8,469,998)	336,634	336,634	

Note:

1. The planned surplus is by design to strengthen reserves.
2. The bond issues in Fiscal Year 2018 funded the Town's CIP.

Consolidated Budget Summary – General, Debt, and CIP Funds

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

Consolidated Budget Summary – General, Debt, and CIP Funds

Revenues

1. **Property taxes (\$20.7 million)** – an ad valorem property tax, a tax per unit of property value, is levied upon all real property and certain classes of tangible property as that property is assessed and equalized for State and County purposes for any tax year. The property tax is authorized by the South Carolina Code of Laws (SC Code), Sec. 5-7-30 and 12-43-220, and also by the Town of Hilton Head Island Code of Ordinances, Title 4, Chapter 3.

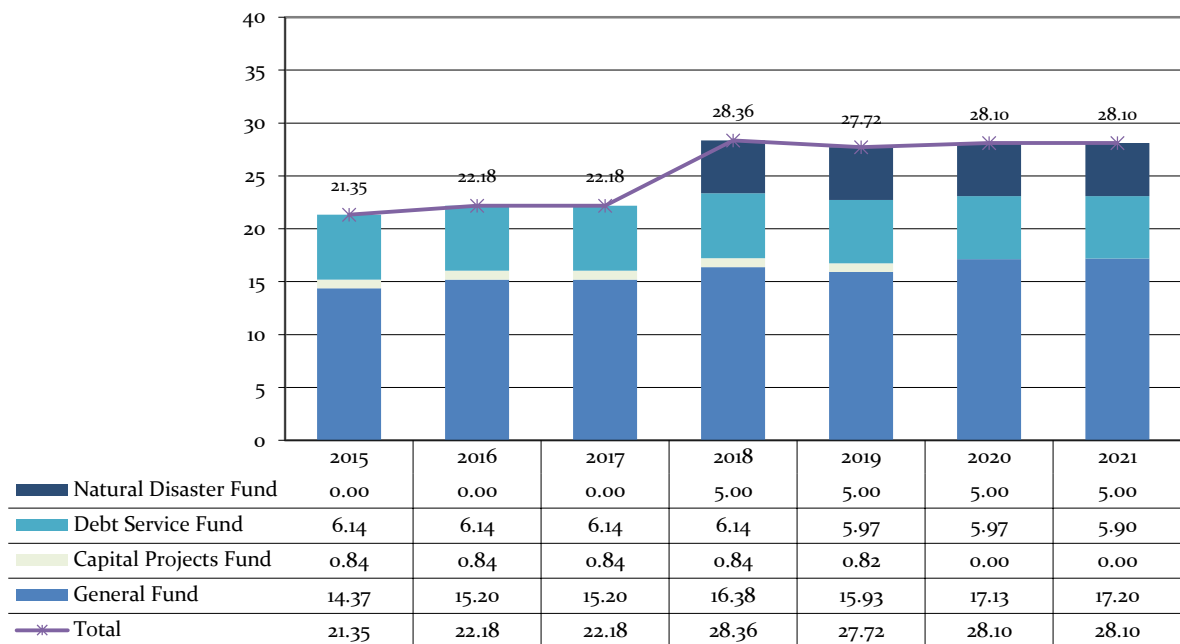
Collection and Distribution

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

Tax Levy for Fiscal Year 2021

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.

Historical Millage Rates by Fund



Consolidated Budget Summary – General, Debt, and CIP Funds

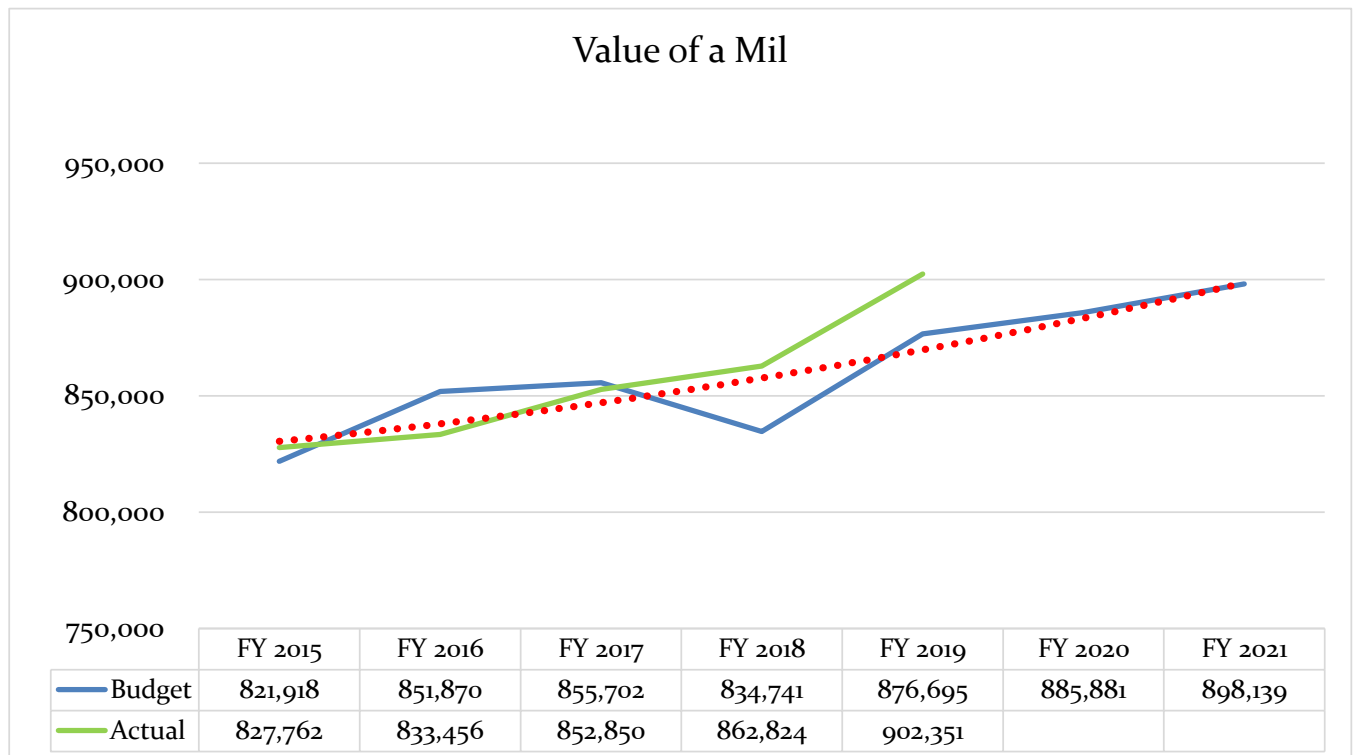
Revenues, continued

Property Tax Impact on a Primary Residence

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2021
Value of Home	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Taxable Value (4% Primary Residence)	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
Taxes Paid								
General Fund	201.18	212.80	212.80	229.32	223.02	239.82	239.82	239.82
Disaster Recovery	-	-	-	70.00	70.00	70.00	70.00	70.00
Debt Services Fund	85.96	85.96	85.96	85.96	83.58	83.58	83.58	83.58
Capital Projects Fund	11.76	11.76	11.76	11.76	11.48	-	-	-
Taxes Paid	298.90	310.52	310.52	397.04	388.08	393.40	393.40	393.40

Historical Value of a Mil (excludes Disaster Recovery)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Budget	946,591	846,109	821,918	851,870	855,702	834,741	876,695	885,881	898,139
Actual	914,618	824,766	827,762	833,456	852,850	862,824	902,351	-	-
Actual as % of Budget	-3.4%	-2.5%	0.7%	-2.2%	-0.3%	3.4%	2.9%	-100.0%	-100.0%



Consolidated Budget Summary – General, Debt, and CIP Funds

Revenues, continued

2. **Business License (\$10.0 million)** – these funds will be used to fund various operating expenditures. (General Fund)
3. **Franchise Fees (\$964,550)** – these funds will be used to fund various operating expenditures. (General Fund)
4. **Minor grants** are not included in the budget. The matching funds associated with the minor grants are included in the operating budget.
5. **Transfers in from Special Revenue Funds**
 - (a) **Hospitality Taxes (\$9.7 million)** – these funds will be used to fund various operating expenditures, debt service payments, and various capital projects.
 - (b) **Beach Preservation Fees (\$5.8 million)** – these funds will be used to fund various operating expenditures, debt service payments, and various beach related capital projects.
 - (c) **Tax Increment Financing (TIF) (\$4.6 million)** – these funds will be used to fund project management expenditures in the operating budget, debt service payments, and various capital projects.
 - (d) **Road Usage Fees (\$330,000)** – these funds will be used for road improvement projects.
 - (e) **State Accommodation Tax (\$1.8 million)** – these funds will be used to fund various operating expenditures.
 - (f) **Real Estate Transfer Fees (RETF) (\$2.6 million)** – these funds will be used for debt service payments.
 - (g) **The Stormwater Enterprise Fund (\$150,000)** – to the General Fund for project management.
 - (h) **The Electric Franchise Fund (\$499,622)** – to the General Fund for project management and to fund various operating expenditures.
 - (i) **The Natural Disasters Fund (\$3.5 million)** – to the Debt Service Fund for debt service payments associated with the \$18.0 million borrowed to augment the current reserves in the fund.

Consolidated Budget Summary – General, Debt, and CIP Funds

Revenues, continued

The tables below reflect transfers between the special revenue funds and the General Fund, Debt Service Fund, and CIP.

	General Fund	Debt Service Fund	CIP	Total
Beach Preservation Fees	1,498,254	3,975,850	500,000	5,974,104
Hospitality Fee	3,819,465	1,629,650	4,243,000	9,692,115
ATAX State	1,792,750	-	-	1,792,750
Tax Increment Financing	183,600	3,926,703	450,000	4,560,303
Electric Franchise fee	499,622	-	-	499,622
Road Usage Fee	-	-	330,000	330,000
Natural Disasters Fund	-	3,537,265	-	3,537,265
Real Estate Transfer Fees	-	2,608,613	-	2,608,613
Stormwater	150,000	-	-	150,000
Total	7,943,691	15,678,081	5,523,000	29,144,772

Expenditures

In Fiscal Year 2021 total fund expenditures will **decrease** by **\$3.1 million** over the Fiscal Year 2020 budget:

1. The General Fund budget will increase by \$1.5 million,
2. Debt Service Fund budget will remain the same as Fiscal Year 2020 (**\$21.5 million**),
3. CIP budget will decrease by \$4.7 million, and
4. Stormwater will increase by \$50,000.

General Fund – summary of changes by category

1. Personnel will increase by \$1.3 million
2. Operating will increase by \$117,443
3. Public safety will increase by \$114,397
4. Capital will decrease by \$108,662
5. Community grants will decrease by \$21,536

General Fund – summary of major changes

1. **Personnel**; the personal budget includes a 3% merit increase, \$500,000 for salary adjustments based on the fiscal year 2020 compensation study. Note, merit increases and compensation study adjustments will be delayed until the revenue recovery is demonstrated.
2. The addition of two (2) facilities technicians associated with the opening of Lowcountry Celebration Park.
3. **Operating**; the operating budget includes a 3% across the board increase.
4. One-time Fiscal Year 2020 Budget items not included in the Fiscal Year 2021 Budget:
 - Compensation study consultant; \$82,500
 - Gullah Task Force consultant; \$25,000
 - Work Force Housing consultant; \$25,000
 - \$65,000 for E-911 software

Consolidated Budget Summary – General, Debt, and CIP Funds

Expenditures (continued)

Capital Improvement Program (CIP) – changes by category

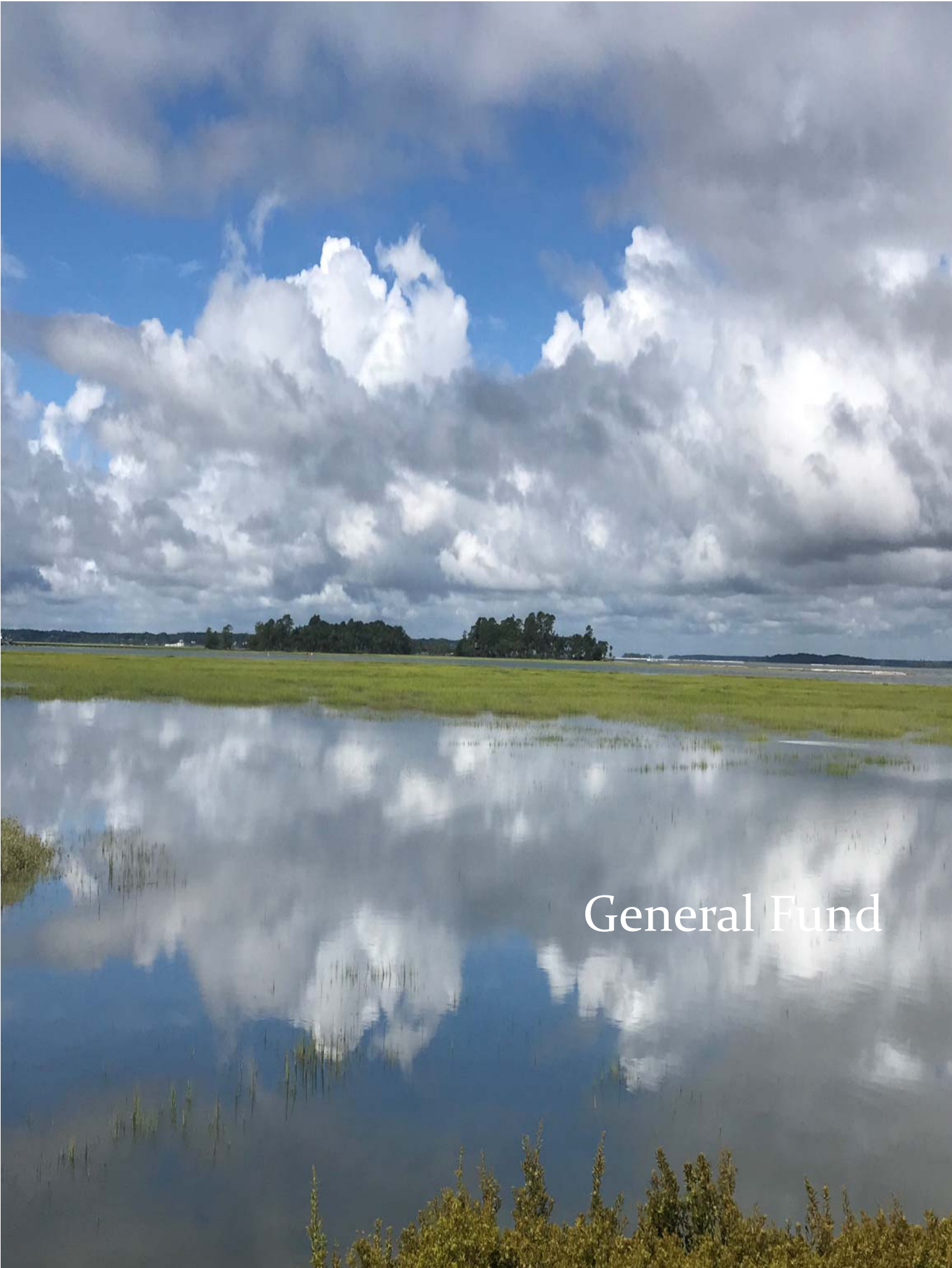
1. Beach maintenance will increase remain the same at \$500,000,
2. Existing public facilities will decrease by \$1.2 million (**\$105,000**),
3. Park development will decrease by \$697,000 (**\$250,000**),
4. Facilities improvements will remain the same at \$100,000,
5. Pathway improvements will remain the same at \$100,000,
6. Roadway improvements will decrease by \$5.8 million (**\$980,000**),
7. Land acquisition will decrease by \$48,000 (**\$20,000**),
8. Other/prior appropriations will decrease by \$97,500 (**\$428,000**), and
9. Vehicles and specialized equipment will increase by \$3.2 million (**\$4.0 million**).

Town Staffing (F.T.E.s)

	<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; the new positions are associated with the opening of Lowcountry Celebration Park at the end of calendar year 2020.



General Fund

General Fund

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.

Expenditures by Department/Category

Department	Personnel	Operating	Capital	Grants	Expenditures
Town Council	172,962	320,639	-	-	493,601
Town Manager	847,866	23,967	-	-	871,833
Human Resources	451,671	196,753	-	-	648,424
Administrative Services	2,158,881	1,756,550	158,218	-	4,073,649
Finance	1,839,234	212,891	-	-	2,052,125
Community Development	3,447,716	153,831	-	-	3,601,547
Public Projects and Facilities	2,096,614	3,814,690	-	-	5,911,304
Fire and Rescue	14,275,003	1,622,374	-	-	15,897,377
Sheriff/Other Public Safety	-	3,927,634	-	-	3,927,634
Non-Departmental (Townwide)	1,004,386	2,129,651	155,000	1,791,917	5,080,954
Totals	26,294,333	14,158,980	313,218	1,791,917	42,558,448

Expenditures Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
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%
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%
Community Grants	1,513,938	1,671,180	1,813,273	1,791,917	-1.2%
Total	37,572,673	37,846,993	41,108,317	42,558,448	3.5%

General Fund Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% Change
Revenues					
Property Taxes	14,133,876	14,390,694	15,127,344	15,386,182	1.7%
ATAX Local 1%	3,543,910	3,740,071	3,653,891	3,690,430	1.0%
Business Licenses:					
Business Licenses - Town	5,335,475	5,006,012	4,906,872	4,931,406	0.5%
Business Licenses - MASC	4,946,869	4,655,620	5,038,767	5,063,961	0.5%
Franchise Fees:					
Cable	878,815	992,311	920,000	929,200	1.0%
Beach Fee	35,086	38,203	35,000	35,350	1.0%
Permit Fees:					
Construction	983,581	544,762	600,000	603,000	0.5%
Development	13,653	18,668	15,000	15,075	0.5%
Other	882,997	949,723	900,000	904,500	0.5%
Intergovernmental	838,323	848,742	840,000	840,000	0.0%
Grants:					
Beaufort County - Hazmat	7,794	11,677	11,677	11,677	0.0%
Beaufort County - E911	158,844	125,651	131,910	131,910	0.0%
DHEC	-	-	-	-	0.0%
Other	1,629	2,288	-	-	0.0%
SC Regional	-	-	-	-	0.0%
Miscellaneous Revenue:					
Beach Services	252,649	270,839	250,000	252,500	1.0%
Donations	25	100	100	-	-100.0%
Municipal Court	164,849	73,665	-	-	0.0%
Other	401,215	359,014	270,000	272,700	1.0%
Public Safety - EMS	1,678,566	1,714,021	1,500,000	1,507,500	0.5%
Public Safety - County D/T	53,331	55,008	55,000	55,000	0.0%
Town Code	10	10	10	-	-100.0%
Fund Balance	-	-	-	-	0.0%
Prior Year Funds	-	-	-	-	0.0%
Victim's Assistance	26,104	10,552	21,000	21,000	0.0%
Transfers In:					
Beach Fees	1,361,138	1,361,140	1,361,140	1,498,254	10.1%
Special Revenue Federal	-	-	-	-	0.0%
CIP - Ad Valorem	628,000	628,000	-	-	0.0%
CIP - Sunday Liquor	50,000	50,000	-	-	0.0%
CIP - Land	-	-	-	-	0.0%
CIP - Road Usage	-	-	-	-	0.0%
Hospitality Fee	1,492,245	1,746,125	3,337,240	3,819,465	14.4%
TIF	180,000	180,000	180,000	183,600	2.0%
ATAX	1,739,750	1,757,381	1,775,000	1,792,750	1.0%
Electric Franchise Fee	90,000	90,000	90,000	499,622	455.1%
Stormwater	125,000	125,000	125,000	150,000	20.0%
Investments	307,012	361,108	300,000	300,000	0.0%
Total Revenues	40,310,746	40,106,385	41,444,951	42,895,082	3.5%

General Fund Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% Change
Expenditures					
General Government:					
Town Council	470,339	338,750	479,224	493,601	3.0%
Town Council - Initiative	214,799	8,595	-	-	0.0%
Town Manager	663,662	782,884	846,440	871,833	3.0%
Human Resources	600,358	488,874	687,766	648,424	-5.7%
Total General Government	1,949,158	1,619,103	2,013,430	2,013,858	0.0%
Management Services:					
Finance					
Administration	309,787	310,912	367,117	2,052,125	459.0%
Accounting	566,366	632,178	608,746	-	-100.0%
Revenue Services	724,395	779,364	809,224	-	-100.0%
Procurement	26,514	197,752	207,319	-	-100.0%
	1,627,062	1,920,206	1,992,406	2,052,125	3.0%
Administrative Services					
Administration/Legal	528,120	521,918	562,838	579,723	3.0%
Office of Cultural Affairs	137,058	158,986	250,515	258,030	3.0%
Communications	21,971	289,150	365,917	376,895	3.0%
Records Management	359,532	284,426	274,458	282,692	3.0%
Municipal Court	370,092	168,209	-	-	0.0%
Information Technology	2,170,738	1,958,274	2,503,541	2,576,309	2.9%
	3,587,511	3,380,963	3,957,269	4,073,649	2.9%
Total Management Services	5,214,573	5,301,169	5,949,675	6,125,774	3.0%
Community Services:					
Community Development					
Administration	1,106,042	552,444	687,558	708,185	3.0%
Comprehensive Planning	633,398	673,077	678,983	673,602	-0.8%
Development, Review and Zoning	698,409	725,004	750,453	747,217	-0.4%
Building	678,463	820,655	1,012,935	1,035,754	2.3%
CD Services	392,830	410,621	424,068	436,790	3.0%
	3,509,142	3,181,801	3,553,997	3,601,547	1.3%
Public Projects and Facilities					
Administration	282,337	291,515	302,662	311,742	3.0%
Engineering	867,367	880,717	993,180	1,022,975	3.0%
Facilities Management	3,865,139	3,983,097	4,346,201	4,576,587	5.3%
	5,014,843	5,155,329	5,642,043	5,911,304	4.8%
Total Community Services	8,523,985	8,337,130	9,196,040	9,512,851	3.4%

General Fund Summary

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% Change
Public Safety:					
Fire Rescue					
Executive	367,204	351,451	1,155,866	1,190,543	3.0%
Administration	9,871,814	9,922,416	11,386,835	11,728,441	3.0%
Operations	-	-	2,956,645	2,978,393	0.7%
E-911 Communications	1,158,635	1,250,173	-	-	0.0%
E-911 Communications Support	227,355	227,235	-	-	0.0%
Emergency Management	132,985	150,649	-	-	0.0%
Fire Prevention	558,774	511,264	-	-	0.0%
Fleet Maintenance	525,624	517,609	-	-	0.0%
EMS Training	293,244	377,544	-	-	0.0%
Support Services	625,043	736,933	-	-	0.0%
Safety and Professional Development	640,786	616,989	-	-	0.0%
Total Fire Rescue	14,401,464	14,662,263	15,499,346	15,897,377	2.6%
Public Safety - Police Services	3,609,305	3,734,121	3,813,237	3,927,634	3.0%
Townwide (non-departmental):					
Personnel	617,350	324,538	489,695	1,004,386	105.1%
Operating	1,742,900	1,966,467	2,067,621	2,129,651	3.0%
Capital	-	231,022	266,000	155,000	-41.7%
Transfers Out	-	-	-	-	
Grants	1,513,938	1,671,180	1,813,273	1,791,917	-1.2%
Total Townwide (non-departmental)	3,874,188	4,193,207	4,636,589	5,080,953	9.6%
Total Expenditures	37,572,673	37,846,993	41,108,317	42,558,448	3.5%
Net change in fund balances	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	

General Fund Revenues

General Fund revenues and transfers in from other funds are projected to be \$42.9 million in Fiscal Year 2021. This is a 3.5% increase from Fiscal Year 2020 to Fiscal Year 2021.

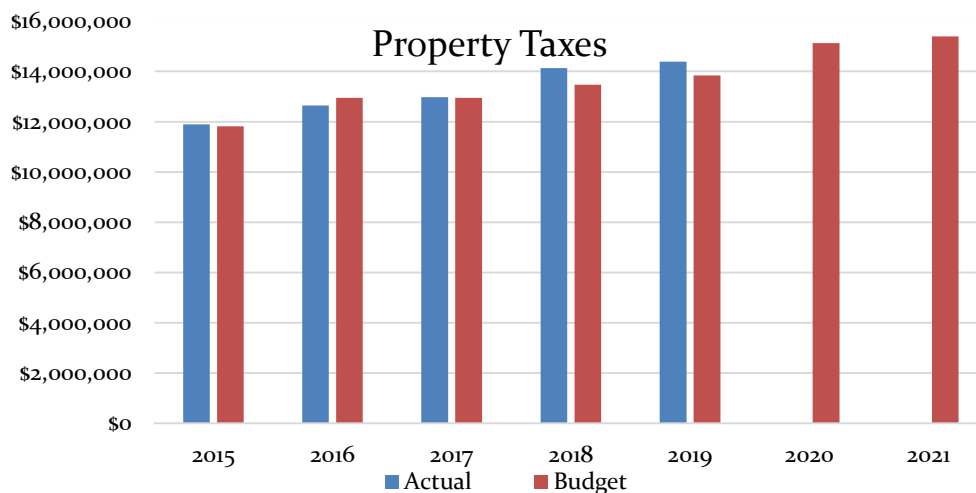
Revenue by Source as a Percentage of Total Revenue

	2021 Adopted Budget	% of Total
Property Taxes	15,386,182	35.9%
Business Licenses	9,995,367	23.3%
ATAX	5,483,180	12.8%
Hospitality Taxes	3,819,465	8.9%
Other	3,385,509	7.9%
Permit Fees	1,522,575	3.5%
Beach Preservation Fees	1,498,254	3.5%
Franchise Fees	964,550	2.2%
State Shared	840,000	2.0%
Total	42,895,082	100.0%

Trend Analysis – Revenues

Property Taxes

Property taxes represent approximately 36% of the total General Fund revenue. Revenue anticipated from this source is approximately \$15.4 million. The General Fund millage rate will remain the same as last fiscal year at 17.2 mils.

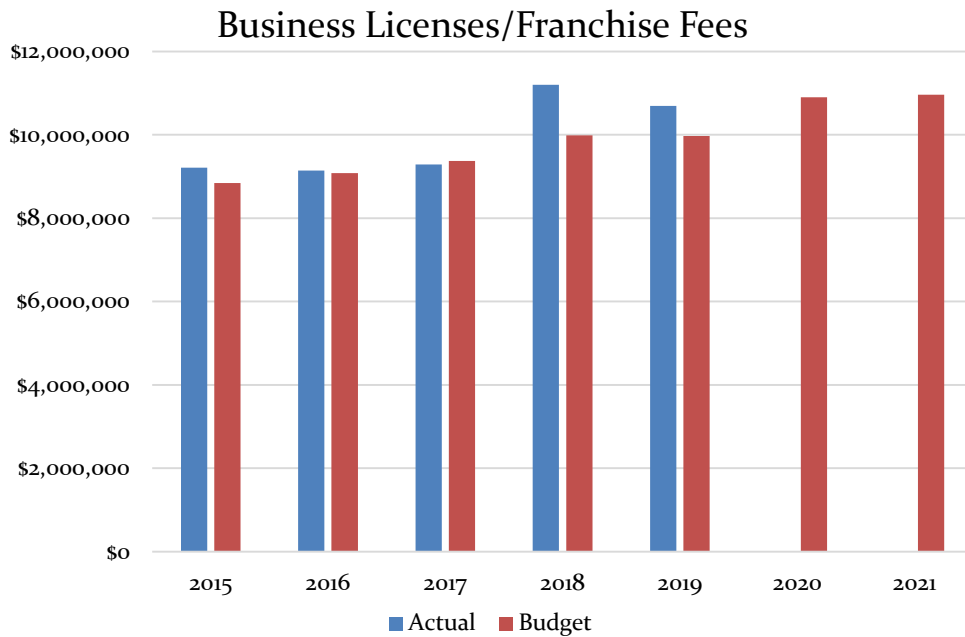


Business License Taxes and Franchise Fees

The combined revenue from business license taxes and franchise fees represent the second largest single revenue source for the General Fund. The most significant source is the business license tax levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. Revenue anticipated from this source is approximately \$10.0 million.

Franchise fee revenue is anticipated to be \$964,550.

Trend Analysis – Revenues



Note: In Fiscal Year 2018 the Town received approximately \$375,000 in business license revenue associated with a lawsuit settlement.

Intergovernmental (State Shared)

The Town will receive approximately \$840,000 in state shared revenue. The amount received from this source has remained about the same over the past several years.

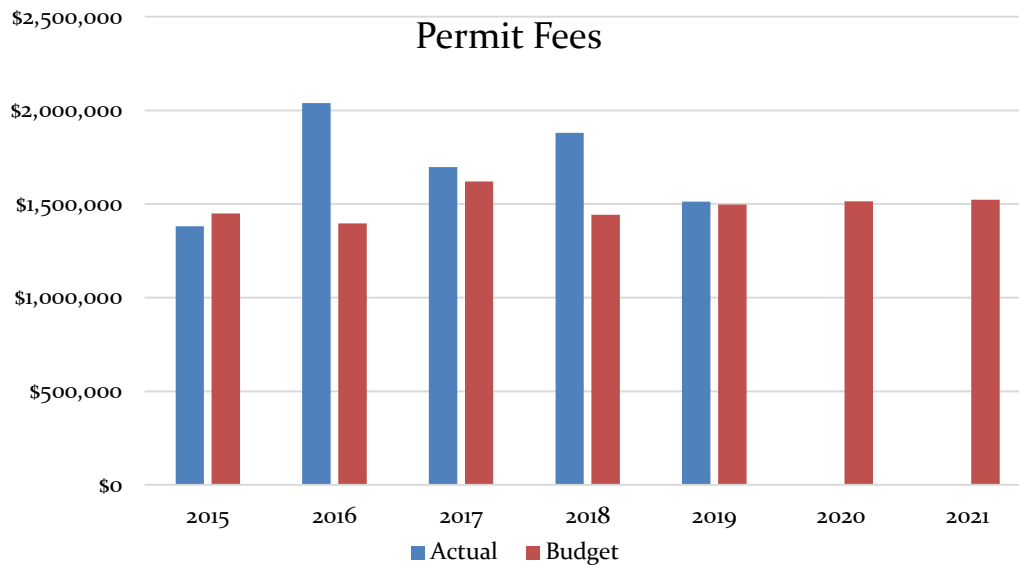
Permit Fees

New construction (\$603,000) – Permit fee revenue from new construction.

Development (\$15,075) – Revenue from permit fees associated with development.

Other (\$904,500) – Revenue from other miscellaneous permit fees.

Trend Analysis – Revenues



Local 1% Accommodations Tax

This revenue source tax will generate \$3.7 million in revenue. This tax is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients."

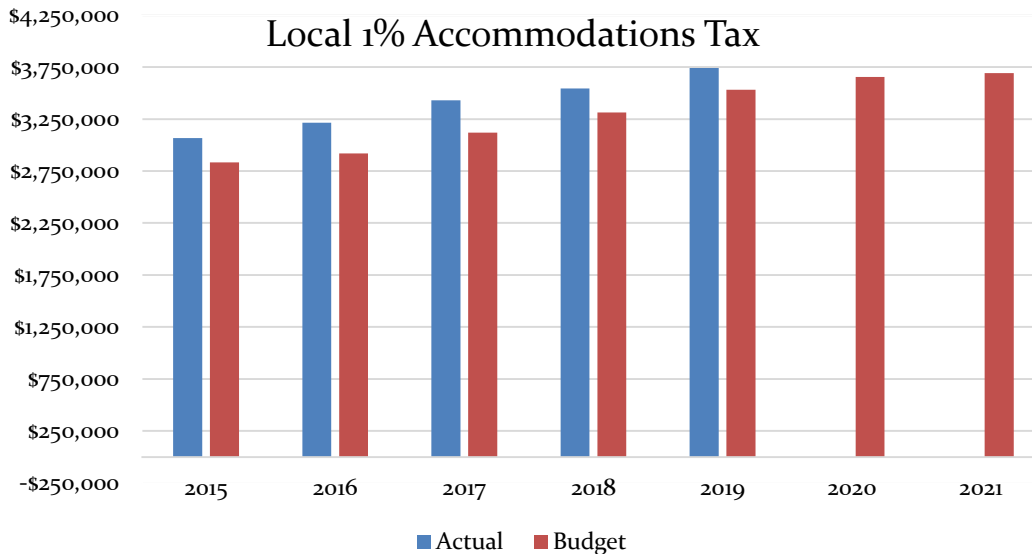
These funds may be used for tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and re-nourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; water and sewer infrastructure to serve tourism-related demand and the operation and maintenance of those items previously enumerated and police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

Event Management and hospitality training program fund – The Town sets aside five (5) percent of this local accommodations tax for special events production, volunteerism and hospitality training and shall select one (1) organization to manage and direct such fund expenditures. To be eligible for selection the organization must be local, organized as a nonprofit (501c), and be mission driven to promote tourism development. The organization must employ a full-time executive director and provide an annual audited financial report in accordance with Generally Accepted Accounting Principles. The organization must not otherwise be designated as the official tourism agency by the town or any other governmental agency. The agency is required to submit an annual budget to the Town of Hilton Head Island prior to April 1 of each calendar year for inclusion in the Town's budget. Town Council will consider the budget and award the organization a reimbursable grant on a June 30 fiscal year basis.

Trend Analysis – Revenues

Reserve Fund – The Town sets aside, in a separate account, five (5) percent of the one (1) percent local accommodations tax, as a reserve fund for disaster management communications-oriented programs.

These funds are used to provide for post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds are distributed upon authorization of the Town Manager.



Transfer-In – Accommodations Tax (State)

The 2% State accommodations tax is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients."

It is anticipated that this line item will provide \$1.8 million in revenue.

Transfer-In – Hospitality Taxes

A uniform tax equal to 2% percent is imposed by the Town on the gross sales of prepared meals and beverages sold in establishments and also on the gross sales price of sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine.

These funds are used to support the Public Safety function of Town Government. It is anticipated that this line item will provide \$3.8 million in revenue.

Trend Analysis – Revenues

Transfer-In – Beach Preservation Fees

A uniform fee of 2% is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days are not considered "proceeds from transients."

It is anticipated that this line item will provide \$1.5 million in revenue.

Transfer-In – Electricity Fees

A 3% fee is imposed on the total gross revenue received by Palmetto Electric Cooperative from its members for the provision of electric power and energy each franchise year. These funds are used for the undergrounding (placement underground) of all existing and future non-transmission lines owned by Palmetto Electric Cooperative.

It is anticipated that this line item will provide \$499,622 in revenue.

Transfer-In – Stormwater Fees

A fee is charged annually to property owners within Town limits to pay for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of Stormwater systems and programs within the Town limits in concert with Beaufort County and other water resource management programs.

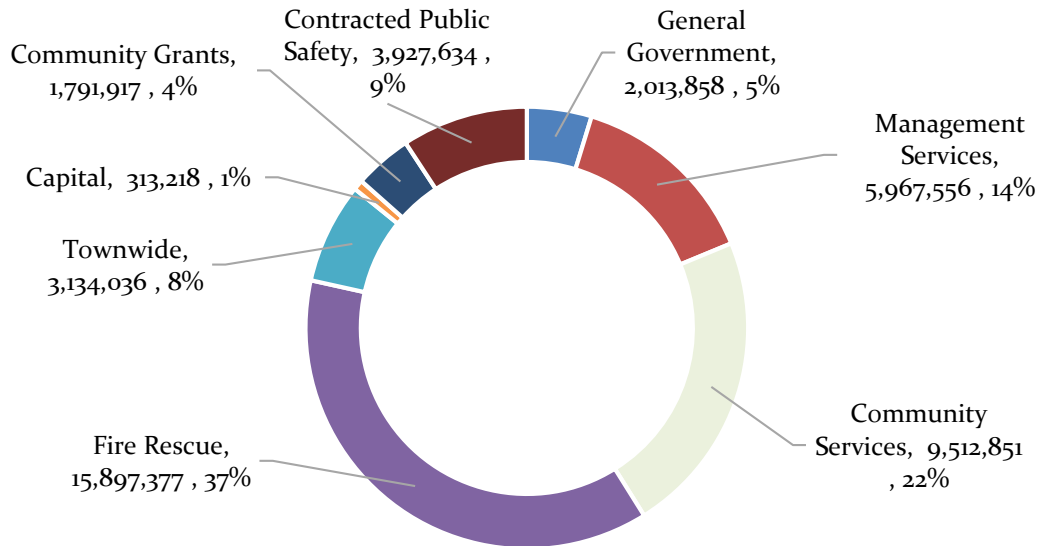
It is anticipated that this line item will provide \$150,000 in revenue.

EMS

Funds received through Fire Rescue for medical services rendered are projected be \$1.5 million in Fiscal Year 2021.

General Fund Expenditures

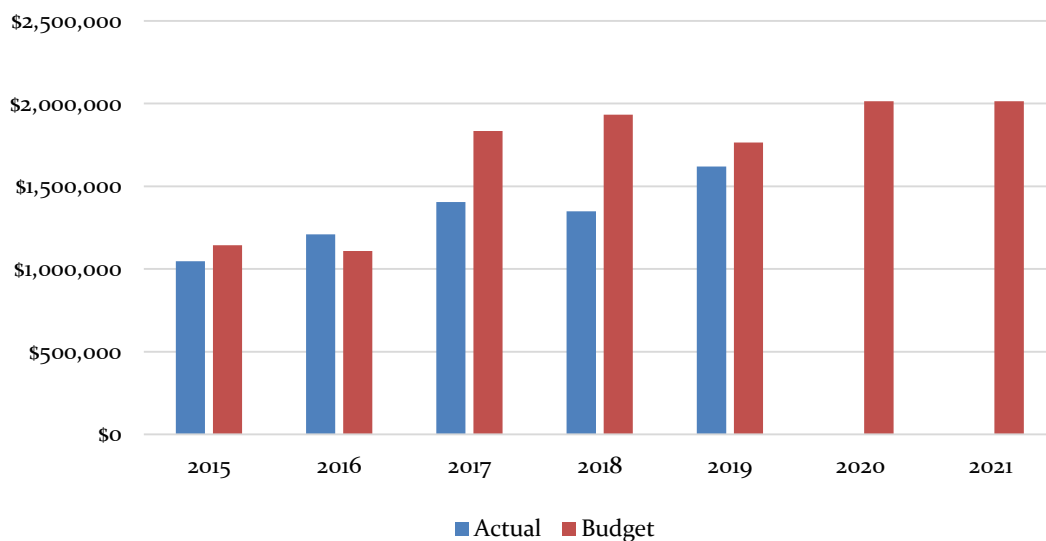
Overall, expenditures are programmed at \$42.6 million in Fiscal Year 2021.



Trend Analysis – Expenditures by Program

The following charts depict the trends in expenditures by program. For explanations of significant changes, refer to the Consolidated Budget Highlights section of the Consolidated Budget Summary.

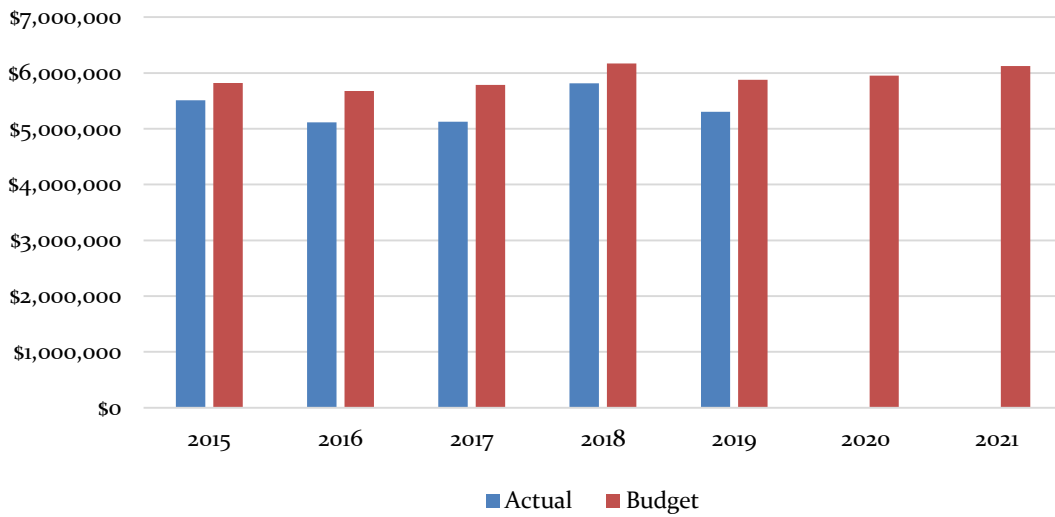
General Government
(Town Council, Town Manager, Human Resources)



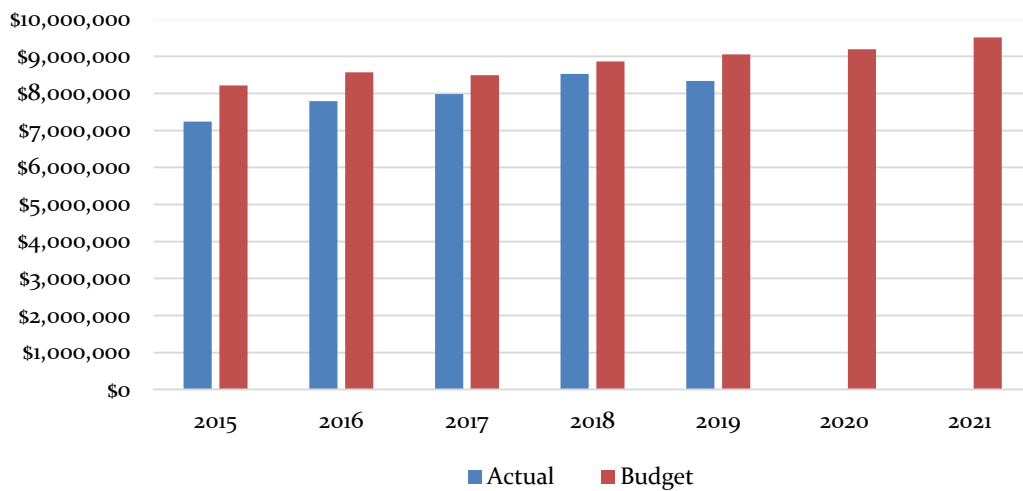
Note: in Fiscal Year 2019 Human Resources moved from Management Services to this category.

Trend Analysis – Expenditures by Program

Management Services (Administrative Services, Finance)

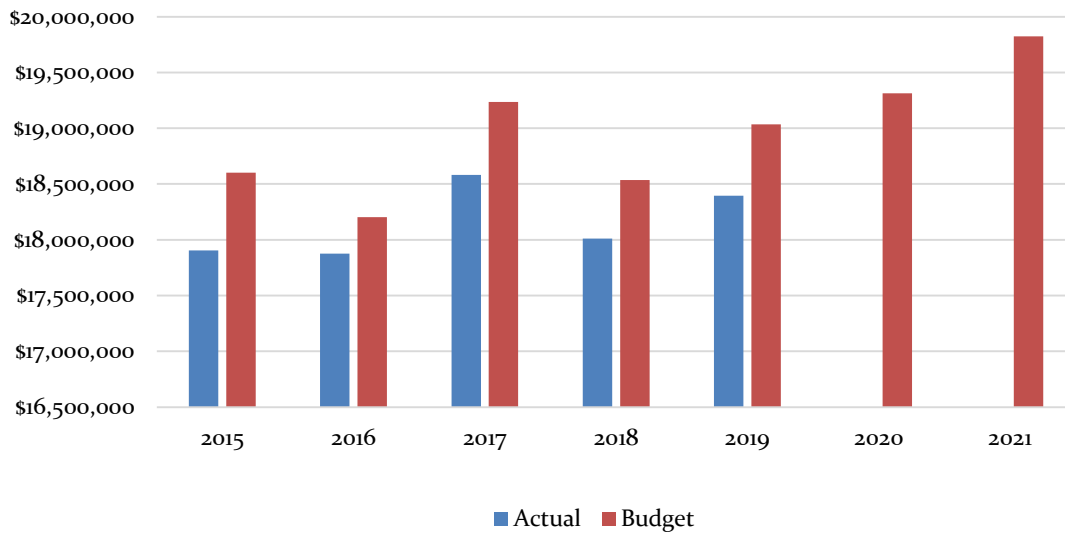


Community Services (Community Development, Public Projects and Facilities)

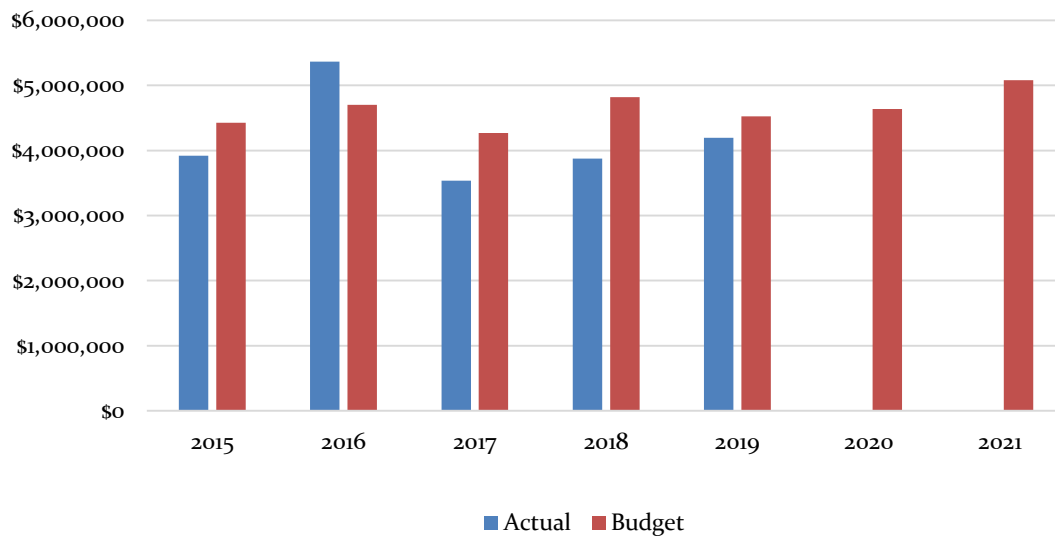


Trend Analysis – Expenditures by Program

Public Safety (Fire Rescue, Police Services)



Townwide



Department Budgets

Program: General Government

Department: Town Council

Council Mission

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

Core Services

Open Town Government

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

Financial Stability and Economic Development

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

Community and Environmental Vitality

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

World-Class Leisure and Recreational Opportunities for Residents and Guests

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

Promoting Unity while Supporting Diversity in the Community

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

Program: General Government
Department: Town Council

Town Council held a two day workshop on December 5th and 6th 2019 to guide the Town's operations for calendar year 2020. A number of important factors were identified.

Town Council 2019 Strategic Goals Dashboard

- **Lowcountry Celebration Park/Coligny Area Redevelopment**
 - Manage contractors to facilitate on time on budget completion
 - Evaluate the creation of a Coligny area/beach access parking plan; conduct parking study (summer/fall 2019)
 - Evaluate technology options to enhance the experience to the park
- **US 278 Gateway Corridor Project**
 - Creation of US 278 corridor advisory committee
 - Work with the SC Department of Transportation to review and understand project schedules and timelines
 - Develop a communication plan to transmit community information to SC Department of Transportation
- **Mitchelville/Gullah Geechee Cultural Preservation**
 - Implementation of recommendations provided by the Gullah Geechee cultural preservation consultant
 - St. James Baptist Church relocation
 - Dirt road paving/stormwater improvements
- **Comprehensive Plan Review**
 - Development of "Our Plan"
 - Comprehensive Plan focus areas
 - Parks and Recreation master plan
- **Workforce Development**
 - Evaluation of recommendations from workforce housing consultant
 - Continued evaluation of transportation needs
 - Evaluate master planning portions of the island

Program: General Government
Department: Town Council

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
<u>Town Council</u>					
Personnel	146,795	157,068	167,924	172,962	3.0%
Operating	323,544	181,682	311,300	320,639	3.0%
Initiatives	214,799	8,595	-	-	0.0%
Capital	-	-	-	-	0.0%
Total	685,138	347,345	479,224	493,601	3.0%
Personnel	7.0	7.0	7.0	7.0	

Program: General Government
Department: Town Manager

Town of Hilton Head Island Mission

To provide excellent customer service to all that 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 all Town staff. To develop and enhance the professional growth of all staff members.

Core Services

The Town of Hilton Head Island is a Council-Manager form of government, wherein that the Town Manager is the chief executive officer and head of the administrative branch of the municipal government.

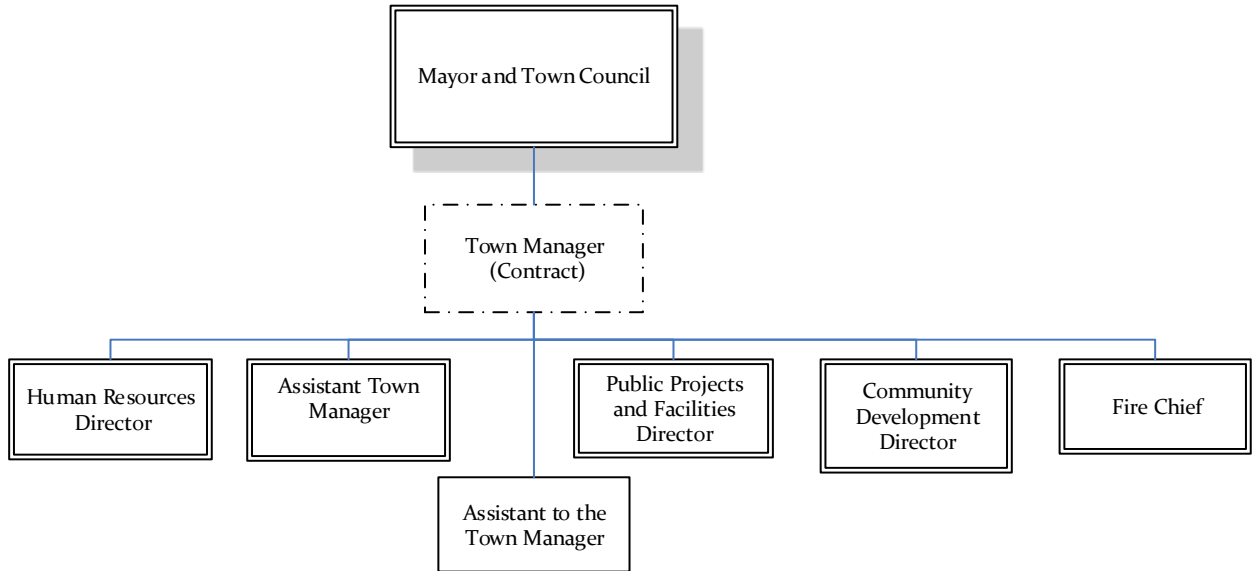
The Town Manager provides overall management of Town departments in a way that empowers employees to exceed citizen/ customer expectations.

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

Fiscal Year 2021 Goals

1. Execute the policies of Town Council.
2. Lead Town operations day-to-day.
3. Provide for long-term planning.
4. Lead the effort to implement Town Council's priorities for this year.
5. Respond to outside events i.e. natural disasters, pandemics, economic changes etc.

Program: General Government
Department: Town Manager



Note: The Town Manager and Assistant Town Manager are budgeted in this Department. The salaries of the Fire Rescue Chief, Director of Community Development, Director of Human Resources, and Public Projects and Facilities Director are budgeted in their respective departments.

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Town Manager					
Personnel	645,904	736,829	823,190	847,866	3.0%
Operating	17,758	46,055	23,250	23,967	3.1%
Capital	-	-	-	-	0.0%
Total	663,662	782,884	846,440	871,833	3.0%
Personnel	4.0	5.0	5.0	5.0	

Program: General Government
Division: Human Resources

Mission

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

Core Services

Recruitment and Selection

Develop, implement and administer recruitment and selection activities including advertising, screening, interviewing, assessment/testing, background checking, new hire selection, and offer determination designed to attract qualified employees.

Total Rewards Management

Develop, implement and administer compensation, benefit and work life programs to encourage employee retention and support the organization's strategic objectives and values.

Talent Management

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

Organization Effectiveness

Develop, implement and administer human resource policies, procedures, processes, and technology initiatives to enhance organization effectiveness and employee engagement.

Fiscal Year 2020 Accomplishments

1. Implemented new performance management solution to facilitate more frequent performance feedback, integration of core competencies, improved engagement and greater access to performance data. Provided ongoing training and support to end users throughout the year.
2. Led Classification & Compensation Study designed to evaluate internal equity, external competitiveness, and compensation related policies and procedures; produced updated class specifications for all positions; and provided implementation recommendations.
3. Maintained cost-effective Workers' Compensation premiums through effective WC program management, use of deductible program, increased discounts/credits, and continuing emphasis on employee safety. Received a significant refund of premiums as a result of proactive management.
4. Developed townwide training initiatives designed to support service delivery goals; used in-house training resources where feasible; varied delivery methods to meet employee preferences and group needs. Moved additional training resources onto "on demand" platform to provide maximum access and flexibility for employees.
5. Provided disaster response support during and following COVID-19 pandemic to include designing and communicating pay and leave policies for those impacted by COVID-19; implementation of federal laws passed to address impact of pandemic on the economy and workers (CARES and FFCRA); securing temporary housing for emergency response personnel in need of quarantine/isolation to provide for their safety and to protect remainder of workforce; and identifying opportunities for remote work should Town operations be halted for some period of time.

Program: General Government
Division: Human Resources

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. Attract and retain high quality staff capable of achieving Town goals utilizing creative talent sourcing initiatives. As part of this effort, implement apprenticeship program for Inspections Division by partnering with government funding programs, local educational institutions and professional trade organizations to reduce cost and ensure success.

Objective 1: Effectively manage recruitment process.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
# of positions filled	69	53	55	55
# of external hires	37	27	30	30
% of external offers accepted	94.5%	95.0%	95.0%	95.0%
Average time to fill positions (requisition approval to offer)	62	55	50	50
Direct cost per hire (exc. staff time)	\$1,231	\$1,200	\$1,200	\$1,200

Objective 2: Retain employees capable of achieving Town goals.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Overall turnover rate	10.9%	10.0%	9.0%	9.0%
Voluntary turnover rate	8.9%	7.5%	7.0%	7.0%
Involuntary turnover rate	2.0%	2.5%	2.0%	2.0%
Turnover Rate during 1 st year	12.5%	12.5%	10.0%	10.0%
High performer loss (rating \geq 3.25)	2	6	5	5

2. Ensure competitive total rewards program through continuous program review and analysis of market conditions. Implement recommendations from Fiscal Year 2020 Classification and Compensation Study, budget permitting.

Objective 1: Maintain competitive compensation programs.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Salary budget increase % vs. public sector national avg.	+0.3%	+0.3%	0.0%	0.0%
Salary budget increase % vs. national avg. (< 500 employees)	-0.3%	-0.4%	-0.4%	-0.4%
% high performers paid > range mid	53.0%	55.0%	55.0%	55.0%
# of resignations due to salary	0	0	0	0

Program: General Government
Division: Human Resources

Fiscal Year 2021 Goals, Objectives, and Performance Measures

Objective 2: Maintain competitive benefit programs.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Benefits as % of total compensation	28.2%	28.3%	28.4%	28.4%
Town medical premium/month vs. national average (single coverage)	\$473 vs \$597	\$500 vs \$629	\$520 vs \$660	\$520 vs \$660
Eligible employee participation rate in 401k match plan	94.5%	96.2%	97.0%	97.0%
# of resignations due to benefits	0	0	0	0

- Develop and administer activities and programs to optimize workforce performance and preparedness for evolving skill requirements through utilization of a variety of targeted training resources.

Objective 1: Facilitate effective succession planning and career development

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
# of promotions	32	21	22	22
# of transfers	0	5	3	3
Internal placement rate	46.4%	49.0%	45.5%	45.5%

Objective 2: Provide effective interdepartmental talent development initiatives.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
# of interdepartmental participant training hours	1,430	1,500	1,700	1,700
% of employees participating in tuition reimbursement program	4.8%	4.5%	4.5%	4.5%
# certification/degree bonuses given	8	6	8	8

Program: General Government
Division: Human Resources

Fiscal Year 2021 Goals, Objectives, and Performance Measures

4. Effectively support and enhance organization productivity and employee engagement through comprehensive review of employee recognition and professional development programs.

Objective 1: Maintain effective employee job performance.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
% of employees meeting expectations	96.4%	96.5%	96.5%	96.5%
% of employees with improved ratings	21.0%	25.0%	25.0%	25.0%
# of Employee Recognition Awards	20	25	25	25

Objective 2: Optimize position and organization design.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
# of positions created/re-evaluated	16	14	5	5
# of organization redesigns supported	3	4	2	2

Objective 3: Maintain employee productivity and engagement.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Non-FMLA sick leave (% of work hours)	1.41%	1.45%	1.50%	1.50%
Average length of service (in years)	9.23	9.57	9.25	9.25

Objective 4: Support workplace safety.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
# of reported employee injuries	13	12	12	12
# of calendar days away from work due to injury/illness or on restricted duty	493	200	250	250

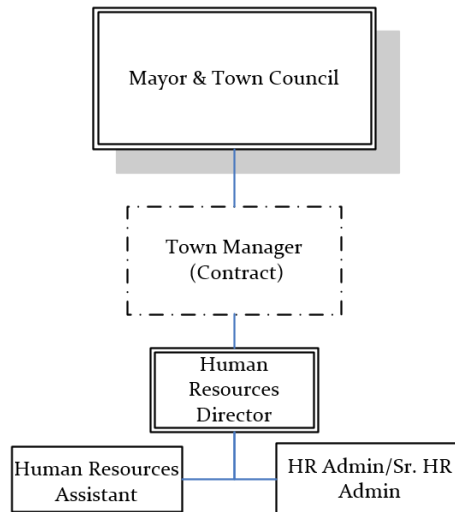
Objective 5: Encourage participation in wellness initiatives.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
% using dental preventive care benefit	30.0%	33.0%	35.0%	35.0%
% participating in on-site health screening	37.0%	45.0%	50.0%	50.0%

Program: General Government
Division: Human Resources

Fiscal Year 2021 Goals, Objectives, and Performance Measures

- Enhance policy/procedure awareness and understanding through implementation of a policy creation/maintenance/publication platform that enables users to easily search for key words and terms.



Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Human Resources					
Personnel	482,304	387,234	438,516	451,671	3.0%
Operating	118,054	101,640	249,250	196,753	-21.1%
Capital	-	-	-	-	0.0%
Total	600,358	488,874	687,766	648,424	-5.7%
Personnel	4.0	4.0	4.0	4.0	

Note: The Fiscal Year 2021 Budget does not include one-time 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.

Program: Management Services
Division: Administrative Services

Mission

To provide administrative leadership, supervision, support and direction to the Finance Department, Information Technology Department, Communications Division, Administration Division, Culture Affairs Division, Records Management Division, Code Enforcement, and Legal Division. To provide sound legal advice and services to the Town Manager, Town Staff, Town Council, and Boards and Commissions of the Town of Hilton Head Island. Prosecute municipal code violations and misdemeanor offenses in Magistrates Court. Provide support and assist with the Town's Public Information Program and Initiatives. Provide support and assist with the Town's Special Event Process. Provide support and assist with the Town's State Legislative Agenda. Process Town-wide Freedom of Information requests.

Core Services

Administration

Assist Town Manager with Town-wide oversight. Manage Public Information Program to include Mayor/Town Manager correspondence; media relations; promotion of Town news; newsletter publication; magazine articles; Facebook posts; speech writing; liaison with Beaufort County Sheriff's Office. Provide assistance with the Town's State Legislative Agenda. Provide assistance with the Town's Special Event Process. Manage the Mayor's Youth Volunteer Service Award Program. Manage Finance Department, Information Technology Department, Communications Division, Culture & Arts Network Division, and Legal Division.

Communications

Develop and administer a public information program to provide transparent, timely and accurate information about Town priorities and activities to the public and media. Design and administer the Town's Websites to include all associated electronic online government services and social media accounts.

Office of Cultural Affairs

Promote and support Hilton Head Island as a vibrant cultural destination that enriches our diverse community.

Legal Services

Provide effective legal representation for the Town, providing continuing legal updates to Town Staff, draft and review contracts, draft and review ordinances and resolutions, review and process Freedom of Information Act requests, update Town Codes, and manage overall Code Enforcement Program. Prosecute violations of the municipal code in the Magistrates Court. Prosecute misdemeanor offense including, but not limited to, criminal domestic violence, simple possession of illegal drugs, and driving under the influence which occur in the Town in the Magistrates Court when defendants request a jury trial. Represent the Town in all appeals of Municipal Court cases. Advise BCSO deputies and Code Enforcement Officers as needed regarding criminal offenses committed on Hilton Head Island.

Information Technology

Establish and manage the Town's information technology systems, based upon industry best standards, to deliver secure, reliable and cost-efficient technology services to visitors, citizens and staff. Provide development and support for all enterprise applications including the Town's Geographic Information Systems. Maintain IT service desk as front-line response to all IT service related issues.

Program: Management Services
Division: Administrative Services

Records Management

Provide support for internal departments to include scanning, storing and destroying records as appropriate. Respond quickly and efficiently to customer requests for Town records. Identify and capture historical archival records. Provide reception and information services at the Town’s main reception desk.

Fiscal Year 2020 Accomplishments Fiscal Year 2021 Goals, Objectives, and Performance Measures

Administration/Legal:

Fiscal Year 2020 Accomplishments

1. Assisted with the development and implementation of the Town Council Key Priorities for 2019 and the organization of the annual Council Workshop.
2. Oversaw the State’s Legislative Agenda and its strategies and provided assistance to support the Town’s positions on 2018-2019 State Legislation.
3. Processed over 500 Freedom of Information Requests, 30 subpoenas, 150 contracts and addendums, and implemented an online Freedom of Information software for public information requests, building records requests, and EMS/Fire Rescue requests.
4. Permitted over 60 special events and 32 non-special events on the Island.
5. Continued education of residents, guests, rental companies, and hotels regarding Light Ordinance and the effects of lights on sea turtles in an effort for an enhanced successful turtle nesting season.

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. To provide competent legal advice and counsel in a timely manner to Town officials and administration.
2. To review, draft, and negotiate contracts and agreements between the Town and other entities or persons in a timely manner.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Average review of contracts within 3	150	160	160	160
Workers compensation compliance	99.0%	99.0%	99.0%	99.0%

3. To respond to Freedom of Information requests within 10 days.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Average response to FOIA Requests within 10 days	450	500	500	500

Program: Management Services
Division: Administrative Services

Fiscal Year 2020 Accomplishments Fiscal Year 2021 Goals, Objectives, and Performance Measures

Administration/Legal:

Fiscal Year 2021 Goals, Objectives, and Performance Measures

- To monitor Town’s priority legislation; to support Town Council Intergovernmental Committee; and draft letters of support or opposition to legislators.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Review and Distribute MASC	30	30	30	30
Draft Committee Agendas and attend meetings	8	5	5	5
Letters of support or opposition	5	5	5	5

- To provide administrative support for the Town’s Special Event application process.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Number of special event applications processed	71	60	65	65
Number of non-special events reviewed and	50	37	40	40

- To provide competent legal presentation on behalf of the Town in prosecuting trials in Municipal Court.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Attorney prosecutions	75	75	75	75
Attorney assists Deputy with	20	35	25	25
Attorney assists Code Enforcement with prosecution	15	25	50	50

Information Technology:

Fiscal Year 2020 Accomplishments

- Implementation of Town-wide IP voice system
- Implementation of Town-wide video teleconferencing system
- GIS Hub implementation
- Finance ATAX Rental analysis project
- Implementation of LaserFiche automated workflows

Program: Management Services
Division: Administrative Services

Fiscal Year 2020 Accomplishments Fiscal Year 2021 Goals, Objectives, and Performance Measures

Information Technology:

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. Migration to Office 365 for messaging and collaboration
2. Migration to Virtual Desktop Infrastructure (VDI)
3. Cartegraph expansion as a Town-wide asset management solution
4. GIS expansion to external web
5. EnerGov CSS implementation
6. To provide for cost-effective state of the art management information systems and support services to enhance employee productivity throughout the Town.

Objective 1: Maintain 99.9% uptime of all critical system services.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Critical system uptime	99.999%	99.999%	99.999%	99.999%
Number of critical system failures	0	1	0	0

Objective: To respond to critical calls for Information Technology support within 1 hour and to resolve all departmental Help Desk requests in less than 7 days.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Respond to critical calls in 1 hour	99.0%	99.0%	99.0%	99.0%
Help Desk (DP) requests completed:				
Within 30 days	1	0	0	0
Within 60 Days	0	0	0	0

Records Management:

Fiscal Year 2020 Accomplishments

1. Converted 10,500 Microfiche records to digital
2. Converted 19,000 building plans to digital
3. Responded to over 500 FOIA requests for building plan records

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. Continued effort to digitize microfiche records
2. Continued effort to digitize all building plans
3. Further Town's digital records management initiative
4. To receive and process official town records from all departments. To ensure that records are processed according to their designated life cycle, creation, digital or physical storage and destruction as appropriate for each record type. To make records readily available to staff and the public.

Program: Management Services
Division: Administrative Services

Fiscal Year 2020 Accomplishments Fiscal Year 2021 Goals, Objectives, and Performance Measures

Records Management:

Fiscal Year 2021 Goals, Objectives, and Performance Measures

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Microfiche records converted to digital	2,000	11,000	10,500	10,500
Paper building plans converted to	20,000	4,000	5,000	5,000
Records requests filled	700	700	700	700

Culture & Arts:

Fiscal Year 2020 Accomplishments

1. Lantern Parade – surpassed goal attendance and came in under budget
2. Education Outreach – successful facilitation of art/history project @ HHIMS bringing art and history 501c3s together to bring this project to the public school
3. Merger of Arts Council of Hilton Head with OCA
4. Public Art Masterplan

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. Crescendo marketing initiative
2. 2020 Lantern Parade
3. Education Outreach
4. Public Art – Installation of temporary public art exhibit on pathways (sculpture trail)
5. To develop and implement communication strategies to support and promote the island’s culture and arts assets.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Office of Cultural Affairs Website	12,000	7,000	10,000	10,000
Culture HHI Facebook Followers	1,700	3,700	4,000	4,000
Culture HHI E-Subscription Services Subscribers	1,870	2,500	2,800	2,800

Communications:

Fiscal Year 2020 Accomplishments

1. Published quarterly editions of Our Town newsletter.
2. Provided public information support for the COVID-19 Epidemic utilizing the Town’s website, e-subscription service, social media and other communication methods.

Program: Management Services
Division: Administrative Services

Fiscal Year 2020 Accomplishments Fiscal Year 2021 Goals, Objectives, and Performance Measures

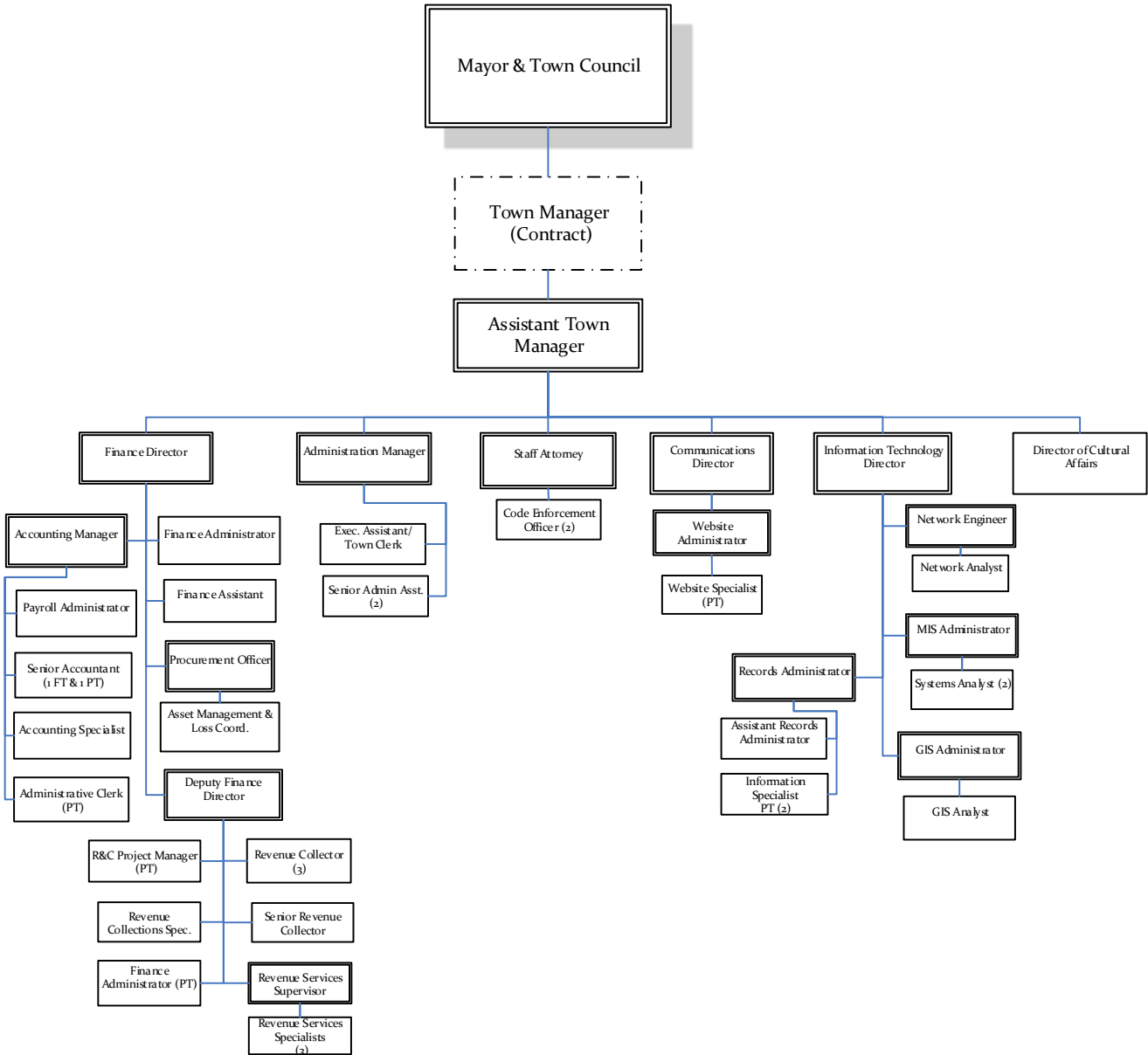
Communications:

Fiscal Year 2021 Goals, Objectives, and Performance Measures

To develop and implement communication strategies to further the Town's Public Information Program initiatives and goals. To increase public access to information, services and interaction through the Town's multiple communication channels.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Town Website Visitors	1,700,000	1,800,000	1,850,000	1,850,000
Town Website Page Views	4,000,000	4,000,000	4,100,000	4,100,000
Town Facebook Followers	18,000	19,500	20,000	20,000
Town E-Subscription Services	17,000	21,000	22,000	22,000

Program: Management Services
Division: Administrative Services



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Program: Management Services
Division: Administrative Services

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Administrative Services - Program Summary					
Administration/Legal	528,120	521,918	562,838	579,723	3.0%
Cultural Affairs	137,058	158,986	250,515	258,030	3.0%
Communications	21,971	289,150	365,917	376,895	3.0%
Records Management	359,532	284,426	274,458	282,692	3.0%
Municipal Court	370,092	168,209	-	-	0.0%
Information Technology	2,170,738	1,958,274	2,503,541	2,576,309	2.9%
Total	3,587,511	3,380,963	3,957,269	4,073,649	2.9%
Administrative Services - By Category					
Personnel	2,274,976	2,128,052	2,096,000	2,158,881	3.0%
Operating	1,102,047	1,170,081	1,705,389	1,756,550	3.0%
Capital	210,488	82,830	155,880	158,218	1.5%
Total	3,587,511	3,380,963	3,957,269	4,073,649	2.9%
Personnel	25.3	19.7	19.7	19.7	

Program: Management Services

Department: Finance

Mission

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

The Finance Department's mission incorporates the following principles:

Leadership – Strong financial leadership in all areas of activity undertaken by the Town.

Innovation – Progressive use of technology to promote the efficient use of resources.

Professionalism – Sound professional advice on all aspects of financial management.

Quality – Achievement and maintenance of a high quality service.

GFOA standards for Finance Departments as identified in “An Elected Official’s Guide to Government Finance” include:

1. **Promote competent financial management**.....Governments should seek to retain trained experience professional managers. To ensure that vital financial policies are implemented, a continuing investment should be made in proper organization, staffing, training, compensation, certification, technology, and support facilities for financial professionals.
2. **Use the budget to communicate effectively**.....The budget document should be prepared so that it facilitates public understanding and analysis while effectively communicating key economic issues and fiscal policies. Revenue sources and assumptions should be explained as clearly as the spending plan.
3. **Pay careful attention to revenues**.....Revenue estimates should be based on reasonable expectations. Unless fund balances or budget stabilization reserves are available to absorb shortfalls, realistic and reasonably conservative revenue estimates are preferable.
4. **Monitor the budget**.....The budget process should include periodic reports to the governing body demonstrating budgetary compliance. Budget policymaking and oversight should be forward looking.

Core Services

Financial Administration

Provide strong financial leadership in all areas of activity undertaken by the Town. Promote the use of technology to ensure the efficient use of the Town's resources. Develop and manage the Town's financial policies and exercise budgetary controls over all expenditures. Provide effective cash and debt management for the Town ensuring strong bond ratings are maintained. Oversee the compilation of accurate comprehensive annual financial reports and budgets in compliance with governmental standards, practices and recommendations. Provide oversight of technological and systems improvements within the department. Ensure the department is committed to providing the highest quality customer services.

Accounting Services

Provide administration of the Town's general ledger, payroll, accounts payable, financial audits, State reporting and grants. Provide accounting functions for the Island Recreation Association and Coastal Discovery Museum. Responsible for maintaining the following funds: General, Tax Increment Financing District (TIF), Debt Service, Capital Projects, Accommodations Tax - State, Accommodations Tax – Local, Beach Preservation Fee, Hospitality Tax, Stormwater Fee, Real Estate Transfer Fee, Home Grant, Road Usage Fee, and Electric Franchise Fee. Provide effective accounting support to staff and committees. Compile accurate monthly and comprehensive annual financial reports in compliance with governmental standards, practices and recommendations to be published on the Town's website and submitted to the Government Finance Officers Association.

Program: Management Services

Department: Finance

Revenue Services

Collection of Town-wide funds including business license fees, hospitality taxes, accommodations taxes, beach preservation fees, franchise fees, and beach passes. Perform Emergency Medical Services billing and collections. Oversee the processes associated with the Town's setoff debt collection program. Maintain the Town's business license database, and ensure compliance with the business license ordinance through on-site inspections. Compile accurate annual financial budgets in compliance with governmental standards, practices and recommendations to be published on the Town's website and submitted to the Government Finance Officers Association.

Procurement

Oversight of solicitations and contracts for goods and services. Oversee all Town risk management programs and insurance coverage.

Fiscal Year 2020 Accomplishments

1. Issued \$16,520,000 in Special Obligation Bonds (Hospitality) – that achieved over \$800,000 in net savings
2. Completed the Fiscal Year 2019 audit and preparation of the CAFR
3. Completed preparation of the Fiscal Year 2020 budget and the preparation of the budget books
4. Completed the impact study regarding the Town's adoption/implementation of the MASC business license ordinance and HB4331
5. Implemented a new procurement software system for improved management of the contract approval process and implemented and new EMS billing system

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. Assist Town Management and Town Council through the economic effects of a world-wide health crisis
2. Completion of the Fiscal Year 2020 audit and preparation of the CAFR
3. Completion preparation of the Fiscal Year 2021 budget and the preparation of the budget books
4. Prepare for implementation of the model MASC business license ordinance and HB4331 in Fiscal Year 2022 (if approved by Town Council)
5. Maintain strong credit rating of the Town.

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

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Standard & Poor's Bond Rating	AA+	AA+	AA+	AA+
Moody's Investors Bond Rating	Aaa	Aaa	Aaa	Aaa
Fitch Bond Rating	AA+	AA+	AA+	AA+

Note: The Town's beach bonds were upgraded during Fiscal Year 2019 from A to AA by Standard and Poor's. This is a positive reflection on the Town.

Program: Management Services
Department: Finance

Fiscal Year 2021 Goals, Objectives, and Performance Measures

6. Provide a high level of customer service in the Revenue Services Division.

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

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Business license renewals processed	5,938	6,000	6,050	6,050
New business licenses processed	1,242	1,250	1,275	1,275
Local ATAX/Beach Preservation Fees Permits	1,459	1,465	1,470	1,470
Local ATAX/Beach Preservation Fees receipts processed	6,019	6,025	6,040	6,040
Local ATAX/Beach Preservation Fees collections	\$3,395,887	\$3,400,000	\$3,420,000	\$3,420,000
Hospitality Account Permits	389	400	410	410
Hospitality Account receipts processed	2,396	2,450	2,465	2,465
Hospitality Account collections	\$6,922,166	\$6,925,000	\$6,930,000	\$6,930,000
Beach passes issued	802	815	820	820
Miscellaneous receipts processed	2,300	2,325	2,350	2,350
Miscellaneous receipts collections	\$15,290,240	\$15,295,000	\$15,300,000	\$15,300,000
EMS number of calls billed	4,255	4,300	4,350	4,350
EMS collections (payments)	\$1,552,972	\$1,572,975	\$1,592,000	\$1,592,000
EMS charges billed	\$2,286,439	\$2,316,439	\$2,331,000	\$2,331,000
Collection rate	68%	74%	75%	75%

7. Support paperless records retention to allow the Finance Department to be environmentally responsible and allows faster and more efficient access to financial information.

Objective: Archive Revenue Services primary and support documentation with 30 days of processing.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Revenue Services documents	44,652	45,000	45,500	46,000
EMS documents	19,362	20,000	10,000	0

Note: EMS billing was successfully outsourced in fiscal year 2020. The Finance team is still heavily involved in monitoring billing activity, monitoring collection results, and collecting outstanding billings from proprietary billing systems.

Program: Management Services
Department: Finance

Fiscal Year 2021 Goals, Objectives, and Performance Measures

8. Ensure business license compliance and enforcement of Town Code.

Objective: Conduct business license site visits/contacts.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Business license site visits/contacts	521	550	560	560

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Finance - Program Summary					
Administration	309,787	310,912	367,117	2,052,125	0.0%
Accounting Services	566,366	632,178	608,746	-	0.0%
Revenue Services	724,395	779,364	809,224	-	0.0%
Procurement	26,514	197,752	207,319	-	0.0%
Total	1,627,062	1,920,206	1,992,406	2,052,125	3.0%
Finance - By Category					
Personnel	1,473,124	1,739,268	1,785,716	1,839,234	3.0%
Operating	153,938	180,938	206,690	212,891	3.0%
Capital	-	-	-	-	0.0%
Total	1,627,062	1,920,206	1,992,406	2,052,125	3.0%
Personnel	19.3	21.3	21.3	21.3	

Program: Community Services
Department: Community Development

Mission

To provide the highest quality planning services for both internal and external customers by; a) insuring the Comprehensive Plan is in accordance with state law and is being implemented; b) providing creative, flexible, fair and consistent administration of development and construction codes, permitting and inspection of structures, while maintaining records and assuring compliance with the provision of the National Flood Insurance Program for our customers; c) insuring a comprehensive and professional direction for the Island's environmental protection and preservation; and d) preserving and enhancing the Island's long-term sustainability.

Core Services

Administration

1. Oversees the implementation of the Land Management Ordinance to ensure development and redevelopment activities are in compliance.
2. Oversees revision to the Comprehensive Plan to improve its effectiveness in guiding the future of the community.
3. Oversees implementation of building codes and effective code enforcement.
4. Selectively participates in regional issues with Beaufort County, the Town of Bluffton and other agencies regarding growth management, development regulations, transportation planning, recreation planning, natural resource protection, and other issues that impact our community.
5. Assists in developing and addressing Town Council's Key Priorities.
6. Coordinates land acquisition efforts of Town Council.
7. Oversees process improvements within department and with other departments.
8. Coordinates review board activity, meetings, agendas and packets.
9. Promotes public education of department's projects and function.
10. Updates and implements the Town's Disaster Recovery Plan.

Development, Review and Rezoning

1. Manages and coordinates efforts to implement the Land Management Ordinance by the review of all applications for Development Plans, Subdivisions, Variances, Special Exceptions, Appeals, Zoning Map Amendments, Public Project Reviews and Master Plan Amendments ensuring all applications are in compliance with the Comprehensive Plan.
2. Oversees natural resource protection of the Island including beach, tree and wetland regulations, and water quality preservation.
3. Continues environmental monitoring for water quality and created wetlands, and Land Management Ordinance effectiveness for tree protection.
4. Oversees Urban Design Program and Guidelines.
5. Provides for periodic review and update of the Land Management Ordinance.

Program: Community Services
Department: Community Development

Core Services

Comprehensive Planning

1. Guides the revision and implementation of the Comprehensive Plan focusing on Redevelopment strategies, Sustainable strategies, Capital Improvement Program projects, and Land Management Ordinance amendments.
2. Provides support services and programs for economic development initiatives in the Town.
3. Provides for grant research and writing to secure funding for various town projects and programs.
4. Implements all aspects of CDBG Entitlement Grant Activities.
5. Undertakes and guides Special Projects as identified by Town Council or Town Management.
6. Oversees Sustainable Practices Program and Implementation.
7. Provide staff support to Capital Improvement Plan (CIP) and storm water initiatives as needed.

Building

1. Delivers prompt, efficient and courteous service in the management, coordination and inspection of the building permitting process to be in compliance with current building code regulations for both single family and commercial structures.
2. Enforces ICC building codes.
3. Collects permit fees and impact fees for both the Town and the County.
4. Provides flood hazard determination to homeowners, insurance, legal and banking representatives.
5. Conducts seminars for the public pertaining to building code regulations.
6. Manages the Community Rating System, assuring that construction within the Town is in compliance with FEMA regulations thereby providing savings on flood insurance premiums for the residents and businesses on the Island.

Community Development Services

1. Serves as front line for general information and permitting process. Approves smaller permits for site development.
2. Maintains accurate records and statistics of construction on Hilton Head Island.
3. Communicates with the construction/development community to address code issues, inspection issues and procedures for permitting and inspection, and planning/development issues.

Fiscal Year 2020 Accomplishments

1. Approval of the Gullah Geechee Culture Preservation Report and Top Recommendations for Implementation
2. Approval of the Workforce Housing Strategic Plan and policy framework for a workforce housing program
3. Completed the Consolidated Plan 2020-2024 and 1-year Annual Action Plan mandated as part of HUD's CDBG Entitlement Program
4. Construction of Lowcountry Celebration Park. 80% complete
5. Coordinated all potential response, recovery and reimbursement activities related to Hurricane Dorian & COVID-19 Response/Recovery

Program: Community Services
Department: Community Development

Fiscal Year 2020 Accomplishments

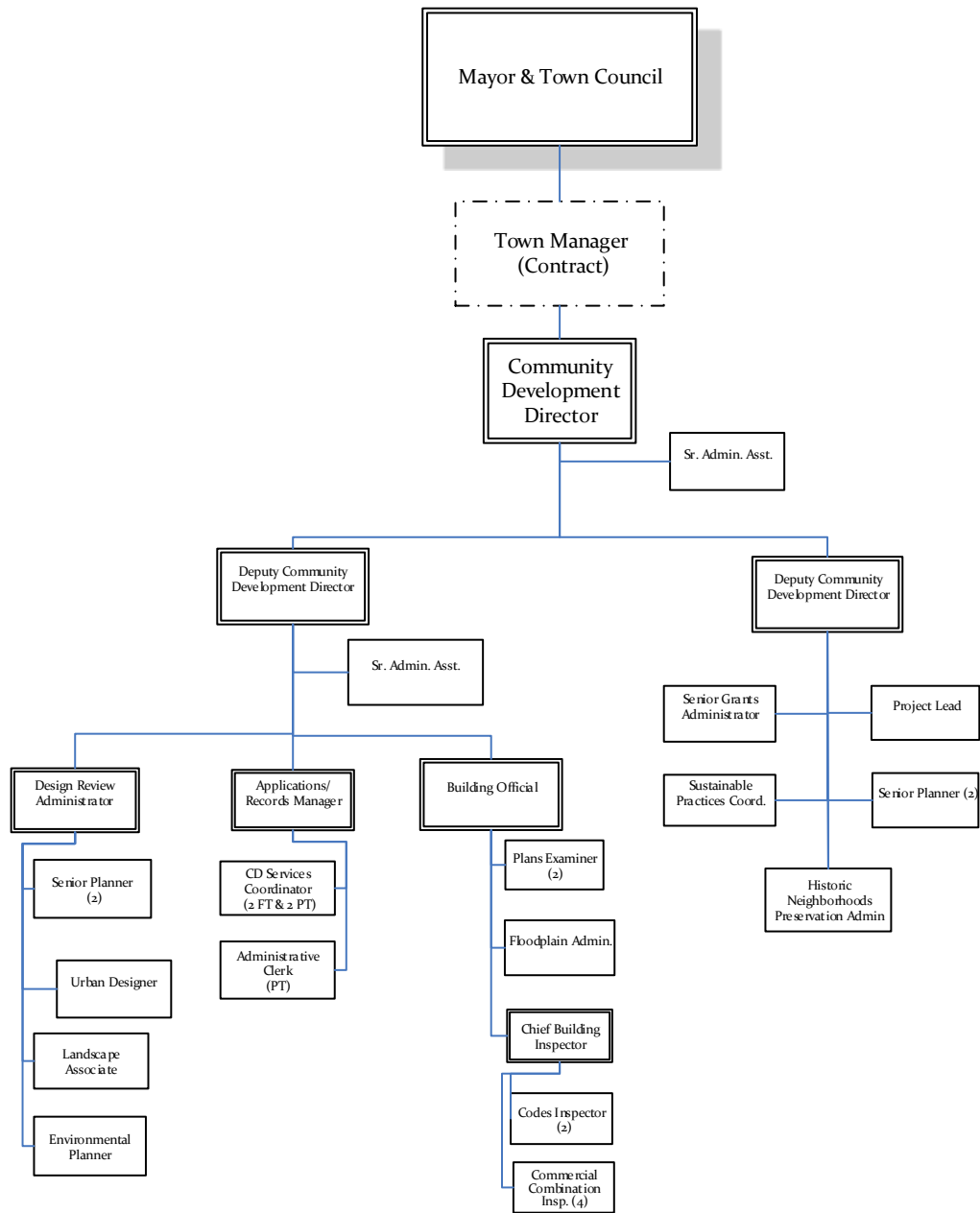
6. Permits, Inspections, and Planning Approvals between 7/1/2019 and 3/26/2020:

<i>Type</i>	<i>#</i>
Building Inspections	3637
Building Permits	14,871
Appeals	1
DRB	88
DPR (Major)	13
DPR (Minor)	48
Lighting Plans	2
Manuf Home Placement	31
Natural Resources	389
Plats	30
Signs	100
Small Residential Reviews	21
SUBs	5
Utility Plans	75
Variances	3
ZMAs	3

Fiscal Year 2021 Goals

1. **Goal:** Comprehensive Plan
Objective: Adopt Our Plan, the state-mandated rewrite of the Town’s comprehensive plan, including Parks and Recreation Master Plan
2. **Goal:** LMO Amendments
Objective: Coordinate for adoption LMO modifications for Workforce Housing, Historic Neighborhoods Preservation Overlay District, Dirt Road Paving and General Amendments
3. **Goal:** FEMA – Flood Insurance Rate Maps
Objective: Continue to work through adoption process and prepare community for implementation of the new FIRM maps currently projected for November 2020
4. **Goal:** Master Planning
Objective: Develop master plans for specific sub areas/districts including the Opportunity Zone
5. **Goal:** Quality of Life Project Planning
Objective: Develop plans and cost estimates for specific projects associated with the Quality of Life Referendum

Program: Community Services
Department: Community Development



Note: The Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Program: Community Services
Department: Community Development

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Community Development - Program Summary					
Administration	1,106,042	552,444	687,558	708,185	3.0%
Comprehensive Planning	633,398	673,077	678,983	673,602	-0.8%
Development Review & Zoning	698,409	725,004	750,453	747,217	-0.4%
Building	678,463	820,655	1,012,935	1,035,754	2.3%
CD Services	392,830	410,621	424,068	436,790	3.0%
Total	3,509,142	3,181,801	3,553,997	3,601,547	1.3%
Community Development - By Category					
Personnel	2,793,135	2,945,284	3,347,297	3,447,716	3.0%
Operating	116,007	236,517	206,700	153,831	-25.6%
Capital	600,000	-	-	-	0.0%
Total	3,509,142	3,181,801	3,553,997	3,601,547	1.3%
Personnel	30.1	30.1	33.1	33.1	

Note: The Fiscal Year 2021 Budget does not include one-time funding for (1) Gullah Task Force consultant (\$25,000), (2) remaining funds Work Force Housing consultant (\$25,000), funded in Fiscal Year 2020.

Program: Community Services
Department: Public Projects and Facilities

Mission

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

Core Services

Administration

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

Engineering

Provide general oversight and project management for design and construction of road, drainage, pathway and other infrastructure projects. Review and approve plans for land development to ensure compliance with the road and storm water management standards of the Land Management Ordinance. Conduct field inspections of development projects and issue certificates of compliance for same. Maintain the Town's roadways, traffic signals, street signs, mile markers and storm water infrastructure. Coordinate with other government agencies and utility providers regarding infrastructure maintenance and improvements.

Facilities

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

Fiscal Year 2020 Accomplishments; Administration, Engineering, and Public Facilities

1. Completed US 278 Shelter Cove Area Transportation Safety Improvements
2. Completed Coligny Area Transportation Improvements
3. Completed playground play surface and signage improvements to ensure compliance with safety standards at Shelter Cove, Jarvis and Greens Shell Parks.
4. Initiated Construction of Fire Station 2 Replacement, including construction of temporary quarters and Emergency Operations Center renovations,
5. Completed over 5,000 work orders assigned to Facilities Management staff.

Fiscal Year 2021 Goals; Administration, Engineering, and Public Facilities

1. Manage capital improvement projects to ensure work is completed correctly and cost effectively within established budgets and advertised schedules.
2. Operate and maintain the Town's infrastructure assets (buildings and grounds, storm water, signs, roadways, pathways).
3. Comply with the NPDES permit requirements and self-report to SC DHEC.
4. Provide timely and thorough regulatory reviews and inspections of land development project so ensure compliance with the Town's Land Management Ordinance.
5. Operate and maintain the Town's traffic signal system.

Program: Community Services
Department: Public Projects and Facilities

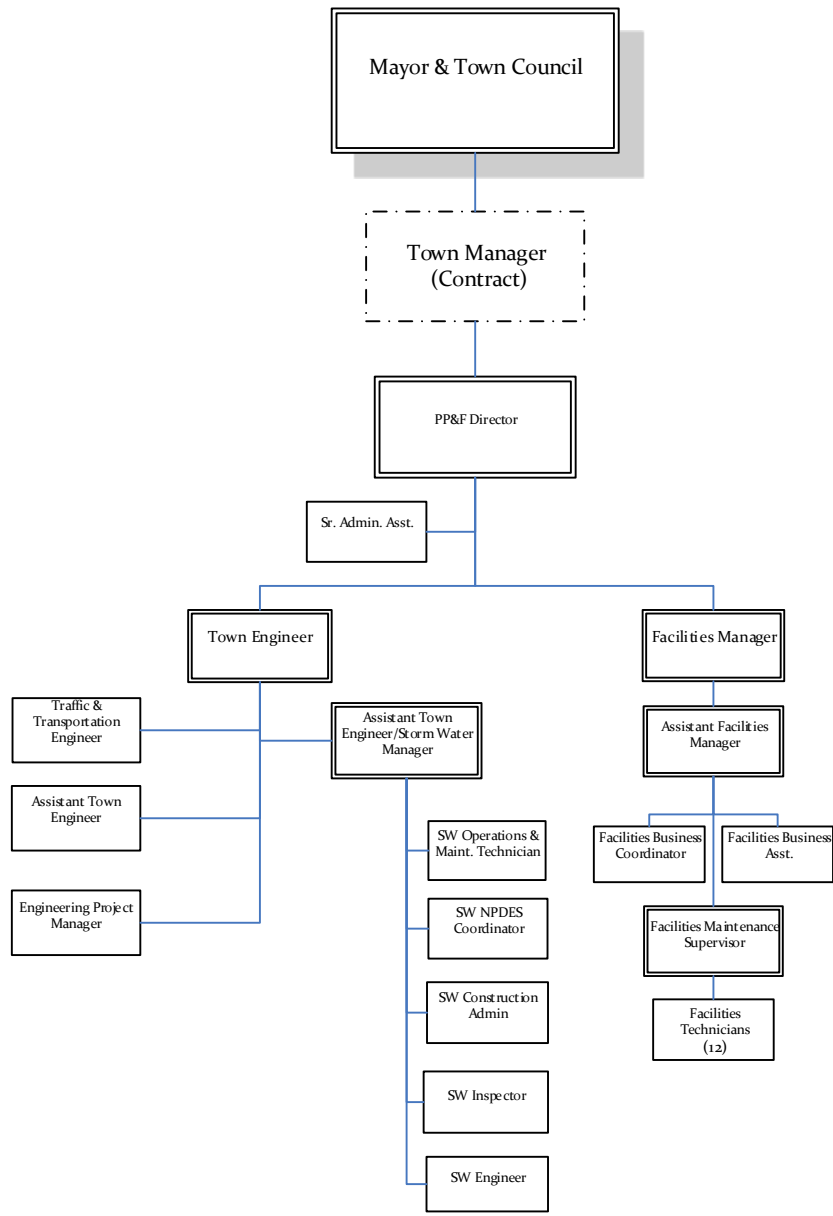
Fiscal Year 2020 Accomplishments; Stormwater

1. Completion of Jarvis Creek Pump Station Rehabilitation
2. Completed 42 Maintenance and Capital Projects
3. Submitted NPDES permit annual report with no comments/questions from DHEC
4. Implemented new Asset Management program
5. Completed Palmetto Hall/Mitchelville Watershed Study

Fiscal Year 2021 Goals; Stormwater

1. NPDES permit compliance and annual reporting
2. Sea Pines pump station rehabilitation
3. Complete Jarvis Creek (Gum Tree/Stoney) Watershed Study
4. Update standard POA drainage service agreements and incorporate new POA's seeking service
5. Complete all budgeted maintenance and capital projects

Program: Community Services
Department: Public Projects and Facilities



Note: The Town Manager's salary and benefits are budgeted in the Town Manager's Department. Four positions above are budgeted in the Town's Stormwater Fund. The remaining positions are in the General Fund.

* Stormwater positions are funded in the Stormwater enterprise fund.

Program: Community Services
Department: Public Projects and Facilities

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Public Projects and Facilities - Program Summary					
Administration	282,337	291,515	302,662	311,742	3.0%
Engineering	867,367	880,717	993,180	1,022,975	3.0%
Facilities	3,865,139	3,983,097	4,346,201	4,576,587	5.3%
Total	5,014,843	5,155,329	5,642,043	5,911,304	4.8%
Public Projects and Facilities - By Category					
Personnel	1,790,293	1,824,263	1,938,460	2,096,614	8.2%
Operating	3,224,550	3,331,066	3,703,583	3,814,690	3.0%
Capital	-	-	-	-	0.0%
Total	5,014,843	5,155,329	5,642,043	5,911,304	4.8%
Personnel	19.0	19.0	19.0	21.0	

Note: The Fiscal Year 2021 Budget includes two (2) new positions associated with the operation of Lowcountry Celebration Park scheduled to open during the fiscal year.

Program: Public Safety
Department: Fire Rescue

Mission

To protect the people, property and environment of Hilton Head Island with courage, commitment and compassion.

Town Council Guiding Principle

Providing a Serene, Safe and Healthy Living Environment for Residents, Guests and Visitors.

Town Council Goal

Financially Sound, Excellent Services

Core Services

1. Provide fire services to the town to include structural firefighting, wildland firefighting, motor vehicle fires, and all other fires typically assigned to a fire department to include the training and development of its staff to perform these duties.
2. Fire Rescue provides advanced life support (ALS) emergency medical services (EMS) to include public education, early detection, response, treatment, patient care and necessary transport including the training of its staff to perform these duties.
3. Operate seven fire stations, a dispatch center and a headquarters facility. Manage and operate a Primary Public Safety Answering Point to receive and process 911 calls from the public for Hilton Head Island, Hilton Head Island Airport and Daufuskie Island in addition to serving as backup communication center for Beaufort and Jasper Counties.
4. Provide fire prevention services to the Town to include public education, prevention, code enforcement, and fire origin cause and determination.
5. Deliver other specialty emergency response services to include hazardous materials response, technical rescue services, vehicle and machinery extrication services, confined space, and other services as requested.
6. Emergency Management develops town-wide plans for the preparedness, response, and recovery from man-made and natural disasters to include but not limited to evacuations, hurricane and tropical storms, earthquakes, floods, tornadoes, fire, hazardous materials, etc. and to coordinate all such plans with local, county, state, and federal authorities.
7. Manage a fleet maintenance program for all Town vehicles to include preventative maintenance and repairs and assist in other activities as required.
8. Fire Rescue shall conduct research and planning activities as necessary to properly perform its assigned services.

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2020 Accomplishments

1. Implemented a New EMS Patient Care Reporting System (ePCR).
2. Completed the purchase and implementation of the new fleet of 10 ambulances.
3. Met the departments total response time goal for EMS response of having the first ambulance on scene in 8 minutes and 5 seconds, 90% of the time: Actual performance 7 minutes and 59 seconds, 90% of the time.
4. Implemented “Stop the Bleed” public education program to the local schools and general public.

Fiscal Year 2021 Goals, Objectives, and Performance Measures

1. Complete the Update to the Standard of Cover/ Community Risk Assessment and present to Town Council.
2. Implement a new Records Management System and Staffing / Scheduling Software Programs.
3. Complete an update of the Department’s Policy & Procedures Manual.
4. Complete the purchase and implementation of Ballistic Vest for Line Operations.
5. Complete the Commission on Fire Accreditation International Self-Assessment Manual by July 1, 2021.

Operations

Division Goal: Protect the lives and property of the community through timely emergency response and the efficient delivery of services.

Division Objective: Provide an emergency response system that improves the quality of life by maintaining and enhancing the response capability and performance level of our members to reduce fire losses and civilian casualties.

To provide for a safe and timely response to all emergent incidents with the goal of being on scene from the time a call is received in the E911 Center to when an ambulance arrives curb side on EMS incidents in 7 minutes and 50 seconds 90% of the time; and, for a fire truck to arrive on scene at fire incident in 8 minutes and 30 seconds 90% of the time.

Provide a timely and professional response to hazardous materials, technical rescue, and other emergency situations to assist the public and protect the community.

Provide a means to control and mitigate environmental damage from release of hazardous materials and mitigate technical rescue incidents through the management of specialty teams.

Support department programs that engage the public in education and during community events.

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2021 Goals, Objectives, and Performance Measures

Operations

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Total Emergency Incidents	7,477	7,590	7,760	7,760
Emergency Medical Service (EMS) responses	5,285	5,313	5,432	5,432
EMS patients transported	4,075	4,180	4,290	4,290
EMS patients treated but not transported	150	165	170	170
Fire Suppression and other responses	2,195	2,277	2,328	2,328
Actual number of fires	113	140	147	147
EMS First Arriving – Total Response Time Baseline (90 th percentile)	7:52	7:45	7:40	7:40
Fire First Arriving – Total Response Time Baseline (90 th percentile)	8:29	8:20	8:15	8:15
Pre-incident plans processed (Planning)	52	120	1,000	1,000

Emergency Medical Services

Division Goal: Facilitate the provision of high-quality emergency medical care to our citizens and visitors with a commitment to clinical excellence, compassion, customer service, and the preservation of human dignity.

Division Objectives: Administrate an effective and compliant Patient Care Reporting (PCR) platform that appropriately documents patient care encounters, enables the collection of relevant performance metrics, and allows the Town to obtain appropriate reimbursement for medical care.

Develop and curate education and training that is timely and relevant for a variety of injuries and time-sensitive diagnoses. Enable staff to provide evidence-based therapies to improve clinical outcomes.

Support EMS certification and recertification using the best regionally-available schools, training methods, and evaluation techniques according to state and national standards and best practices.

Promote a culture of clinical excellence and continuous quality improvement using Just Culture and High Reliability models that enhance the safety and quality of life for each individual patient we encounter.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
EMS training hours	6,969	7,000	7,000	7,000
Paramedic graduates	2	2	2	2
FOIA requests processed	208	250	240	240
Report returns processed (EMS)	379	350	315	315

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2021 Goals, Objectives, and Performance Measures

Emergency Management

Division Goal: To continue positioning the Town of Hilton Head Island to respond efficiently to the full range of threats facing the community, seek to minimize the impacts of emergencies and disasters on the people, property, environment, and economy of the Town, and to prepare staff and residents to better protect themselves and others through an effective program of all-hazards planning, partnerships, resource acquisition, training and public education/outreach.

Division Objectives:

Continue to develop, maintain, update, and expand the plans, procedures, and agreements necessary to support the goals of the Emergency Management Division.

Identify necessary equipment and any resource shortfalls, and either purchase items in a cost effective manner or arrange for their availability through the development of agreements with outside entities.

Continue to evaluate our current hurricane evacuation point for critical staff and public safety assets and continue to search for an alternate location.

Strive to maintain and update our current Emergency Operation Plan and Emergency Management Guides. Continue to develop annexes to the emergency operations plan for every hazard identified in the Beaufort County Hazard Mitigation Plan, develop new Emergency Management Guides.

Partner with other Town Departments and Divisions to administer a program of effective public education and outreach which promotes Town initiatives and resources, and provides pre-event information that will allow our citizens to prepare for all potential hazards facing the Town.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Plans and Procedures updated/developed	15	10	20	20
Exercises Participated in	8	6	4	4
Exercises/Training program staff attendees	130	120	150	150
Disaster Preparedness presentations conducted	17	15	15	15
Disaster presentations/training public attendees	900	1,000	1,000	1,000
<i>Citizen's Guide to Emergency Preparedness</i> distributed	2,000	2,000	2,200	2,200

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2021 Goals, Objectives, and Performance Measures

Bureau of Fire Prevention

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

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

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Public Education Presentations (includes Company Pub Ed taught, Company public events, Risk Watch, Station Tours and Public Ed Officer Pub Ed taught)	433	450	450	450
CPR/AED/First Aid Students	578	600	600	600
Fire Extinguisher Training Students	196	200	200	200
Car Seat Installations	140	140	140	140
File of Life Recipients	1,122	1,000	1,000	1,000
Smoke Detectors Installed	205	200	200	200
Plan Reviews	283	300	300	300
Total Fire Safety Inspections (Total includes Initial Inspections, Re- Inspections, Business License Inspections, New Construction/Renovation Inspections)	2,594	2,900	2,900	2,900
Business License Inspections	293	400	400	400
Existing Building Inspections (Initial Inspections & Re-inspections)	1,383	1,500	1,500	1,500
New Renovated Construction Inspections	788	1,000	1,000	1,000
Violations found during inspections	2,233	1,600	1,600	1,600
Violations Corrected	2,075	1,600	1,600	1,600
Planning project reviews & inspections	212	200	200	200
Fire cause/origin investigations	45	30	30	30
Special Event reviews & Inspections	87	100	100	100

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2021 Goals, Objectives, and Performance Measures

E-911 Communications

Division Goal: To manage and operate a primary emergency answering point for the Town of Hilton Head Island; thereby, ensuring all emergency and non-emergency requests for assistance requiring police, fire, EMS, or other agencies, are received and the appropriate resources are notified.

Division Objectives:

To receive, process and dispatch requests for services in a timely and efficient manner in order to protect the lives and property of the community.

To answer calls for service in less than ten seconds, ninety five percent of the time and complete the alarm handling process time in 80 seconds 90% of the time.

	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Calls answered 0-10 seconds	99.9%	99.0%	99.9%	99.9%
90th Percentile times baseline: Alarm Handling (pick-up phone to Dispatch)	1:10	1:12	1:09	1:09
Total telephone requests received	51,945	53,891	54,450	54,450
Pool & elevator lines	6,385	6,735	6,800	6,800
911 calls for service line	30,925	31,220	31,500	31,500
Dispatch administration	14,439	15,786	16,000	16,000
Dispatch other business	196	150	150	150
New addresses created (911 Addressing)	156	125	150	150
Existing addresses corrected (911 Addressing)	250	80	100	100

Safety and Professional Development

Division Goal: Provide a comprehensive training and development program that will enhance the abilities of personnel in order to improve department operations and service delivery.

Division Objectives:

Support employee training and professional development at all levels of the organization and in all subject areas to enhance knowledge, skills, and abilities.

Develop and deliver training as required by OSHA Regulations.

Provide administration and management of the Fire Rescue Training Center.

Maintain training records consistent with department and NFPA standards.

Administer the new firefighter orientation program.

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2021 Goals, Objectives, and Performance Measures

Training Hours/Type	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Company training – firefighting	24,089	30,000	30,000	30,000
Company drills – fire, rescue	2,281	2,000	2,000	2,000
Rescue/extraction	690	1,000	1,000	1,000
Hazardous materials	1,643	1,500	1,500	1,500
Total Hours	28,703	34,500	34,500	34,500

Drills/Classes Sessions	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Company drills	105	70	70	70
Live burn training	14	24	24	24
Urban search and rescue training	7	10	10	10
S.C. fire academy classes	11	12	12	12
Fire rescue classes	7	17	20	20
Driver/operator training/testing	36	36	36	36
New firefighter orientation	12	5	5	5
Officer training	12	12	12	12
Total	204	186	189	189

Fleet Maintenance

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

Division Objectives:

Manage and maintain a Fleet Management system to track routine maintenance, repairs, and inventory of all Town owned vehicles and equipment.

Inspect, maintain, and repair all Town owned vehicles and equipment in a timely and cost-effective manner.

Complete the fire pumper and ladder testing and other certification tests as required.

Support the implementation of the new ambulance fleet.

Program: Public Safety
Department: Fire Rescue

Fiscal Year 2021 Goals, Objectives, and Performance Measures

Training Hours/Type	FY 2018 Actual	FY 2019 Actual	FY 2020 Projected	FY 2021 Budget
Total Maintenance Requests – All Types	1,316	1,350	1,330	1,330
Scheduled Maintenance (Preventative and Safety)	234	248	250	250
Unscheduled Maintenance (Vehicle Repairs)	818	830	810	810
Other Repairs (Mowers, powered equipment)	242	250	250	250
Emergency Repairs	22	22	30	30
Town Fleet Vehicles (Emergency, Passenger, Utility)	123	123	123	123

Support Services

Division Goal: To provide administrative support and services to support the mission of Fire Rescue through efficient administrative processes and functions.

Division Objectives:

Provide oversight of the Community Risk Reduction Program.

Maintain critical public safety computer systems 24/7 - 365 days a year to assure timely and accurate emergency response.

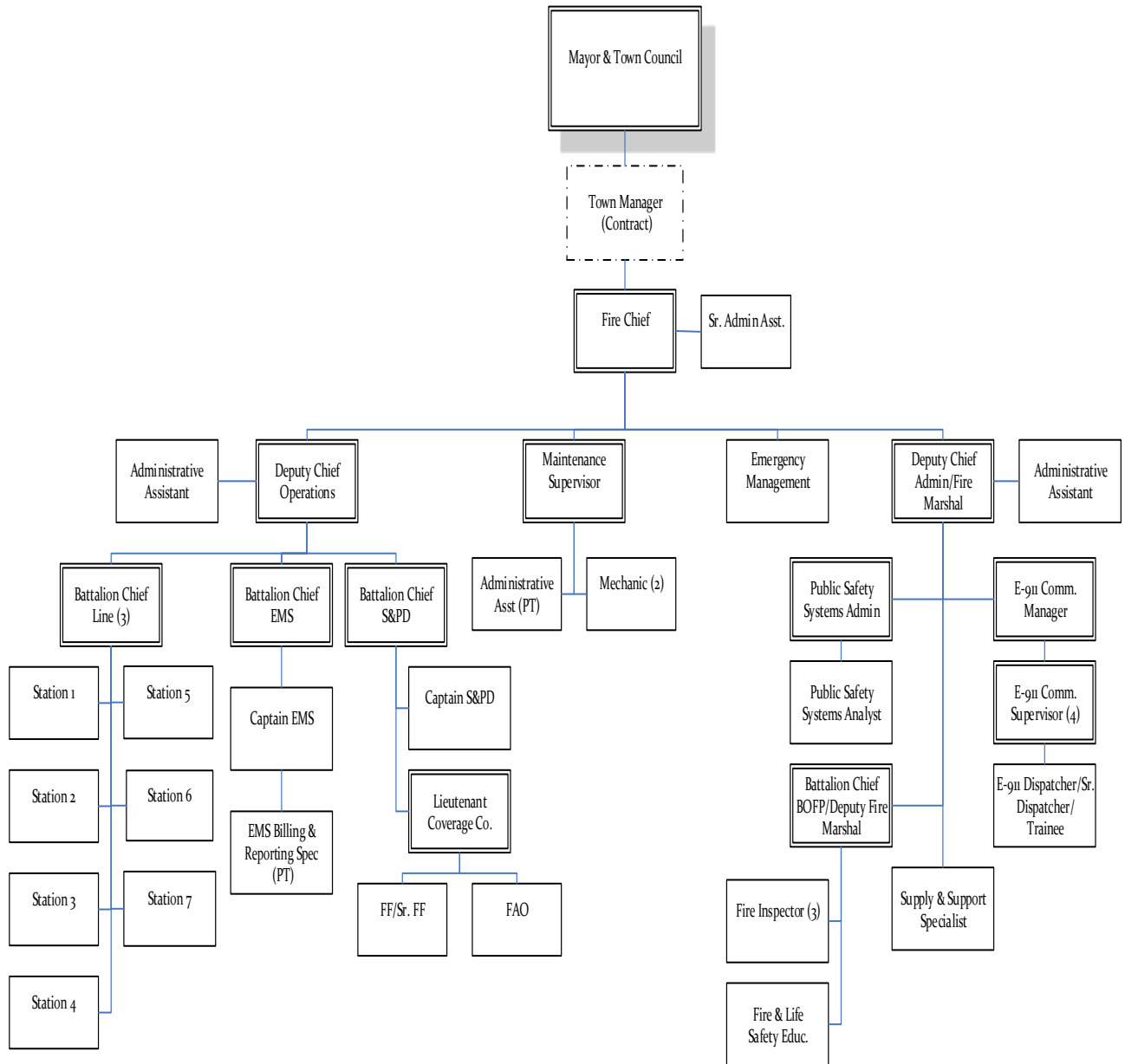
Support the Computer Aided Dispatch System, Records Management System, Electronic Patient Care Reporting and Medical Billing programs.

Provide storage and backup of all data and operating systems in order to replicate all Fire Rescue data systems and operating platforms in case of catastrophic failure or emergencies.

Provide the oversight of the departments Accreditation Process and manage response data to evaluate response benchmarks and established levels of service to identify areas of improvement.

Efficiently provide and maintain effective firefighting and emergency medical response equipment and supplies that support the department operations and personnel.

**Program: Public Safety
Department: Fire Rescue**



Note: The Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Program: Public Safety
Department: Fire Rescue

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Fire Rescue - Program Summary					
Executive	367,204	351,451	1,155,866	1,190,543	3.0%
Operations	9,871,814	9,922,416	11,386,835	11,728,441	3.0%
Administration	-	-	2,956,645	2,978,393	0.7%
E-911 Communications	1,158,635	1,250,173	-	-	0.0%
E-911 Communications Support	227,355	227,235	-	-	0.0%
Emergency Management	132,985	150,649	-	-	0.0%
Fire Prevention	558,774	511,264	-	-	0.0%
Fleet Maintenance	525,624	517,609	-	-	0.0%
EMS Training	293,244	377,544	-	-	0.0%
Support Services	625,043	736,933	-	-	0.0%
Safety and Professional Development	640,786	616,989	-	-	0.0%
Total	14,401,464	14,662,263	15,499,346	15,897,377	2.6%
Fire Rescue - By Category					
Personnel	13,180,816	13,277,774	13,859,226	14,275,003	3.0%
Operating	1,204,757	1,384,489	1,640,120	1,622,374	-1.1%
Capital	15,891	-	-	-	0.0%
Total	14,401,464	14,662,263	15,499,346	15,897,377	2.6%
Personnel	145.9	145.3	145.3	145.3	

Note: The Fiscal Year 2021 Budget does not include one-time funding of \$65,000 for E-911 software funded in Fiscal Year 2020.

Program: Public Safety
Department: Sheriff/Other Public Safety

Mission

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

Core Services

Police Services

Town-wide police services are provided to the citizens of the community through a contract with Beaufort County and the Sheriff's Office. These services are provided in conjunction with the Town's fiscal policies of sound, economical management.

Shore Beach Services

Shore Beach Service provides year-round beach patrol for the entire 13.5 miles of beach on Hilton Head Island. During the peak summer season, the patrol consists of more than sixty lifeguards, seven red trucks marked "Beach Patrol," and two red ATVs. In addition, they have three wave runners for use in water rescue. They can assist in first aid, ocean rescue, missing persons, beach specific questions, or any other questions you may have about the island.

Expenditures by Program/Category

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Sheriff - Program Summary					
Police Services	3,156,430	3,380,935	3,223,555	3,320,262	3.0%
Stipend	93,150	82,200	120,000	123,600	3.0%
Victim Services	63,542	-	63,542	65,448	3.0%
Detention Center	42,435	3,012	75,000	77,250	3.0%
Total Sheriff	3,355,557	3,466,147	3,482,097	3,586,560	3.0%
Shore Beach Services					
Expenses	-	-	59,000	60,770	3.0%
Contract	253,748	267,974	272,140	280,304	3.0%
Total Sheriff and Shore Beach Services	3,609,305	3,734,121	3,813,237	3,927,634	3.0%

Program: Townwide

The townwide budget is a compilation of miscellaneous expenditures not directly associated with a specific department. The budget for the personnel, operating, and capital portions of this budget are developed jointly developed by Finance and Human Resources. Also included in this budget are the grants provided by the Town to various community organizations.

Personnel

Expenditures that are included in this category are short-term temporary salaries, retirement health savings plan contributions, workers compensation deductibles, Palmetto Pass employee reimbursement, employee recognition, and COBRA benefits.

Operating

This category includes expenditures for certain professional dues, consultant costs for town-wide studies, photocopying, courier services, Palmetto Pass costs for Town vehicles, taxes and assessments, various supplies, fuel costs, lease costs, utilities, property insurance and the general contingency.

Capital

Expenditures included in this category are for the replacement of vehicles town-wide (excluding Fire Rescue vehicles that are funded by Hospitality Taxes and included in the Capital Improvement Program (CIP)) and various other capital purchases not specific to a department such as security cameras.

Grants

Grants provided by the Town are as follows:

1. **Turtle Watch** – Hilton Head Island is a nesting area for the Loggerhead sea turtle, currently an endangered species. The Discovery Museum has a unit which comes out each morning at about 5 AM looking for nests and hatchings. When they find a nest they stake it. Discovery Museum staff provide tours that are available for residents and tourists to the island. A grant is provided by the Town each year towards operating the program. Funding for this grant is provided directly from the Beach Preservation Fee Fund.
2. **Coastal Discovery Museum** – The Coastal Discovery Museum is a not-for-profit organization operated on the Town owned 68 acre Honey Horn Plantation. Funding for this organization is provided by memberships, donations, corporate sponsors, and community partners. The Town provides the organization with an annual property management fee as well as funding for capital needs as requested and approved by Town Council.
3. **Mitchelville Preservation Project** – Situated on Hilton Head Island Mitchelville represents the Gullah/Geechee Cultural Heritage Corridor that forms the roots of the African-American's contribution to the heritage of freedom in America. The Town Council agreed to provide funding for the Director of this project.
4. **Recreation Center** – The Town owns a recreation center situated on the Beaufort County School District's campus. The center is operated by the Hilton Head Island Recreation Association. Funding for operating the facility and funding for programs provided at the facility comes from donations from the Town, program fees, donations, fund raising activities, and Beaufort County.
5. **Event Management and Hospitality Training** – In accordance with Town Code section 4-10-100 the Town sets aside 5% of the 1% local accommodations tax for special events production, volunteerism, and hospitality training. The Town has designated the University of South Carolina Beaufort to manage and direct such expenditures.

Program: Townwide

Grants

6. **LRTA** – The Lowcountry Regional Transportation Authority (dba Palmetto Breeze) provides public transportation throughout the lowcountry region including service from rural counties to destinations on Hilton Head Island and the urban services areas in the Bluffton/Hilton Head area. The Town provides an annual grant to support this regional transportation program.
7. **14th Circuit Solicitor's Office** – The Town provides annual grants to support the following programs:
 - **Adult Multi-Disciplinary Court** – The goal of this program is to address the underlying problems that are causing an individual to commit crimes so they become productive members of society. Each person is carefully screened to undergo professional substance abuse and mental health treatment. Those who are unsuccessful in abiding by the court's rigid requirements are transferred to prison.
 - **Career Criminal Unit** – The Criminal Prosecution Unit, is a team of experienced prosecutors, investigators and an intelligence analyst who focus solely on sending the worst of the worst to prison. The team targets defendants based on their criminal history and their danger to the community as opposed to the particular crime they are charged with.
8. **Community Foundation** – The Town provides funding for the biennial Public Art Exhibition at the Coastal Discovery Museum. Following a one-mile trail around Honey Horn Plantation, the exhibition features from around the country.

Program: Townwide

	FY 2018 Actual	FY 2019 Actual	FY 2020 Adopted Budget	FY 2021 Adopted Budget	% change
Townwide					
Personnel	617,350	324,538	489,695	1,004,386	105.1%
Operating	319,080	340,482	464,500	478,435	3.0%
Insurance	425,973	474,825	625,621	644,390	3.0%
Utilities	671,187	707,673	564,500	581,435	3.0%
Taxes/Assessments	89,085	94,522	93,000	95,790	3.0%
Transfers Out	47,755	175,000	-	-	0.0%
Capital	-	231,022	266,000	155,000	-41.7%
Contingency	189,820	173,965	220,000	229,601	4.4%
Other Charges	-	-	100,000	100,000	0.0%
Community Grants					
Turtle Watch	-	-	-	-	0.0%
Grant Matching Funds	-	-	17,359	17,359	0.0%
Recreation Center - General	707,052	844,073	893,889	920,706	3.0%
Recreation Center - Capital	-	-	-	-	0.0%
Coastal Discovery Museum - General	75,000	75,000	75,000	75,000	0.0%
Coastal Discovery Museum - Capital	26,120	58,462	30,000	30,000	0.0%
LEPC/Other	13,989	11,468	10,830	10,830	0.0%
Executive Director	94,826	95,670	110,000	110,000	0.0%
Event Management & Hospitality	109,298	165,648	182,695	184,522	1.0%
LRTA (Palmetto Breeze)	259,153	187,359	200,000	200,000	0.0%
LRTA additional funding request	-	-	50,000	-	-100.0%
Multidisciplinary Court	50,000	50,000	50,000	50,000	0.0%
Solicitor Career Criminal Program	118,500	118,500	118,500	118,500	0.0%
Community Arts Displays	50,000	50,000	50,000	50,000	0.0%
Beaufort County EDC	10,000	15,000	25,000	25,000	0.0%
First Tee	-	-	-	-	0.0%
Heritage Classic Foundation	-	-	-	-	0.0%
Sub-Total Community Grants	1,513,938	1,671,180	1,813,273	1,791,917	-1.2%
Total	3,874,188	4,193,207	4,636,589	5,080,953	9.6%

Note: In Fiscal Year 2021 \$500,000 has been placed in the Townwide personnel budget to provide funding for the impact of a Town-wide compensation study to be undertaken in Fiscal Year 2020. Also, it does not include one-time funding of \$50,000 for LRTA funded in Fiscal Year 2020.

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 four-year forecast provides the baseline for next year's budget.

By using the four-year forecast, the Town can more proactively plan for upcoming changes in service level demands as well as identifying potential downturns in revenues and identifying appropriate responses and solutions.

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.

General Fund Four-Year Financial Model

Expenditure Assumptions

- 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
- 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 Arts Displays – 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.

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.

General Fund Four-Year Financial Model

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 showing a small future possible deficit, the Town has successfully planned out a course of action in case revenues improve more than the initial projections.



Debt Service Fund

Debt Service Fund – Governmental and Business-type Activities (Stormwater Fund)

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.

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 2020. The Town will continue to seek refunding opportunities for savings.

The Town issues three types of bonds: general obligation, tax increment financing (TIF), and special revenue obligation. The bonds are used for the acquisition and construction of major capital facilities, as well as the purchase of land. The Town presently has \$146 million in outstanding bonds associated with governmental type activities and \$10.0 million in outstanding bonds associated with business-type activities.

General obligation bonds are secured by the full faith, credit and taxing power of the Town.

Tax increment financing bonds are secured by incremental property tax revenues being derived from the economic development of the Town’s TIF District.

Special obligation bonds are secured by the revenue flow from a specified source of revenue (e.g. hospitality tax, beach preservation fees, stormwater fees).

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

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

Revenues and Expenditures Analysis – Historical and Budget; Governmental Activities

	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%
Transfers In:					
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	

Legal Debt Limit

Article Ten (X), 17125 Section Fourteen (14) of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote of qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:

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

<u>Calculation of Legal Debt Limit</u>	June 30, 2019
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>

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 clearing a substantial number 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.

Long-Term Obligations

GOVERNMENTAL ACTIVITIES

\$ 5,005,000 General Obligation Bonds Dated September 9, 2009

On September 9, 2009, the Town issued \$ 5,005,000 in general obligation bonds with an average interest rate of 2.72% to advance refund \$ 4,900,000 general obligation bonds dated November 16, 1999 with an average interest rate of 5.56%. The net proceeds of \$ 5,248,484 including a premium of \$ 34,061 (after payment of \$ 139,061 in issuance costs) and funds on hand were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain. A schedule of the amount due for this issue follows:

Long-Term Obligations

For the Year Ending June 30	Interest Rate by Year (%)	Interest	Principal	Total
2021	3.100	68,404	420,000	488,404
2022	3.250	54,906	430,000	484,906
2023	3.375	40,409	445,000	485,409
2024	3.500	24,850	460,000	484,850
2025	3.500	8,400	480,000	488,400
		<u>\$ 196,969</u>	<u>\$ 2,235,000</u>	<u>\$ 2,431,969</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

\$12,385,000 General Obligation Bonds Dated August 3, 2011

On August 3, 2011, the Town issued \$12,385,000 in general obligation bonds with an average interest rate of 4.76% to advance refund \$11,210,000 general obligation bonds dated May 12, 2004, with an average interest rate of 3.28%. The net proceeds of \$12,281,450 including a premium of \$194,479 (after payment of \$298,029 in issuance costs) and funds on hand were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	4.000	254,619	710,000	964,619
2022	3.000	226,219	740,000	966,219
2023	3.000	204,019	765,000	969,019
2024	3.250	181,069	790,000	971,069
2025	3.375	155,394	815,000	970,394
2026-2029	various	328,952	3,555,000	3,883,952
		<u>1,350,272</u>	<u>7,375,000</u>	<u>8,725,272</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

\$5,000,000 General Obligation Bonds Dated June 18, 2013

On June 18, 2013, the Town issued \$5,000,000 in general obligation bonds to finance land acquisition. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	4.000	149,389	180,556	329,945
2022	5.000	142,167	186,111	328,278
2023	5.000	132,861	197,222	330,083
2024	5.000	123,000	205,556	328,556
2025	5.000	112,722	216,667	329,389
2026-2030	various	429,917	1,216,667	1,646,584
2031-2035	4.000	180,446	1,463,890	1,644,336
		<u>\$ 1,270,502</u>	<u>\$ 3,666,669</u>	<u>\$ 4,937,171</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

Long-Term Obligations

\$4,000,000 General Obligation Bonds Dated June 18, 2013

On June 18, 2013, the Town issued \$4,000,000 in general obligation bonds to finance land acquisition. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	4.000	119,511	144,444	263,955
2022	5.000	113,733	148,889	262,622
2023	5.000	106,289	157,778	264,067
2024	5.000	98,400	164,444	262,844
2025	5.000	90,178	173,333	263,511
2026-2030	various	343,933	973,333	1,317,266
2031-2035	4.000	144,354	1,171,110	1,315,464
		<u>\$ 1,016,398</u>	<u>\$ 2,933,331</u>	<u>\$ 3,949,729</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

\$13,080,000 General Obligation Bonds Dated September 14, 2016

On September 14, 2016, the Town issued \$13,080,000 in general obligation bonds with a Net Interest Rate of 0.999% to advance refund \$13,210,000 general obligation bonds dated March 15, 2005. The net proceeds of \$13,593,831 including \$513,831 in premiums (after payment of \$209,846 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service by \$1,272,716 over the life of the bonds and to obtain a present value economic gain of \$1,219,122. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	1.500	80,775	1,740,000	1,820,775
2022	4.000	52,425	765,000	817,425
2023	1.500	31,050	810,000	841,050
2024	1.500	18,788	825,000	843,788
2025	1.500	6,300	840,000	846,300
		<u>\$ 189,338</u>	<u>\$ 4,980,000</u>	<u>\$ 5,169,338</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay the first \$1,260,000 annually. The remaining annual debt service requirement is funded by transfers of real estate transfer fees to the Debt Service Fund.

Long-Term Obligations

\$9,035,000 General Obligation Bonds Dated September 14, 2016

On September 14, 2016, the Town issued \$9,035,000 in general obligation bonds with a Net Interest Rate of 1.98% to advance refund \$9,515,000 general obligation bonds dated February 3, 2010. The net proceeds of \$9,708,531 including \$673,531 in premiums (after payment of \$173,384 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,281,272 and to obtain a present value economic gain of \$1,225,838. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	4.000	237,838	550,000	787,838
2022	4.000	215,838	585,000	800,838
2023	4.000	192,438	605,000	797,438
2024	4.000	168,238	635,000	803,238
2025	4.000	142,838	665,000	807,838
2026-2030	various	450,390	2,380,000	2,830,390
2031-2035	various	187,027	2,660,000	2,847,027
		<u>\$ 1,594,607</u>	<u>\$ 8,080,000</u>	<u>\$ 9,674,607</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

\$5,770,000 General Obligation Bonds Dated September 14, 2016

On September 14, 2016, the Town issued \$5,770,000 in general obligation bonds with a Net Interest Rate of 1.629% to advance refund \$5,715,000 general obligation bonds dated March 4, 2008. The net proceeds of \$6,156,989 including \$386,989 in premiums (after payment of \$102,706 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$446,334 and to obtain a present value economic gain of \$430,003. A schedule for the amount due for this refunded issue is as follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	4.000	98,200	910,000	1,008,200
2022	4.000	61,500	925,000	986,500
2023	2.000	32,350	1,065,000	1,097,350
2024	2.000	10,850	1,085,000	1,095,850
		<u>\$ 202,900</u>	<u>\$ 3,985,000</u>	<u>\$ 4,187,900</u>

Transfers from the Real Estate Transfer Fee Fund to the Debt Service Fund are used to repay these bonds.

Long-Term Obligations

\$27,310,000 General Obligation Bonds Dated September 21, 2017

On September 21, 2017, the Town issued \$27,310,000 in general obligation bonds to fund the Capital Improvements Plan. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	5.000	926,069	-	926,069
2022	5.000	926,069	640,000	1,566,069
2023	5.000	894,069	570,000	1,464,069
2024	5.000	865,569	605,000	1,470,569
2025	5.000	835,319	940,000	1,775,319
2026-2030	various	3,600,989	4,235,000	7,835,989
2031-2035	3.000	2,896,715	4,930,000	7,826,715
2036-2040	various	2,109,996	5,720,000	7,829,996
2041-2045	3.250	1,150,988	6,685,000	7,835,988
2046-2047	3.250	146,251	2,985,000	3,131,251
		<u>\$ 14,352,034</u>	<u>\$ 27,310,000</u>	<u>\$ 41,662,034</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

\$18,000,000 General Obligation Bonds Dated September 21, 2017

On September 21, 2017, the Town issued \$18,000,000 in general obligation bonds to replenish reserves used to respond to Hurricane Matthew. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	2.000	207,265	3,330,000	3,537,265
2022	2.000	140,665	3,395,000	3,535,665
2023	2.100	72,765	3,465,000	3,537,765
		<u>\$ 420,695</u>	<u>\$ 10,190,000</u>	<u>\$ 10,610,695</u>

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

Long-Term Obligations

\$5,000,000 General Obligation Bonds Dated May 8, 2019

On May 8, 2019, the Town issued \$ 5,000,000 in general obligation bonds with an average interest rate of 3.40% to provide for the capital improvements plan of 2019 and 2020. A schedule of the amount due for this issue follows:

A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	5.000	183,400	170,000	353,400
2022	5.000	174,900	180,000	354,900
2023	5.000	165,900	185,000	350,900
2024	5.000	156,650	195,000	351,650
2025	5.000	146,900	205,000	351,900
2026-2030	varies	570,000	1,190,000	1,760,000
2031-2035	3.000	328,200	1,435,000	1,763,200
2036-2039	3.000	99,450	1,310,000	1,409,450
		<u>\$ 1,825,400</u>	<u>\$ 4,870,000</u>	<u>\$ 6,695,400</u>

\$30,075,000 Special Obligation Bonds (Beach Preservation Fees) Dated September 28, 2017

On September 14, 2017, the Town issued \$30,075,000 special obligation bonds (beach preservation fee) to finance beach renourishment projects. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	4.000	1,220,850	2,755,000	3,975,850
2022	5.000	1,094,125	2,865,000	3,959,125
2023	5.000	947,375	3,005,000	3,952,375
2024	5.000	793,375	3,155,000	3,948,375
2025	5.000	631,625	3,315,000	3,946,625
2026-2028	5.000	841,125	10,975,000	11,816,125
		<u>\$ 5,528,475</u>	<u>\$ 26,070,000</u>	<u>\$ 31,598,475</u>

Beach Preservation fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

Long-Term Obligations

\$28,530,000 Special Obligation Bonds [Tax Increment Financing (TIF)] Dated July 27, 2017

On July 27, 2017, the Town issued \$30,075,000 in special obligation bonds (tax increment financing) to fund TIF projects within the Capital Improvement Plans. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	1.780	331,703	3,595,000	3,926,703
2022	1.780	267,712	3,660,000	3,927,712
2023	1.780	202,564	3,725,000	3,927,564
2024	1.780	136,259	3,795,000	3,931,259
2025	1.780	68,708	3,860,000	3,928,708
		<u>\$ 1,006,946</u>	<u>\$ 18,635,000</u>	<u>\$ 19,641,946</u>

TIF revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

\$16,520,000 Special Obligation Bonds (Hospitality) Dated October 29, 2019

The Town issues \$16,520,000 in special obligation bonds (hospitality tax) to achieve savings. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2021	1.940	391,776	1,050,000	1,441,776
2022	2.020	371,406	1,075,000	1,446,406
2023	2.060	349,691	1,095,000	1,444,691
2024	2.160	327,134	1,110,000	1,437,134
2025	2.450	303,158	1,140,000	1,443,158
2026-2030	varies	1,093,652	5,005,000	6,098,652
2031-2035	varies	506,322	3,925,000	4,431,322
2036	3.200	27,360	855,000	882,360
		<u>\$ 3,370,499</u>	<u>\$ 15,255,000</u>	<u>\$ 18,625,499</u>

BUSINESS-TYPE ACTIVITIES

\$13,810,000 Stormwater Bonds Dated December 1, 2010

On December 1, 2010, the Town issued \$13,810,000 in revenue bonds with an average interest rate of 2.78% to advance refund \$13,740,000 revenue bonds dated December 1, 2002 with an average interest rate of 4.85%. The net proceeds of \$14,894,433 (after payment of \$202,091 in issuance costs) and funds on hand were used to purchase United States government securities which were placed in an irrevocable trust for in substance defeasance. These revenue bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain. A schedule of the amount due for this issue follows:

Long-Term Obligations

For the Year Ending June 30	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2021	2.780	174,167	975,000	1,149,167
2022	2.780	147,062	1,000,000	1,147,062
2023	2.780	119,262	1,030,000	1,149,262
2024	2.780	90,628	1,055,000	1,145,628
2025	2.780	61,299	1,085,000	1,146,299
2026	2.780	31,136	1,120,000	1,151,136
		<u>\$ 623,554</u>	<u>\$ 6,265,000</u>	<u>\$ 6,888,554</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.

\$3,200,000 Stormwater Bonds Dated January 31, 2018

On January 31, 2018, the Town issued \$3,200,000 in revenue bonds to fund Stormwater projects. A schedule of the amount due for this issue follows:

For the Year Ending June 30	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2021	2.710	70,189	295,000	365,189
2022	2.710	62,195	300,000	362,195
2023	2.710	54,065	310,000	364,065
2024	2.710	45,664	320,000	365,664
2025	2.710	36,992	330,000	366,992
2026-2028	2.710	56,640	1,035,000	1,091,640
		<u>\$ 325,745</u>	<u>\$ 2,590,000</u>	<u>\$ 2,915,745</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.



Capital Improvement Program (CIP)
& Capital Projects Fund (CPF)

Capital Improvement Plan (CIP)

Summary

The CIP budget is programmed at \$6.5 million in fiscal year 2021. An additional \$11.9 million is programmed for fiscal years 2022-2023. Unspent capital improvement appropriations carry-forward to the new-year.

The capital improvements plan (CIP) is broken into separate funds based on funding source. The funding program for all funds is summarized in this section.

The Palmetto Electric Franchise Fee Fund grants/reimburses the majority of its funds to the Palmetto Electric Cooperative for power line burial; any capital infrastructure created by this program is an asset of the Cooperative not the Town.

As required by proprietary fund accounting, the Stormwater Fund (Enterprise Fund) reports its own capital.

In accordance with State law, the proposed CIP for fiscal year 2018 was developed by staff for review and recommendation of the full Planning Commission. The pathways and parks section was also reviewed by the Parks & Recreation Commission. The Planning Commission annually recommends the proposed CIP to Town Council for adoption during their CIP Budget Workshop in June.

Starting in Fiscal Year 2018 the CIP is considered a multi-year plan. Once a project has been approved and funds have been appropriated the project will continue until it is completed without annual re-appropriation. Revisions to the scope and/or increase in cost of an appropriated project will be presented to Town Council by staff as they are identified. If the cost of the project exceeds the appropriation funding must come from another project within the appropriated CIP or an alternate funding source must be identified prior to undertaking the project. Each fiscal year the Town staff will present Town Council with any additions to the CIP with the recommended funding source.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. Expenditures in this section are exclusive of projects associated with the Stormwater Program or the Palmetto Electric Program. Input for the capital improvements program comes from a variety of sources. Sources are 2016 Town Council Policy and Management Agendas which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2011 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Fire and Rescue Master Plan, the recently approved Recreation Element; the adopted County-wide All Hazard Mitigation Plan, the Comprehensive Emergency Management Plan, which will be updated as a part of the Disaster Recovery Commission's work program; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and our Space Needs Study of all Town facilities and properties to include Town Hall, all parks, Fire and Rescue stations and town-wide infrastructure.

On-going Impact of the CIP on Operations and Operating Expenditures

The operating impact of these capital projects are considered in the development of the CIP and in the Four-Year Operating Budget. Because there is a four-year look forward, the Town minimizes surprises on the operations and operating expenditures. The Town has traditionally had a basic operations approach toward its operating budget. This is certainly central to the Capital Improvement Planning process. So that the CIP projects, when complete, do not have an undue burden on future operations. The Town has been very successful to keep the operating cost of the CIP program down not only upon implementation, but also in an on-going basis.

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

Pathway maintenance per mile	\$ 6,500/year (General Fund)
Park litter and landscape (passive/beach)	\$25,000/year (General Fund)
Park janitorial (restrooms and supplies)	\$12,500/year (General Fund)
Roadways	\$15,000/mile/year (General Fund) County and State roads maintained by others

Issues Impacting the Town's CIP Funding Plan

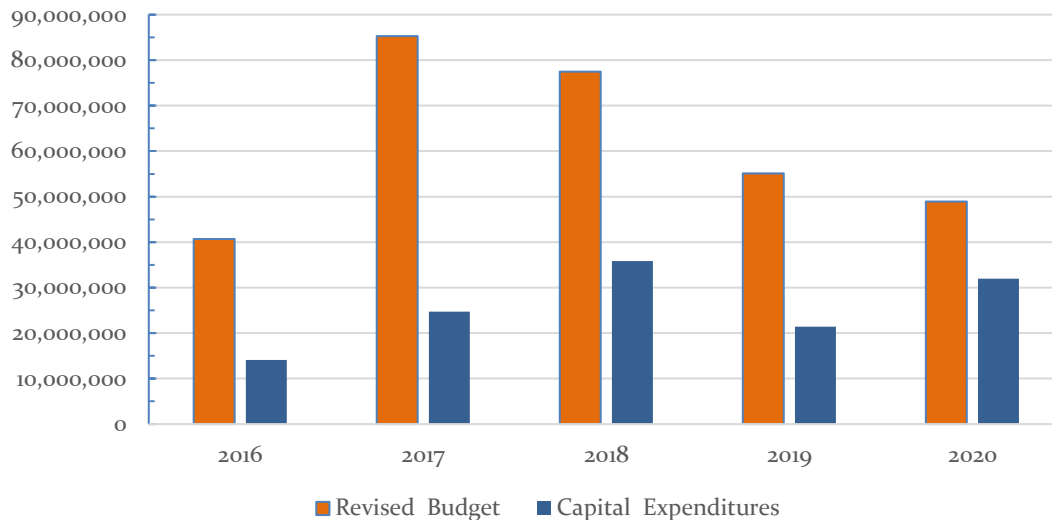
There are two issues that impact the Town's CIP funding plan:

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. In light of the fiscal impact of the storms the Town has also increased the emergency debt reserve from \$15.0 million to \$20.0 million reducing the amount the Town has available to borrow for current capital projects in order to maintain the appropriate level of storm readiness.

There are sufficient financial resources to advance the backlog of prior year projects in addition to the projects programmed from Fiscal Years 2020 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 reflects a comparison between the CIP budgets and actual expenditures from Fiscal Years 2016-2019. Fiscal Year 2020 is a projection.

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



Capital Improvement Plan (CIP) Sources of Revenue

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

1. **Beach Preservation Fees** are derived from an additional two percent (2%) Local Accommodations Tax levied by Town Council. This source usually generates approximately \$6.8 million in revenue annually. These funds are dedicated to beach re-nourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities.
2. **Bond/COP Proceeds.** In fiscal year 2021 the Town anticipates issuing no new debt to fund the CIP. Various revenue sources will fund the CIP such as beach preservation fees, and hospitality taxes.
3. **Fund Balance** which is un-obligated and obligated monies that are rolled over from previously approved, but incomplete, projects.

Capital Improvement Plan (CIP) Sources of Revenue, continued

4. **Hospitality Tax** which is a two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses and for on premise consumption of alcoholic beverages, beer or wine. This source generates approximately \$6.7 million in revenue annually.
5. **Impact Fees** are assessed against new developments to finance capital improvements necessary to support the growth in population.
 - a. **Traffic Impact Fees** are derived from development and applied to roads, pathways and additional traffic signals. Pathways may only be funded up to fifty percent with Traffic Impact Fees.
 - b. **Parks Impact Fees** were enacted Countywide to provide funding for emerging park needs.
6. **Palmetto Electric Program** in which funds derive from the Town's negotiated franchise fee with Palmetto Electric Cooperative. These funds are committed to power line burials and hook ups which was estimated to cost approximately \$30 million over 15 years. This project is nearing completion. (This project is not included in the CIP)
7. **Road Usage Fee** is a fee charged to registered automobiles in the Town, which will generate approximately \$900,000 in revenue in Fiscal Year 2020.
8. **Sunday Liquor Sales Permit Fees** that are derived from the sale of permits to sell alcohol on Sunday. These fees are rebates from the State and prior year revenues will provide approximately \$350,000.
9. **Tax Increment Financing (TIF)** in which funds derive from increased assessed value above the baseline assessment when the TIF District was established. These funds may be used for public projects within the District. TIF generates approximately \$4.3 million in revenue annually.

CIP Plan by Funding Source

CIP By Source	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

CIP Plan 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

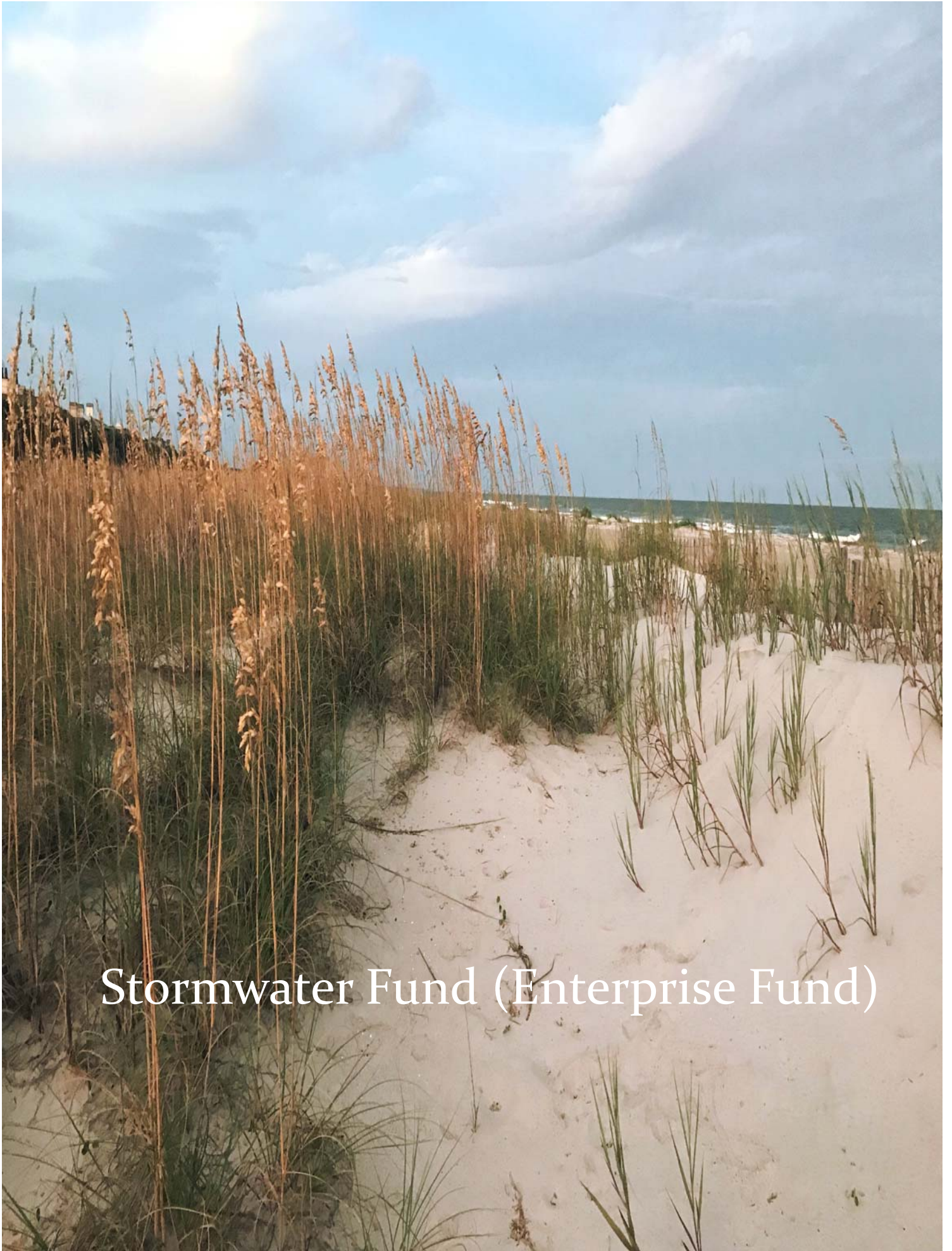
Revenues and Expenditures by Category Analysis – Historical and Budget

	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	
Use of Prior Year Funds	-	-	2,402,000	-	
Appropriation Carryover	-	-	11,248,798	7,731,221	
Ending Fund Balance	40,133,221	28,382,019	14,731,221	7,000,000	

Note: The Capital Projects Fund experienced a temporary increase as several projects that were delayed after Hurricane Matthew we restarted. The Town is emphasizing completing these projects in Fiscal Year 2019 and Fiscal Year 2020. As a result of these efforts, the fund balance that was temporarily raised will be brought back to a more historical standard level. As a new 10 year plan is developed, a new CIP will be developed to correspond.

Fiscal Year 2021 CIP Projects by Funding Source

Projects	<u>Thousands of Dollars</u>	Funding Source
	FY 2021	
Pathways		
Crosswalk lighting at unsignalized locations - William Hilton Pkwy./Palmetto Pkwy. area	100.0	Hospitality Tax
Roadway Improvements		
Private dirt roads acquisition/paving	330.0	Road Usage Fee
South Forest Beach Drive improvements	100.0	TIF
Traffic signal mast arms - William Hilton Pkwy. and Gumtree Rd.	200.0	
Coligny/Pope Avenue improvements	350.0	TIF
Park Development		
Park upgrades: Crossings Park batting cages	175.0	Sunday Liquor Permit Fees
Park upgrades: Barker Field picnic shelter	75.0	Sunday Liquor Permit Fees
Existing Facilities and Infrastructure		
Fire Rescue Training Center enhancements - TBD	55.0	Hospitality Tax
Town Hall - remodeling Council Chambers	50.0	Property Tax
New Facilities and Infrastructure		
Fire Hydrant project - recurring fire hydrant expansion project	100.0	Hospitality Tax
Beach Maintenance		
Beach management & monitoring - TBD	500.0	Beach Bond/Fees
Land		
Legal fees related to land and projects	20.0	Sale of Land
Other		
Fire Rescue - replacement of the engine/pumper fleet	3,988.0	Hospitality Tax
Honey Horn capital outlay - TBD	375.0	Impact Fees
Recreation Center capital outlay - TBD	53.0	Impact Fees
Total	\$ 6,471.0	



Stormwater Fund (Enterprise Fund)

Stormwater Fund (Enterprise Fund)

Summary

The **Stormwater Utility Program** in which funds derive from stormwater utility fees assessed annually based on a rate per SFU (Single Family Unit) are committed to the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs.

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.

	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	

See the Debt Service Fund section of this document for a summary of the outstanding long-term debt obligations of this fund.



Appendix

Appendix

Financial Balance Changes Greater than 10%

The following funds have a budgeted change in fund balance greater than 10%:

1. **General Fund** – There is no planned use of Fund Balance for the Fiscal Year 2021 budget. In fact, the budget calls for an increase of \$336,634 in Town reserves to better prepare the Town for possible natural disasters, economic downturns or uncertainties. This will help prepare for the current healthcare crisis.
2. **Road Usage Fee** – The Town has primarily directed these funds toward road paving with an emphasis on dirt roads. The Town expects to fully utilize Road Usage Fees to the extent practical.
3. **Tax Increment Financing (TIF)** – Fiscal Year 2020 is the fifth year in the 10 year extension. Projects include University of South Carolina Beaufort Hilton Head Island facility, Coligny area improvements, and road improvements. The District staged these projects using a TIF bond issue to implement the projects the special TIF District will provide. These projects are proceeding.
4. **State ATAX** – State law prescribes how the State ATAX funds are distributed. The ATAX Committee meets and considers applications and recommends distribution of these funds within the SC state law requirements.
5. **Real Estate Transfer Fee (RETF)** – These funds will be directed to the CIP in accordance to the long-term capital plan. The increase in fund balance is only temporary and spent according to guidelines.
6. **Beach Preservation Fee** – The current year includes beach renourishment projects both caused and not caused by Hurricane Matthew. The Town issued a Bond Anticipation Note (BAN) in Fiscal Year 2016 which was primarily for beach renourishment. Beach bonds were issued to repay the BAN and Beach Preservation Fees are being used to make debt service payments on these bonds.
7. **Hospitality Tax (HTAX)** – The Hospitality Tax Fund continues to provide for specific debt service and support the CIP for projects and Fire Rescue initiatives as funding becomes available. The fund is not expected to have a 10% variance in the fund balance.
8. **Debt Service Fund** – The Town plans no long-term bond issues in Fiscal Year 2021. The Town is monitoring the bond market for possible savings and will be ready to act.
9. **Capital Improvement Plan (CIP)** – The Town has a number of significant projects in the works. The funds within the CIP increased in fiscal year 2017 in anticipation of these projects. Due to Hurricanes Matthew and Irma, a number of these projects were delayed. Most of these projects have restarted in Fiscal Years 2018 and 2019 as the Town gets back to regular business after the Hurricanes. Fiscal Year 2020 saw the completion of the USCB campus and the sewer extension project. Also the Lowcountry Celebration Park nears completion and opening in early Fiscal Year 2021.

Financial Balance Changes Greater than 10%

10. **Disaster Fund** – In Fiscal Year 2017, due to the significance of Hurricane Matthew, the Town established a Disaster Fund to capture the cost of the hurricane response as well as the reimbursements and funding from various sources. The Town issued an \$18 million GO bond issue to help re-establish the disaster reserves in this fund for future possible disasters. The Town implemented an emergency 5 mills for 5 years to repay the disaster bonds. Going forward, the Town expects to collect the 5 mills in Fiscal Year 2021 and Fiscal Year 2022. The Debt payments related to that will continue to Fiscal Year 2023 – after allowing for collection in Fiscal Year 2022 for the last payments in Fiscal Year 2023. The Town is ready to deploy the remaining funds as need ensues. The fund balance at 6/30/2019 was \$31,576,026. This amount, coupled with \$20 million debt capacity mirrors the \$52 million cost of Hurricane Matthew.
11. **Electric Franchise Fee** – Work was delayed in the Electric Franchise Fee area due to Hurricane Matthew. Because of this delay, expenditures for the project to move electric lines underground were delayed and the fund balance temporarily increased. The Town’s intent is to utilize as much as these funds will provide. These activities will help the Town prepare for the next storm. Work is wrapping up on the Electric underground burial project.

Adopted Budget Ordinance



MEMORANDUM

TO: Town Council

FROM: John M. Troyer, CPA, Director of Finance

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

DATE: May 5, 2020

RE: First Reading of Proposed Ordinance No. 2020-12

Recommendation:

Staff recommends Council approve and affirm the first reading of Proposed Ordinance No. 2020-12. The ordinance establishes the fiscal year 2021 budgets for the General Fund, Capital Projects Fund, Debt Service Fund and Stormwater Fund as originally approved during the adoption of the Fiscal Year 2020 and 2021 Biennial Budget.

There are no tax increases or fee increases in this proposed budget.

The proposed FY 2021 total operating budget for the General Fund, Capital Projects Fund, Debt Service Fund, and Stormwater Fund is \$75,979,448, and less than the FY 2020 budget of \$79,147,817.

	2020 Budget	2021 Budget
General Fund	\$ 41,108,317	\$ 42,558,448
Debt Service Fund	21,500,000	21,500,000
CIP	11,139,500	6,471,000
Stormwater Fund	5,400,000	5,450,000
Total	\$ 79,147,817	\$ 75,979,448

Summary:

According to Town Code, we need to present a budget for review of Town Council by the beginning of May. Given the current uncertainty of a reopening schedule for our economy, economic projections 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 being the second of the two years.

The proposed FY 2021 total operating budget for the General Fund, Capital Projects Fund, Debt Service Fund, and Stormwater Fund is \$75,979,448, and less than the FY 2020 budget of \$79,147,817.

Last budget process, Town Council raised the reserves policy, raised the debt capacity set aside for an emergency, and adopted a budget with a small surplus for both FY 2020 and FY 2021. These actions by Town Council helped to better position the Town going in to an event like the COVID-19.

We have been closely monitoring economic activity, closely monitoring our revenue collections and carefully considering our expenditures. We have already limited or delayed spending where possible. Once we better understand the reopening schedule of activities in our Town, our State and our Nation – we will further assess the economic impact of the COVID-19 virus. We can and will make further spending adjustments as needed. In the meantime, we are focusing on keeping essential operations going, deferring expenses as possible and waiting for the threat to pass.

These are the type circumstances where Town Council's foresight to adopt strong reserve policies which will provide us some temporary stability to help us ride out this storm, until our economy is able to come back to more normal operations.

The Town Manager will keep Town Council apprised of our status, and bring to Town Council any request for further action on the budget as needed and warranted.

Second reading and adoption of the budget occurred on June 16, 2020.

AN ORDINANCE TO RAISE REVENUE AND ADOPT A BUDGET FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, FOR THE FISCAL YEAR ENDING JUNE 30, 2021; TO ESTABLISH A PROPERTY TAX LEVY; TO ESTABLISH FUNDS; TO ESTABLISH A POLICY FOR ACQUISITION OF RIGHTS OF WAY AND EASEMENTS; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, Section 5-7-260(3) of the Code of Laws for South Carolina 1976, as amended, and Section 2-7-20 of the Municipal Code of the Town of Hilton Head Island, South Carolina, require that the Town Council act by ordinance to adopt a budget and levy taxes, pursuant to public notice; and

WHEREAS, Town Council also desires to set aside funds for an Operating Reserve to provide for emergency-related expenditures and to offset fiscal year tax revenue income stream deficiency; and

WHEREAS, Town Council also desires to give the Town Manager authority to adjust revenue estimates as necessary to account for the economic impact of the COVID-19 Pandemic, without changing the total adopted budget. Any changes made under this section will be reported to Town Council on a quarterly basis; and

WHEREAS, Town Council finds that it would be more economical and efficient to authorize the Town Manager to move forward with construction contract modifications, change orders, contract price adjustments, and execution of contracts for supplies, services, and construction where the contract amount involved does not exceed the budget line item or project budget as approved by Town Council in the Consolidated Municipal Budget.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; AND IT IS HEREBY ORDAINED BY THE AUTHORITY OF THE SAID COUNCIL:

NOTE: Underlined and bold-face typed portions indicate additions to the Ordinance. ~~Stricken~~ Portions indicate deletions to the Ordinance.

Section 1. Adoption of the Budget. The prepared budget of estimated revenues and expenses, a copy of which is attached hereto and incorporated herein, is hereby adopted as the budget for the Town of Hilton Head Island for the fiscal year ending June 30, 2021.

The General Fund budgetary authority is adopted at the Departmental level as follows:

	2020 Budget	2021 Budget
Town Council	479,224	493,601
Town Manager	846,440	871,833
Human Resources	687,766	648,424
Administrative Services	3,957,269	4,073,649
Finance	1,992,406	2,052,125
Community Development	3,553,997	3,601,547
Public Projects and Facilities	5,642,043	5,911,304
Fire Rescue	15,499,346	15,897,377
Sheriff/Other Public Safety	3,813,237	3,927,634
Townwide	2,823,316	3,289,036
Community/Grants	1,813,273	1,791,917
Total	\$ 41,108,317	\$ 42,558,447

The Debt Service Fund and the Stormwater Fund are adopted at the Fund level. Capital Improvement Projects are adopted at the Project level. The Town Manager is authorized to transfer amounts up to \$100,000; larger transfers require Town Council approval.

Section 2. Establishment of Property Tax Levy. A tax to cover the period from July 1, 2019 through June 30, 2020, inclusive, for the sums and in the manner hereinafter mentioned, is and shall be, levied, collected and paid into the treasury of the Town of Hilton Head Island for its uses at a rate of mills on assessed value of real estate and personal property of every description owned in the Town of Hilton Head Island, except such property as is exempt from taxation under the Constitution and laws of the State of South Carolina. Said tax levy shall be paid into the Town Treasury for the credit of the Town of Hilton Head Island for its corporate purposes, for the purpose of paying current operational expenses of the said municipality 17.2 mills, Debt Service 5.9 mills, and Disaster Recovery (millage override) 5.00 mills making the total levy of 28.1 mills.

Section 3. Establishment of Funds. To facilitate operations, there shall be established and maintained a General Fund, a Capital Projects Fund, a Debt Service Fund, a Stormwater Fund and other appropriate funds in such amounts as are provided for in the aforesaid Budget, as hereby adopted or as hereafter modified pursuant to law.

Section 4. Acquisition of Rights of Way and Easements. The Town Manager is charged with the duty of executing all necessary documents to obtain rights of way, easements, and other property interests necessary to complete duly authorized Capital Improvement Projects.

Capital Improvement Projects based on the ownership and life expectancy of the assets or improvements or based on the funding source authorized may be budgeted in the General, Capital Projects or Stormwater Funds. If expenditures are expressly authorized for an approved Capital Improvement Project in any of the budgeted funds, then the Town Manager is hereby authorized to execute all necessary documents and to expend such funds as are approved pursuant to the Capital Improvement budgets. Provided, however, in the event that the costs of an acquisition of such real property interests materially exceeds the amount budgeted in the approved Capital Improvement Project and the Town Manager is unable to shift additional funds from other authorized sources, the Town Manager shall be required to obtain the approval of Town Council for such additional expenditures. Nothing herein shall obviate the requirement that no condemnations shall be commenced without the appropriate approval of the Town Council for the Town of Hilton Head Island.

Section 5. Assignment of Funds for Future Use. Town Council continues to assign and reserve funds for its future dredging projects in the amount of \$200,000 of Hospitality Tax and \$100,000 for Pine Island renourishment from Stormwater funds in accordance with Town practice.

Section 6 Severability. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

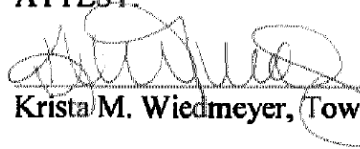
Section 7. Effective Date. This Ordinance shall be effective upon its enactment by the Town Council for the Town of Hilton Head Island.

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF
HILTON HEAD ISLAND ON THIS 16 DAY OF June, 2020.**



John J. McEann, Mayor


ATTEST:



Krista M. Wiedmeyer, Town Clerk

First Reading: May 12, 2020
Public Hearing: June 16, 2020
Revised First Reading: N/A
Second Reading: June 16, 2020

APPROVED AS TO FORM



Curtis L. Coltrane, Town Attorney

Introduced by Council Member:

Bill Hawkins

Glossary of Terms

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

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

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

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

Amortization – The expiration of intangible assets due to the passage of time.

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

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

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

BCSO – Beaufort County Sheriff's Office.

Beach Preservation Fees Fund – Used to preserve the general health, safety and welfare of the public within the Town of Hilton Head Island, by creating an additional fund to pay, in whole or in part, for the current and future preservation, maintenance, nourishment, re-nourishment, and improvement of the beaches of Hilton Head Island, and also those public facilities related to the use, preservation, maintenance, nourishment, re-nourishment, and improvement of the beaches.

EDC – Beaufort County Economic Development Corporation.

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

Bond Anticipation Note (BAN) - is a short-term interest-bearing security issued in advance of a future **bond** issue. **Bond anticipation notes** are issued by governments, such as local municipalities, wishing to generate funds for upcoming projects.

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

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

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

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

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

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

Glossary of Terms

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

CAFR (Comprehensive Annual Financial Report) – Financial report that contains, at a minimum, three sections: 1) introductory, 2) financial, 3) statistical, and whose financial section provides information on each individual fund and component unit.

CDBG – The Community Development Block Grant (CDBG) Entitlement Program provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for low- and moderate-income persons.

CD Services – Community Development Services; administrative support for the Town's Community Development Department.

COBRA – Consolidated Omnibus Budget Reconciliation Act of 1985; is a law passed by the U.S. Congress on a reconciliation basis and signed by President Ronald Reagan that, among other things, mandates an insurance program which gives some employees the ability to continue health insurance coverage after leaving employment.

Comprehensive Plan – Developed pursuant to the provisions of the South Carolina Code of Laws Section 6-29- 510 et seq, the Comprehensive Plan is intended to guide the development and redevelopment of lands within the Town, consistent with the physical, social, and fiscal environment.

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

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

Defeasance – Netting of outstanding liabilities and related assets on the statement of financial position. Most refunds result in the defeasance of the refunded debt.

Deferred – Postponement of the recognition of an expense already paid or a revenue already received.

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

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

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

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

Enterprise Fund – Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

Expenditure (Governmental Fund)/Expense (Proprietary/Enterprise Fund) – The disbursement of appropriated funds to pay for goods and/or services.

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

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

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

Glossary of Terms

FMLA – The Family and Medical Leave Act of 1993 is a United States federal law requiring covered employers to provide employees job-protected and unpaid leave for qualified medical and family reasons. Qualified medical and family reasons include: personal or family illness, family military leave, pregnancy, adoption, or the foster care placement of a child.

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

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

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

Fund Balance – Equals the equity in each fund.

GAAP – Generally Accepted Accounting Principles

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

GFOA (Government Finance Officers Association) – An association of public finance professional that has played a major role in the development and promotion of GAAP for state and local governments since its inception in 1906.

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

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The Town has no permanent funds.

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

Gullah/Geechee – The Gullah/Geechee Nation exist from Jacksonville, NC to Jacksonville, FL. It encompasses all of the Sea Islands and thirty to thirty-five miles inland to the St. John’s River. On these islands, people from numerous African ethnic groups linked with indigenous Americans and created the unique Gullah language and traditions from which later came “Geechee.” The Gullah/Geechee people have been considered “a nation within a nation” from the time of chattel enslavement in the United States until they officially became an internationally recognized nation on July 2, 2000.

Hospitality Tax – A two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses for on-premises consumption of alcoholic beverages, beer or wine.

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

LMO – Land Management Ordinance; The purpose and intent of the LMO is to guide the development and use of property in accordance with the Town's Comprehensive Plan and existing and future needs of the Town in order to protect, promote, and improve the public health, safety, morals, convenience, order, appearance, prosperity, and general welfare of the landowners and residents of the Town.

LRTA (Palmetto Breeze) – The Palmetto Breeze provides a wide variety of public transportation services in five Lowcountry counties (Lowcountry Regional Transportation Authority).

Glossary of Terms

Major Fund – Governmental fund or enterprise fund reported as a separate column in the basic fund financial statements and subject to a separate opinion in the independent auditor's report.

MASC - Municipal Association of South Carolina; is a government sector lobbying association in South Carolina.

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

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

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

MPO - Metropolitan Planning Organization; Is a transportation policy-making organization made up of representatives from local government and transportation authorities, and created to ensure existing and future expenditures for transportation projects and programs were based on a comprehensive, cooperative, and continuing planning process. The role of the MPO includes: establishing a local forum for transportation decision making; evaluating transportation alternatives; developing and updating a long-range transportation plan; developing a Transportation Improvement Program of projects; and involving the public. Funds from the Federal Highway Administration are distributed to the State and then to MPOs for these transportation projects.

NAICS - The North American Industry Classification System or NAICS (pronounced "nakes") is used by business and government to classify business establishments according to type of economic activity (process of production) in Canada, Mexico, and the United States of America. It has largely replaced the older Standard Industrial Classification (SIC) system; however, certain government departments and agencies, such as the U.S. Securities and Exchange Commission (SEC), still use the SIC codes.

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

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

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

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

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

Palmetto Breeze (LRTA) – The Palmetto Breeze provides a wide variety of public transportation services in five Lowcountry counties (Lowcountry Regional Transportation Authority).

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

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

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

Glossary of Terms

Proprietary Fund – A proprietary fund may be classified into one of two fund types. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Internal service funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

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

Real Estate Transfer Fees Fund – Real estate transfer fees are used to (a) acquire fee and less than fee interest in land while it is still available to be held in perpetuity as wildlife preserves or believed to be needed by the public in the future for active and passive recreation uses and scenic easements, to include the following types of land: ocean, harbor and pond frontage in the form of beaches, dunes and adjoining backlands; barrier beaches; fresh and saltwater marshes and adjoining uplands; land for bicycle paths; land protecting existing and future; public water supply, well fields, highway buffering and aquifer recharge areas; and land for wildlife preserves; and land for future public recreational facilities, (b) acquire already developed land or development rights in order to convert its use to a public use, to restore the property to open space, or to redefine that property in accordance with the Town's current comprehensive plan and dispose of it as soon as possible.

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

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

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

RFP - request for proposal; is a type of bidding solicitation in which a company or organization announces that funding is available for a particular project or program, and companies can place bids for the project's completion.

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

SFU or “Single-family unit” – Is the average impervious area of a single-family detached residential dwelling unit located within the Town.

SIC - Standard Industrial Classification (SIC) codes are four-digit numerical codes assigned by the U.S. government to business establishments to identify the primary business of the establishment. The classification was developed to facilitate the collection, presentation and analysis of data; and to promote uniformity and comparability in the presentation of statistical data collected by various agencies of the federal government, state agencies and private organizations. The classification covers all economic activities. In the United States the SIC code is being supplanted by the six-digit North American Industry Classification System (NAICS code), which was released in 1997; however certain government departments and agencies, such as the U.S. Securities and Exchange Commission (SEC), still use the SIC codes.

Special Revenue Fund – Governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.

Glossary of Terms

State EMD - The South Carolina Emergency Management Division is the coordinating agency responsible for the statewide emergency management program.

Stormwater drainage system – Is the system of publicly or privately owned or operated rivers, creeks, ditches, drainage channels, pipes, basins, street gutters, and ponds within the Town through which or into which storm water runoff, surface water, or subsurface water is conveyed or deposited.

Taxable Value – The assessed value of real property

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

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

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

THE TOWN OF HILTON HEAD ISLAND SOUTH CAROLINA

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