



Town of Hilton Head Island  
**Finance & Administrative Committee Meeting**

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

Conference Room 3

## **MEETING MINUTES**

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

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

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

**Present from Media:** Kathrine Kokal, Island Packet

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### **1. Call to Order**

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

### **2. FOIA Compliance**

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

### **3. Approval of Minutes**

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

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

### **4. Unfinished Business-None**

### **5. New Business**

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

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

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

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

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

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

## **6. Executive Session**

### **a. Contractual Matters:**

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

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

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

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

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

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

**8. Adjournment**

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

**Submitted by:** Cindaia Ervin, Secretary

**Approved:** June 16, 2020

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Tom Lennox, Chairman