

The Town of Hilton Head Island
Special Town Council Meeting

Budget Workshop
Tuesday, June 12, 2012
Council Chambers
6:00 P.M.

AGENDA

1. **Call to Order**
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. **6:00 p.m.: PUBLIC HEARING ON THE MUNICIPAL BUDGET FOR FY2012-2013**
4. **Revised First Reading of Proposed Ordinance No. 2012-13**
Revised First Reading of Proposed Ordinance No. 2012-13 to raise revenue and adopt a budget for the Town of Hilton Head Island, South Carolina, for the fiscal year ending June 30, 2013; 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.
5. **Executive Session**
 - a. Mall Developer Agreement
6. **Adjournment**



MEMORANDUM

TO: Town Council

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

VIA: Susan Simmons, Director of Finance

DATE: June 7, 2012

RE: **Revised First Reading of Proposed Ordinance No. 2012-13**

Recommendation:

Town Council approves the **revised** first reading of Proposed Ordinance No. 2012-13 to raise revenue and adopt a budget for the Town of Hilton Head Island, South Carolina for the Fiscal Year ending June 30, 2013.

Summary:

Council held budget workshops throughout May and in early June to consider the proposed budget for the following funds. Changes from the original budget are summarized below.

Governmental Funds:

General Fund

Net increase of \$8,150 in Public Safety related to Beaufort County Sheriff's Office (BCSO) for salary and benefits changes determined after the original request and approving \$25,000 of the additional bar/noise patrol funds for a total of \$75,000 budget.

Note 1: The BCSO budget will be further refined for the lease vs. new location as a midyear budget amendment.

Note 2: No funds will be added for the project submitted by ATAC and Dr. Salazar.

Capital Projects Fund

Funds added for the Honey Horn (and adjacent area) Pathway (\$80,000) and Mathews Dr./Chaplin Area Connectivity (\$100,000) for the PECI request.

Chaplin Linear Park and Coligny Area Plan. Amounts for both of these projects should be considered "place holders" only. For Chaplin, staff will go back and focus on a baseline plan for pathways and boardwalks that will not preclude any of the bigger picture concepts that may or may not be pursued at a later time. For Coligny, we will step back until the Economic Impact Analysis

has been completed and reviewed. As we move forward and make decisions, we will adjust the budgets at mid-year.

Debt Service Fund

No proposed change from the original proposal.

Enterprise Fund:

Stormwater Utility Fund:

No changes to expenditures. Added bond issue for only the amount to equal a zero net change in revenues over expenses.

ORDINANCE NO. _____

PROPOSED ORDINANCE NO. 2012-13

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, 2013; 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 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 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, 2013.

Section 2. Establishment of Property Tax Levy. A tax to cover the period from July 1, 2012 through June 30, 2013, 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 12.57 mills, Debt Service 6.01 mills, and Capital Projects Fund .75 mils making the total levy of 19.33 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. If an expenditure is expressly authorized in an approved Capital Improvement Project, 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 budget. 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 addition 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 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 6. 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 _____ DAY OF _____, 2012.**

Drew A. Laughlin, Mayor

ATTEST:

Cori Brock, Town Clerk

First Reading:
Public Hearing:
Revised First Reading:
Second Reading:

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

Town of Hilton Head Island

Fiscal year 2013 Budget

Revised First Reading

June 12, 2012

General Fund

	2012					2013		
	2009	2010	2011	2012		FY 2013 Budget	% change	
				Revised Budget	Estimated Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Property Taxes	10,715,950	10,920,696	10,956,179	11,701,330	11,701,330	11,935,350	2%	2%
ATAX Local 1%	2,150,536	2,012,520	2,416,264	2,250,000	2,340,200	2,387,000	6%	2%
Business Licenses:								
Business Licenses - Town	3,426,852	3,382,398	2,833,347	3,400,000	2,975,000	3,034,500	-11%	2%
Business Licenses - MASC	4,032,206	3,721,101	4,067,077	4,000,000	4,148,400	4,231,375	6%	2%
Franchise Fees:								
Electricity	-	-	-	-	-	-	0%	0%
Cable	586,852	760,735	691,914	690,000	705,750	719,850	4%	2%
Beach Fee	21,285	20,716	23,200	21,500	23,650	24,125	12%	2%
Recycling	-	-	18,672	100,000	100,000	102,000	2%	2%
Permit Fees:								
Construction	194,387	175,884	247,415	190,000	272,150	277,600	46%	2%
Development	10,883	4,067	5,526	4,000	6,075	6,200	55%	2%
Other	648,692	706,430	701,478	680,000	771,625	787,050	16%	2%
Intergovernmental	1,054,891	884,672	752,988	651,080	651,080	651,080	0%	0%
Grants:								
Beaufort County - Hazmat	11,677	11,677	11,677	11,680	11,677	11,680	0%	0%
Beaufort County - E911	113,563	122,828	106,760	115,000	115,000	115,000	0%	0%
DHEC	5,556	7,293	4,710	6,000	6,000	6,000	0%	0%
FEMA	-	-	25,087	-	-	-	N/A	N/A
Low Country Recycling	-	-	-	-	-	-	#DIV/0!	#DIV/0!
USAR	-	-	-	-	-	-	#DIV/0!	#DIV/0!
LEPEC	-	-	-	-	-	-	#DIV/0!	#DIV/0!
SC Regional Task Force	-	-	-	-	-	-	#DIV/0!	#DIV/0!
SCMIT Fire Grant	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Red to Green Grant	-	-	1,498	-	-	-	N/A	N/A
FM Global Grant	-	-	2,000	-	-	-	N/A	N/A
Miscellaneous Revenue:								
Beach Services	188,060	178,247	206,040	185,000	210,150	214,350	16%	2%
Donations	6,125	120	-	1,000	1,000	1,000	0%	0%
Lease	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Municipal Court	407,422	423,042	361,152	390,000	360,000	367,200	-6%	2%
Other	298,663	138,603	140,560	100,000	100,000	100,000	0%	0%
Public Safety - EMS	1,210,300	1,216,699	1,352,088	1,305,000	1,375,000	1,402,500	7%	2%
Public Safety - County D/T	206,205	203,536	203,000	53,000	53,000	54,060	2%	2%
Town Codes	3,446	995	453	1,000	500	500	-50%	0%
Victim's Assistance	70,045	70,471	57,045	70,000	58,000	59,160	-15%	2%
Transfers In:								
ATAX State	1,266,741	1,089,096	1,083,671	1,332,950	1,083,671	1,085,736	-19%	0%
ATAX Local	-	-	-	-	-	-	#DIV/0!	#DIV/0!
Beach Preservation Fee	1,355,973	1,315,746	978,080	969,390	969,390	981,705	1%	1%
Electricity Franchise Fee	85,904	77,371	78,176	80,220	80,220	81,790	2%	2%
Hospitality Taxes	2,214,864	2,464,955	2,930,183	3,269,550	3,269,550	3,269,550	0%	0%
Stormwater Utility Fee	303,830	302,763	389,730	235,330	235,330	236,130	0%	0%
Sunday Liquor Permits	-	-	37,500	37,500	37,500	37,500	0%	0%
TIF	226,260	193,790	184,330	181,480	181,480	182,930	1%	1%
Investments	87,069	95,768	41,785	40,000	10,000	10,000	-75%	0%
Total Revenues	30,904,237	30,502,219	30,909,585	32,072,010	31,852,727	32,372,922	1%	2%

General Fund (Continued)

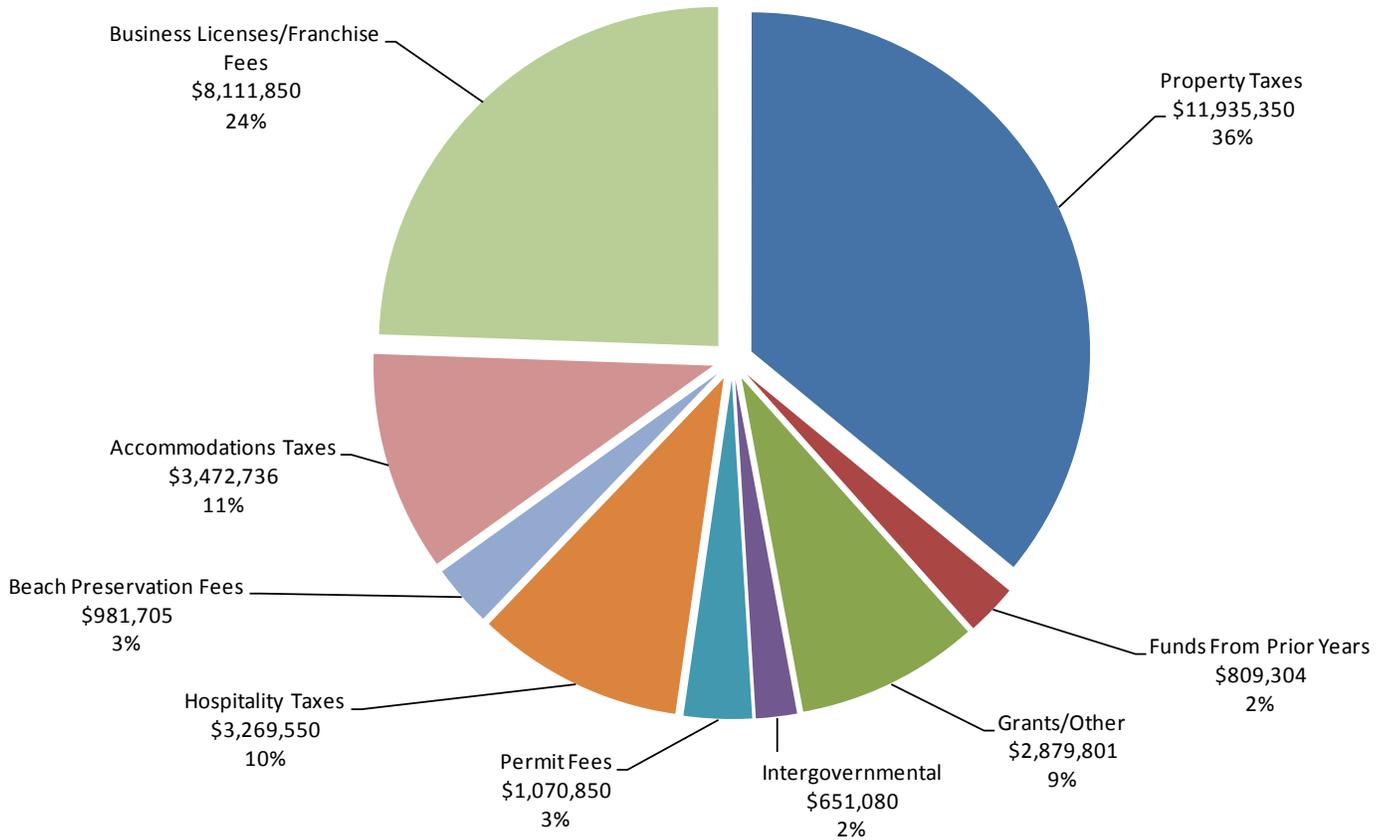
			2012		2013			
	2009	2010	Revised Budget	Estimated Actual	FY 2013 Budget	% change		
						FY 2012 Budget	FY 2012 Est. Actual	
Expenditures								
General Government:								
Town Council	355,705	292,601	484,500	461,279	435,829	446,728	-3%	3%
Town Manager	744,916	751,876	635,330	745,973	601,297	608,968	-18%	1%
Total General Government	1,100,621	1,044,477	1,119,830	1,207,252	1,037,126	1,055,696	-13%	2%
Management Services:								
Administration/Legal								
Legal	430,531	428,878	402,823	443,556	416,111	459,387	4%	10%
Administrative Services								
Administrative Support	215,541	193,428	219,840	220,181	211,113	240,590	9%	14%
Municipal Court	402,796	395,050	400,355	395,785	382,804	399,248	1%	4%
Information Technology	1,598,223	1,605,931	1,573,292	1,741,711	1,653,723	2,256,364	30%	36%
	2,216,560	2,194,409	2,193,487	2,357,677	2,247,640	2,896,202	23%	29%
Finance								
Administration	189,314	213,968	211,370	250,657	236,960	293,669	17%	24%
Accounting	660,880	565,988	589,794	638,177	545,946	601,147	-6%	10%
Revenue and Collections	566,623	659,308	700,325	877,044	570,664	712,643	-19%	25%
	1,416,817	1,439,264	1,501,489	1,765,878	1,353,570	1,607,459	-9%	19%
Human Resources	603,514	527,901	495,427	556,534	498,485	539,163	-3%	8%
Total Management Services	4,667,422	4,590,452	4,593,226	5,123,645	4,515,806	5,502,211	7%	22%
Community Services:								
Community Development								
Administration	545,247	541,226	548,302	682,189	606,591	698,000	2%	15%
Comprehensive Planning	379,969	356,859	367,135	351,917	352,065	367,445	4%	4%
Development, Review and Zoning	835,876	791,780	674,375	816,354	778,182	671,704	-18%	-14%
Building	759,928	667,371	603,692	616,591	614,716	640,594	4%	4%
CD Services	380,358	334,221	289,892	278,380	269,068	281,751	1%	5%
Total Community Development	2,901,378	2,691,457	2,483,396	2,745,431	2,620,622	2,659,494	-3%	1%
Public Projects and Facilities								
Administration	232,327	230,031	232,326	235,566	232,033	242,160	3%	4%
Engineering	646,190	719,746	643,071	684,936	695,327	701,813	2%	1%
Facilities Management	2,377,977	2,363,313	2,381,406	2,625,290	2,457,258	2,665,374	2%	8%
Total Public Projects and Facilities	3,256,494	3,313,090	3,256,803	3,545,792	3,384,618	3,609,347	2%	7%
Total Community Services	6,157,872	6,004,547	5,740,199	6,291,223	6,005,240	6,268,841	0%	4%

General Fund (Continued)

						2013		
	2009	2010	2011	2012		FY 2013 Budget	% change	
				Revised Budget	Estimated Actual		FY 2012 Budget	FY 2012 Est. Actual
Public Safety:								
Fire								
Administration	494,930	285,385	285,916	357,808	350,338	368,372	3%	5%
Operations	9,296,805	8,834,581	8,964,000	8,935,331	8,960,066	9,114,381	2%	2%
Fire Prevention	509,256	498,575	521,577	531,120	519,399	521,103	-2%	0%
Logistics/Maintenance	749,216	665,746	530,085	597,823	584,163	530,450	-11%	-9%
Communications	1,085,246	1,117,858	1,047,752	1,177,313	1,164,203	1,190,535	1%	2%
Training	605,888	586,398	625,232	667,754	668,516	698,246	5%	4%
Emergency Management	219,496	206,415	218,785	223,931	192,011	141,507	-37%	-26%
E911 Communications	199,145	229,093	232,346	253,321	254,389	270,277	7%	6%
Support Services	723,914	849,905	716,225	788,620	792,403	800,253	1%	1%
Total Fire & Rescue	13,883,896	13,273,956	13,141,918	13,533,021	13,485,488	13,635,124	1%	1%
Sheriff/Other Public Safety								
Police Services Contract	2,743,135	2,661,045	2,731,804	2,753,860	2,754,040	2,855,660	4%	4%
Beach Services	184,394	184,192	212,568	196,930	196,930	201,825	2%	2%
Stipend	124,950	124,950	121,800	130,000	115,000	115,000	-12%	0%
Victims' Rights	57,130	54,253	53,010	57,640	57,460	59,493	3%	4%
Total Sheriff/Other Public Safety	3,109,609	3,024,440	3,119,182	3,138,430	3,123,430	3,231,978	3%	3%
Total Public Safety	16,993,505	16,298,396	16,261,100	16,671,451	16,608,918	16,867,102	1%	2%
Townwide (non-departmental):								
Personnel	25,203	14,158	153,154	215,796	227,762	220,380	2%	-3%
Operating	1,013,801	1,242,722	1,465,515	1,553,531	1,427,646	1,506,545	-3%	6%
Grants	1,358,177	1,405,252	2,454,261	2,203,170	1,644,278	1,769,601	-20%	8%
Debt Service	-	-	-	339,370	-	-	-100%	N/A
Total Townwide (non-departmental)	2,397,181	2,662,132	4,072,930	4,311,867	3,299,686	3,496,526	-19%	6%
Total Expenditures	31,316,601	30,600,004	31,787,285	33,605,438	31,466,776	33,190,376	-1%	5%
Net change in fund balances	(412,364)	(97,785)	(877,700)	(1,533,428)	385,951	(817,454)		
Fund balance - beginning	16,274,131	15,861,767	15,763,982	14,886,282	14,886,282	15,271,911		
Prior period adjustment	-	-	-	-	-	-		
Fund balance - ending	15,861,767	15,763,982	14,886,282	13,352,854	15,272,233	14,454,457		

General Fund Revenues

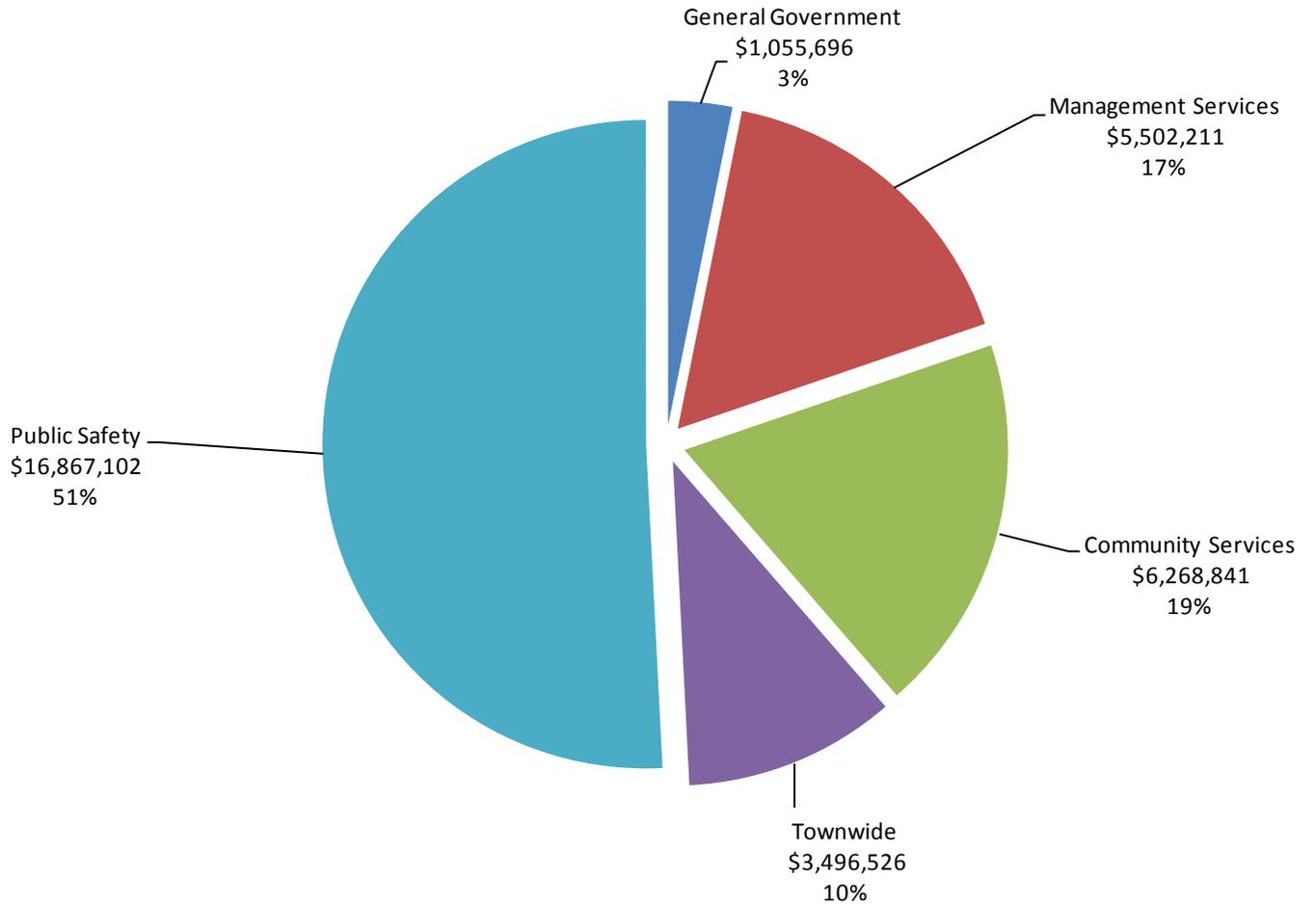
FY 2013 Budget = \$33,182,226
(including Funds from Prior Years of \$809,304)



	2012			2013	
	Revised Budget	Estimated Actual		FY 2013 Budget	% change FY 2012 Budget FY 2012 Est. Actual
Total Revenues	32,072,010	31,852,727	32,372,922	1%	2%

General Fund Expenditures

FY13 Budget = \$33,190,376



	2009	2010	2011	2012		2013		
				Revised Budget	Estimated Actual	FY 2013 Budget	% change FY 2012 Budget Est. Actual	
Total Expenditures	31,316,601	30,600,004	31,787,285	33,605,438	31,466,776	33,190,376	-1%	5%

General Fund

Expenditures by Type

	2011	2012		2013 Budget	% change	
		Revised Budget	Est. Actual		FY 2012 Budget	FY 2012 Est. Actual
Personnel	\$ 20,366,461	\$ 20,753,090	\$ 20,248,101	\$ 20,985,597	1%	4%
Operating	5,713,594	6,930,157	6,198,047	6,564,600	-5%	6%
Other Public Safety	3,101,264	3,132,430	3,123,430	3,231,978	3%	3%
Grants	2,454,261	2,203,170	1,644,278	1,769,601	-20%	8%
Capital Outlay	151,704	247,221	252,920	638,600	158%	152%
Debt	-	339,370	-	-	-100%	0%
Total	\$ 31,787,284	\$ 33,605,438	\$ 31,466,776	\$ 33,190,376	-1%	5%

Town Staffing

For fiscal year 2013, staffing is reduced by a net of 3 positions.

Community Development is increased by a new position for Economic Development Support and decreased by the Floodplain Administrator position. The Floodplain Administrator retired and the duties were assumed by others in the Department. The Economic Development Support position will be held open pending the recommendations of the Citizens Committee on Economic Development.

One of two Assistant Town Manager positions in the Town Manager Department is eliminated. This position was vacant.

In Fire and Rescue, staffing is decreased by two positions: an Emergency Planner (one of two Emergency Management positions) and a Maintenance Supervisor.

Group/Department	FY 2012	FY 2013	Variance
GENERAL GOVERNMENT			
Town Council	7.00	7.00	-
Town Manager	5.00	4.00	(1.00)
ADMINISTRATION			
Administration/Legal	5.00	5.00	-
Administrative Services	17.00	17.00	-
Finance	18.00	18.00	-
Human Resources	4.00	4.00	-
COMMUNITY SERVICES			
Community Development	27.00	27.00	-
Public Projects and Facilities *	22.00	22.00	-
PUBLIC SAFETY			
Fire and Rescue	147.10	145.10	(2.00)
Totals	252.10	249.10	(3.00)

* Includes two positions fully funded by and budgeted in the Stormwater Fund, an Enterprise Fund. All other positions are reported in the General Fund.

General Government

	FY 2012 <u>Revised Budget</u>	FY 2012 <u>Est. Actual</u>	FY 2013 <u>Budget</u>	<u>% change</u>	
				<u>FY 2012 Budget</u>	<u>FY 2012 Est. Actual</u>
<u>Category</u>					
Personnel	\$805,973.00	\$651,876.00	\$668,946.00	-17.00%	2.62%
Operating	401,279.00	385,250.00	386,750.00	-3.62%	0.39%
	<u>\$1,207,252.00</u>	<u>\$1,037,126.00</u>	<u>\$1,055,696.00</u>	-12.55%	1.79%
<u>Department</u>					
Town Council	\$461,279.00	\$435,829.00	\$446,728.00	-3.15%	2.50%
Town Manager	745,973.00	601,297.00	608,968.00	-18.37%	1.28%
FTEs	5.00	5.00	4.00		
	<u>\$1,207,252.00</u>	<u>\$1,037,126.00</u>	<u>\$1,055,696.00</u>	-12.55%	1.79%

Managerial Services

	FY 2012 <u>Revised Budget</u>	FY 2012 <u>Est. Actual</u>	FY 2013 <u>Budget</u>	<u>% change</u>	
				<u>FY 2012 Budget</u>	<u>FY 2012 Est. Actual</u>
<u>Category</u>					
Personnel	\$3,645,432	\$3,315,228	\$3,759,958	3.14%	13.41%
Operating	1,323,271	1,045,636	1,178,153	-10.97%	12.67%
Capital	154,942	154,942	564,100	264.07%	264.07%
	<u>\$5,123,645</u>	<u>\$4,515,806</u>	<u>\$5,502,211</u>	7.39%	21.84%
<u>Department</u>					
Legal/Administration	\$443,556	\$416,111	\$459,387	3.57%	10.40%
FTEs	5.00	5.00	5.00		
Admin. Services	2,357,677	2,247,640	2,896,202	22.84%	28.86%
FTEs	17.00	17.00	17.00		
Finance	1,765,878	1,353,570	1,607,459	-8.97%	18.76%
FTEs	18.00	18.00	18.00		
Human Resources	556,534	498,485	539,163	-3.12%	8.16%
FTEs	4.00	4.00	4.00		
	<u>\$5,123,645</u>	<u>\$4,515,806</u>	<u>\$5,502,211</u>	7.39%	21.84%

Community Services

	FY 2012 <u>Revised Budget</u>	FY 2012 <u>Est. Actual</u>	FY 2013 <u>Budget</u>	<u>% change</u>	
				<u>FY 2012 Budget</u>	<u>FY 2012 Est. Actual</u>
<u>Category</u>					
Personnel	\$4,006,518	\$3,952,935	\$4,131,479	3.12%	4.52%
Operating	2,284,705	2,052,305	2,137,362	-6.45%	4.13%
	\$6,291,223	\$6,005,240	\$6,268,841	-0.36%	4.39%
<u>Department</u>					
Community Development	\$2,745,431	\$2,620,622	\$2,659,494	-3.13%	1.48%
FTEs	27.00	27.00	27.00		
Public Projects and Facilities	3,545,792	3,384,618	3,609,347	1.79%	6.63%
FTEs	22.00	22.00	22.00		
	\$ 6,291,223	\$ 6,005,240	\$ 6,268,841	-0.36%	4.39%

Public Safety

	FY 2012 <u>Revised Budget</u>	FY 2012 <u>Est. Actual</u>	FY 2013 <u>Budget</u>	<u>% change</u>	
				<u>FY 2012 Budget</u>	<u>FY 2012 Est. Actual</u>
<u>Category</u>					
Personnel	\$12,079,371	\$12,100,300	\$12,204,834	1.04%	0.86%
Operating	4,499,801	4,410,640	4,587,768	1.77%	3.83%
Capital	92,279	97,978	74,500	-19.27%	-23.96%
	\$16,671,451	\$16,608,918	\$16,867,102	1.12%	1.51%
<u>Department</u>					
Fire and Rescue	\$13,533,021	\$13,485,488	\$13,635,124	0.75%	1.11%
FTEs	147.10	147.10	145.10		
Police Services *	2,928,500	2,811,500	2,915,153	-0.73%	3.40%
Stipend	13,000	115,000	115,000	784.62%	0.00%
Beach Services*	196,930	196,930	201,825	2.49%	2.49%
	\$16,658,451	\$16,493,918	\$16,867,102	1.12%	1.51%

* Contracted - No FTEs

Townwide

	2012		2013		
	Revised	Estimated	FY 2013 Budget	<u>% change</u>	
	Budget	Actual		FY 2012 Budget	FY 2012 Est. Actual
Townwide (non-departmental):					
Personnel	215,796	227,762	220,380	2%	-3%
Operating	1,553,531	1,427,646	1,506,545	-3%	6%
Grants	2,203,170	1,644,278	1,769,601	-20%	8%
Debt Service	339,370	-	-	-100%	N/A
Total Townwide (non-departmental)	4,311,867	3,299,686	3,496,526	-19%	6%

Capital Projects Fund

Capital improvements are broken into three segments; one segment is integrated into the General Fund operating budget, one in the Capital Projects Fund, Capital Improvements Program (CIP) budget, and the third is in the Stormwater Utility Fund. Located in the General Fund and to be funded with current operating funds are capital equipment purchases costing \$5,000 or more and software purchases which cost more than \$50,000. Capital Improvements for the Stormwater Utility are funded by Stormwater Utility Fees and budgeted in the Stormwater Utility Fund. All other items meeting the same criteria are included in the Capital Projects Fund.

In accordance with State law, the proposed CIP for Fiscal Year 2013 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 May.

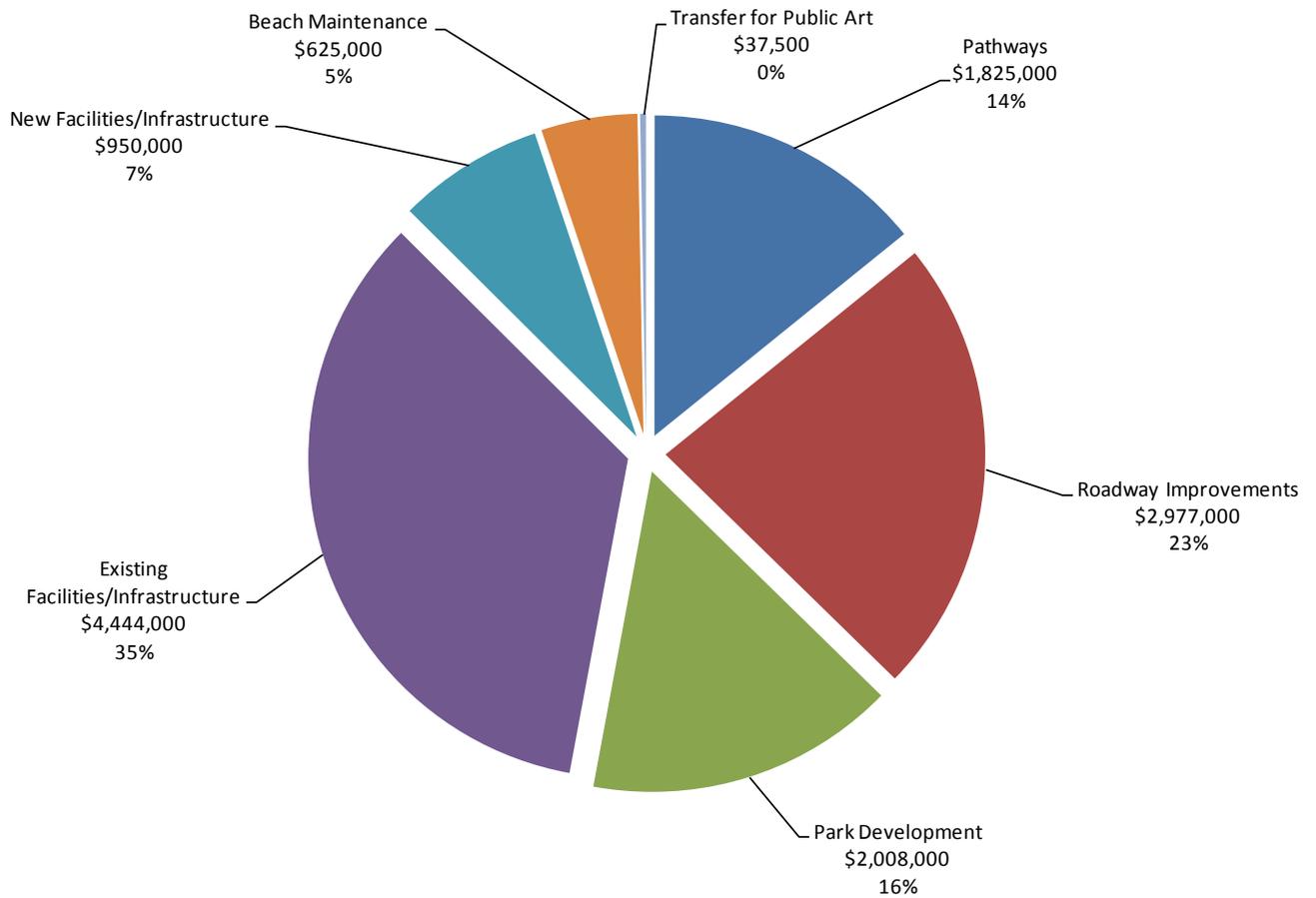
Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. **The Town adopts a formal budget for the current year only, fiscal year 2013.** In addition, a ten-year capital plan is included that identifies anticipated capital expenditures with funding sources to be determined. The Ten-Year CIP is based on a variety of sources. Sources are Town Council's Policy and Management Agendas for Calendar Year 2012 which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2010 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Town-Wide Drainage Plan; the Fire & Rescue Master Plan, the recently approved Recreation Element; the adopted County-wide All Hazard Mitigation Plan, the Comprehensive Emergency Management Plan; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and a Space Needs Study of all Town facilities and properties to include Town Hall, all parks, Fire and Rescue stations and town-wide infrastructure.

Capital Projects Fund

Fiscal Year 2013 Capital Improvements Program (CIP)

The Capital Projects Fund (CIP) budget for Fiscal Year 2013 totals **\$12,866,500 million** and consists of the following category funding levels:

Capital Projects Fund (CIP) Expenditures by Category



Capital Projects Fund

	FY 2009	FY 2010	FY 2011	FY 2012		FY 2013	% change	
				Revised Budget	Est. Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Property Taxes	709,774	695,844	696,763	692,850	692,850	706,707	2%	2%
Investments	213,183	34,027	23,752	-	-	-	N/A	N/A
Grants	52,525	75,956		814,528	814,528	-	-100%	-100%
Contributions	8,500	7,500	7,500	100,000	100,000	-	-100%	-100%
Sunday Permit Fees	254,500	314,950	356,900	689,803	689,803	495,500	-28%	-28%
Capital Sales Tax	703,258	331,639		425	425	-	-100%	-100%
Hospitality Tax	4,826,318	4,708,807	-	-	-	-	N/A	N/A
Impact Fees - Roads	43,071	55,643	79,254	159,722	159,722	925,000	479%	479%
Impact Fees - Parks	15,675	19,437	26,334	90,000	90,000	-	-100%	-100%
County	300,000	-	275,000	-	-	-	N/A	N/A
Stormwater Fees	1,572,183	-		-	-	-	N/A	N/A
Sale of Property/Equip.	8,582	1,888,488	324,774	-	-	-	N/A	N/A
Premium on Bond Issuance	-	121,571		340,168	340,168	-	-100%	-100%
Hospitality Tax Bond Proceeds	-	-		1,393,294	1,393,294	4,947,000	255%	255%
Beach Preservation Fee Bond				11,000,000	11,000,000	-	-100%	-100%
General Obligation Bond Proceeds	-	12,000,000		1,500,000	1,500,000	-	-100%	-100%
Transfers In:								
ATAX State	-	-	-	-	-	-	N/A	N/A
Real Estate Transfer Fees	3,098,194	7,757	33,080	-	-	-	N/A	N/A
Beach Preservation Fees	2,942,158	1,541,701	606,267	2,845,719	2,845,719	1,090,000	-62%	-62%
Tax Increment Financing	119,314	973	376,744	6,933,635	6,933,635	2,612,000	-62%	-62%
Hospitality Tax	-	-	1,543,734	1,395,543	1,395,543	2,035,000	46%	46%
Stormwater Fees	-	-	-	-	-	40,000	N/A	N/A
General Fund	-	-	-	-	-	-	-	-
Miscellaneous	83,881	2,000	(77,062)	-	-	-	N/A	N/A
Lease	85,839	45,645	19,200	14,688	14,688	12,000	-18%	-18%
Total Revenues	15,036,955	21,851,938	4,292,240	27,970,375	27,970,375	12,863,207	-54%	-54%
Expenditures & Other Uses								
Pathway Improvements	985,889	934,823	548,128	1,522,553	769,882	1,825,000	20%	137%
Drainage Improvements	822,502	(192,411)	-	-	-	-	N/A	N/A
Roadway Improvements	4,797,316	916,560	1,154,476	3,055,840	1,600,491	2,977,000	-3%	86%
Park Development	1,447,812	724,232	257,991	1,558,455	803,160	2,008,000	29%	150%
Existing Facilities	5,376,667	4,959,040	2,997,296	2,770,678	1,886,167	4,444,000	60%	136%
New Facilities	4,344,044	923,844	354,644	4,790,732	3,634,168	950,000	-80%	-74%
Land Acquisition	8,452,181	1,152,741	2,917,122	-	-	-	N/A	N/A
Beach Maintenance	934,747	1,331,073	568,574	13,563,615	11,274,364	625,000	-95%	-94%
Transfers Out	4,527,205	3,537,280	37,500	1,137,500	1,142,715	37,500	-97%	-97%
Debt Service/Issue Costs/Misc.	115,084	264,273		265,800	288,639	-	-100%	-100%
Total Expenditures & Other Uses	31,803,447	14,551,455	8,835,731	28,665,173	21,399,586	12,866,500	-55%	-40%
Net change in fund balances	(16,766,492)	7,300,483	(4,543,491)	(694,798)	6,570,789	(3,293)		
Fund balance - beginning	30,133,566	13,367,074	20,532,570	13,841,517	13,841,517	20,412,306		
Prior period adjustment	-	(134,987)	(2,147,562)	-	-	-		
Fund balance - ending	13,367,074	20,532,570	13,841,517	13,146,719	20,412,306	20,409,013		

Note: Beginning with FY10, the stormwater projects are no longer budgeted in this fund; see the Stormwater Utility Fund.

Capital Projects Fund Expenditures by Funding Source - 2013

THOUSANDS OF DOLLARS												
Category	Estimated Roll Forward Balance	FY 2013 Budget	Impact Fees	FY 2013 Taxes	Beach Fee	SWU Fee	Hospita- lity Tax	Hospita- lity Bond	TIF	Sunday Liquor Fees	Lease	
Summary												
Pathways	753	1,825	750	55	-	-	560	460	-	-	-	
Roadway Improvements	1,449	2,977	175	25	-	-	1,125	435	1,217	-	-	
Park Development	755	2,008	-	50	400	-	200	-	900	458	-	
Existing Facilities	852	4,444	-	580	25	-	150	3,677	-	-	12	
New Facilities	3,236	950	-	-	40	40	-	375	495	-	-	
Beach Maintenance	1,289	625	-	-	625	-	-	-	-	-	-	
TOTAL	8,334	12,829	925	710	1,090	40	2,035	4,947	2,612	458	12	
Pathways												
Pathway Rehabilitation		185		55				130				
US 278 (Wexford Circle to Fresh Market Shoppes)	21	660	330					330				
Leg O'Mutton	43	560	280				280					
Honey Horn Access Improvements	95	140					140					
US 278 (Fresh Market to Shelter Cove)		160	80				80					
US 278 (Shelter Cove/Chaplin to Mathews north)		120	60				60					
Dunnagan's Alley	328	-										
Pembroke Drive	44	-										
Gardner Drive	39	-										
US 278 @ New Orleans to Shipyard & Town Hall	183	-										
TOTAL	753	1,825	750	55	-	-	560	460	-	-	-	
Roadway Improvements												
Roadway Safety Improvements		100	100									
Leamington/Fresh Market Shoppes	230	1,125					1,125					
Directional/Neighborhood Signage		100					-	100				
F&R Emergency Access Points	65	110					-	110				
Traffic Signal Mast Arms	170	225					-	225				
Private (Dirt) Rd. Acquisition	50	25		25								
Lemoyne Avenue Reconstruction		75	75									
Pedestrian Crosswalks	251	-										
Intersection Improvements	151	-										
Mathews Dr./Chaplin Area Connectivity	420	170							170			
Dunnagan's Alley Roundabout	1	-										
Marshland Roundabout	103	1,047							1,047			
Mathews Dr. N. - Roundabout @ Beach City Rd	8	-										
TOTAL	1,449	2,977	175	25	-	-	1,125	435	1,217	-	-	

Capital Projects Fund Expenditures by Funding Source - 2013

THOUSANDS OF DOLLARS												
Category	Estimated Roll Forward Balance	FY 2013 Budget	Impact Fees	FY 2013 Taxes	Beach Fee	SWU Fee	Hospi- tality Tax	Hospi- tality Bond	TIF	Sunday Liquor Fees	Lease	
Park Development												
Park Upgrades	336	508		50						458		
Recreation Center Enhancements	82	200					200					
Rowing and Sailing Center	128	700							700			
Chaplin Linear Park w/Boardwalk		200							200			
Seniors' Center	100	TBD										
Yacht Cove Community Park	37	-										
Collier Beach Park		400			400							
Chaplin Tennis Park	72	-										
TOTAL	755	2,008	-	50	400	-	200	-	900	458	-	
Existing Facilities & Infrastructure												
Rehabilitaion and Renovation of Fixed Capital Assets	188	251		251								
Clean up, Maintenance of Properties & Demolition of Structures		291		279							12	
Apparatus and Vehicle Replacement	305	225		50	25		-	150				
Fire Station 2 Replacement		275					-	275				
Facilities Surveillance Cameras		50					-	50				
Town Hall Renovations	109	150					150					
Fire Station 6 Replacement	250	3,202					-	3,202				
TOTAL	852	4,444	-	580	25	-	150	3,677	-	-	12	
New Facilities & Infrastructure												
Sewer Projects	1,681	80			40	40						
Dispatch Center Equipment Upgrade		5					-	5				
Fire/Medical Systems and Equipment Replacement		70					-	70				
Public Saftey Systems Equipment Upgrade		210					-	210				
Mobile Computing AVL Upgrade		90					-	90				
Coligny/Pope Avenue Area Initiative	725	495					-		495			
F&R Computer System	69	0										
Dunnagan's Area Initiative	555	0										
Site Infrastructure - Emg. Town Hall	6	0										
BCSO with Tenant Upfit	200	0										
TOTAL	3,236	950	-	-	40	40	-	375	495	-	-	

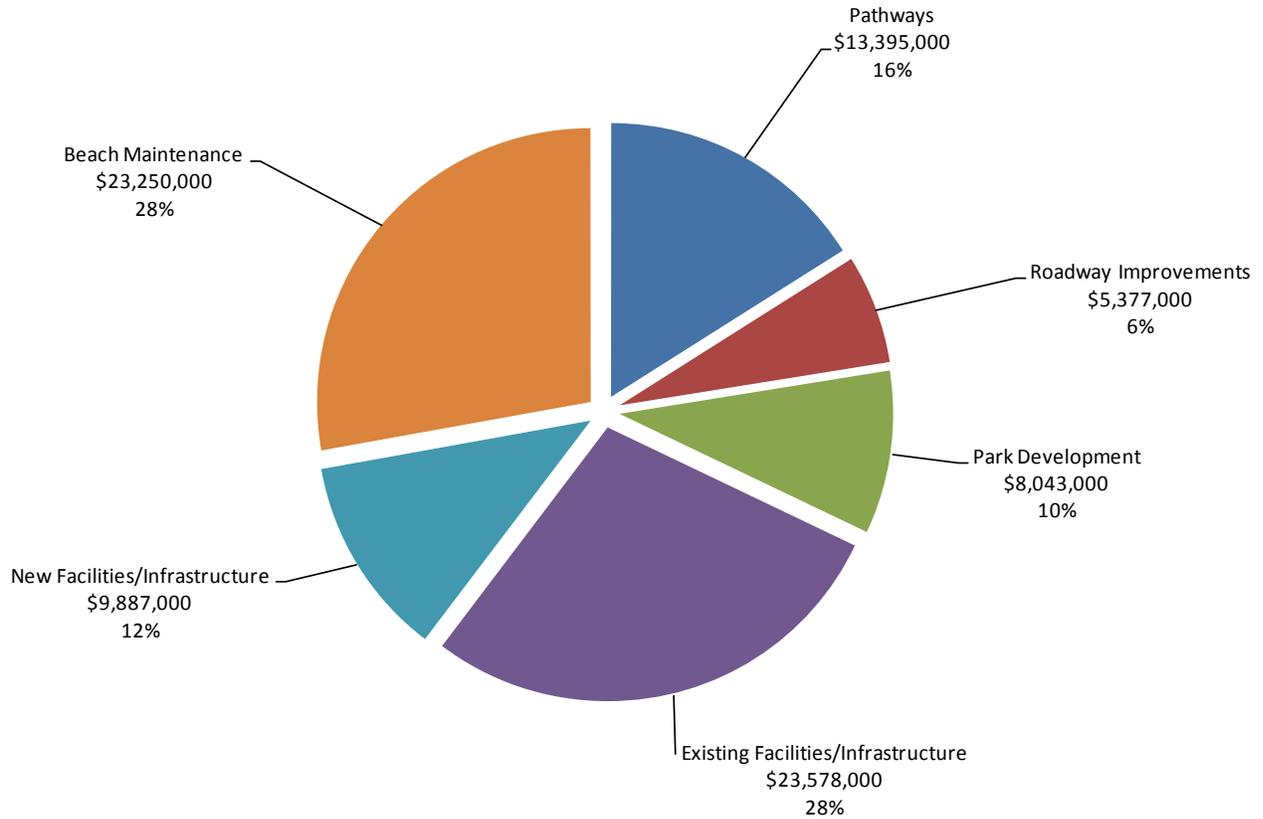
Capital Projects Fund Expenditures by Funding Source - 2013

THOUSANDS OF DOLLARS												
Category	Estimated Roll Forward Balance	FY 2013 Budget	Impact Fees	FY 2013 Taxes	Beach Fee	SWU Fee	Hospi- tality Tax	Hospi- tality Bond	TIF	Sunday Liquor Fees	Lease	
Beach Maintenance												
Beach Management and Monitoring	556	500			500							
Beach Parks/Access Rehabilitation	13	100			100							
Dunes Refurbishment and Maintenance	6	25			25							
Port Royal Fill Project	714	-										
TOTAL	1,289	625	-	-	625	-	-	-	-	-	-	

Ten-Year Capital Improvements Program (CIP)

The anticipated capital expenditures over the next ten years are anticipated to be **\$83.53 million**. This is a plan and is not a formally adopted budgeted beyond the current fiscal year, fiscal year 2013. The estimated expenditures by program are as follows:

Ten-Year Capital Improvements Program Expenditures by Program



CIP Expenditures by Category 2013-2022

<u>THOUSANDS OF DOLLARS</u>							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
SUMMARY							
Pathways	13,395	1,825	1,430	2,850	3,520	1,210	2,560
Roadway Improvements	5,377	2,977	2,250	50	50	50	-
Park Development	8,043	2,008	625	3,510	700	200	1,000
Existing Facilities & Infrastructure	23,578	4,444	3,332	1,759	987	1,001	12,055
New Facilities & Infrastructure	9,887	950	1,250	5,440	523	482	1,242
Beach Maintenance	23,250	625	625	625	17,625	625	3,125
Total	83,530	12,829	9,512	14,234	23,405	3,568	19,982

PATHWAYS							
Pathway Rehabilitation	185	195	200	210	220	1,100	
US 278 (Wexford Circle to Fresh Market Shoppes)	660						
Leg O'Mutton	560						
Honey Horn Access Improvements	140						
Pembroke Drive		480					
Gardner Drive		330					
US 278 (Fresh Market Shoppes to Shelter Cove)	160		1,320				
US 278 (Shelter Cove/Chaplin to Mathews north)	120	30	1,170				
US 278 (Gardner Drive to Jarvis Park)		120		930			
US 278 (Gum Tree Road to Squire Pope Rd.)		55	10	550			
US 278 (Jarvis/Honey Horn to Graves Bridge)		220		1,690			
Singleton Beach Road			40		300		
US 278 (Squire Pope Rd. to Welcome Center)			110		600		
Jonesville Road				100		760	
US 278 (Stoney area)				40		300	
US 278 (Jenkins Island to the bridge)					90	400	
Total	1,825	1,430	2,850	3,520	1,210	2,560	

CIP Expenditures by Category 2013-2022

<u>THOUSANDS OF DOLLARS</u>							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
ROADWAY IMPROVEMENTS							
Roadway Safety Improvements		100					
Leamington/Fresh Market Shoppes		1,125					
Directional/Neighborhood Signage		100	50	50	50	50	TBD
F&R Emergency Access Points		110	100				
Honey Horn Access Improvements			TBD				
Traffic Signal Mast Arms		225	300				
Private (dirt) Rd. Acquisition		25	TBD	TBD	TBD	TBD	TBD
Stoney Secondary Road (south)			600				
Lemoyne Avenue Reconstruction		75	800				
Summit Drive Realignment and Refurbishment			400				
Mathews Dr./Chaplin Area Connectivity		170					
Marshland Roundabout		1,047					
Total		2,977	2,250	50	50	50	-

PARK DEVELOPMENT							
Park Upgrades		508	200	200	200	200	1,000
Recreation Center Enhancements		200	TBD	TBD			
Rowing and Sailing Center		700					
Chaplin Linear Park Boardwalk		200		2,310			
Seniors' Center		TBD					
Yacht Cove Community Park		FY12		1,000			
Collier Beach Park		400					
Chaplin Linear Park Boardwalk			400				
Ford Shell Ring Park			25		500		
Total		2,008	625	3,510	700	200	1,000

CIP Expenditures by Category 2013-2022

<u>THOUSANDS OF DOLLARS</u>							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
EXISTING FACILITIES							
Rehabilitaion &Renovation of Fixed Capital Assets		251	251	251	251	251	1,255
Clean up, Maintenance of Properties & Demolition of Structures		291	291	291	291	291	1,455
Apparatus and Vehicle Replacement		225	290	1,217	445	459	9,345
Fire Station 2 Replacement		275	2,500				
Facilities Surveillance Cameras		50					
Town Hall Renovations		150					
Fire Station 6 Replacement		3,202					
Total		4,444	3,332	1,759	987	1,001	12,055

NEW FACILITIES							
Sewer Projects		80	15	40	40		
Dispatch Center Equipment Upgrade		5	20	5	5	22	65
Fire/Medical Systems and Equipment Replacement		70	405		360	300	775
Public Saftey Systems Equipment Upgrade		210	135	50	90	100	277
Mobile Computing AVL Upgrade		90				60	60
Fire and Rescue Computer Systems CAD Upgrade			25		28		65
Coligny/Pope Avenue Area Initiative		495	650	5,130			
Public Safety WAN/PN				215			
Total		950	1,250	5,440	523	482	1,242

BEACH MAINTENANCE							
Beach Management and Monitoring		500	500	500	500	500	2,500
Beach Parks/Access Rehabilitation		100	100	100	100	100	500
Dunes Refurbishment and Maintenance		25	25	25	25	25	125
Beach Renourishment					17,000		
Total		625	625	625	17,625	625	3,125

Debt Service Fund

	2009	2010	2011	2012		2013 Budget	% change	
				Revised Budget	Est. Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Property Taxes	4,734,076	5,529,403	5,583,395	5,544,650	5,544,650	5,655,543	2%	2%
Investments	206,739	55,566	82,349	6,000	114,983	50,000	733%	-57%
Bond Premium	-	34,061	-	228,063	228,063	-	-100%	-100%
Issuance of Bonds	-	5,005,000	-	20,635,000	20,635,000	-	-100%	-100%
Federal Reimbursement - BABS	-	-	207,868	191,712	191,712	189,634	-1%	-1%
Fund Balance - Property Taxes	-	-	-	534,435	534,435	-	-100%	-100%
Fund Balance - Hospitality Taxes	-	-	-	509,895	509,895	-	-100%	-100%
Transfers In:								
Hospitality Taxes	758,236	756,508	760,132	2,036,576	2,036,578	1,638,313	-20%	-20%
Real Estate Transfer Fees	2,331,090	2,721,768	2,469,965	1,863,830	1,863,828	2,614,357	40%	40%
Stormwater Fees	1,250,275	-	-	-	-	-	N/A	N/A
Beach Preservation Fees	2,676,584	2,812,310	2,785,750	2,853,474	2,853,478	3,113,854	9%	9%
Tax Increment Financing	3,964,162	3,987,538	4,011,252	4,040,670	4,040,665	4,064,885	1%	1%
General Fund	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	-	-	-	-	-
Total Revenues	15,921,162	20,902,154	15,900,711	38,444,305	38,553,287	17,326,586	-55%	-55%
Expenditures								
Administrative	23,535	17,131	44,390	17,790	17,790	17,790	0%	0%
Payment to Escrow Agent	-	5,248,484	-	21,675,878	21,675,878	-	-100%	-100%
Debt Issue Costs	-	127,144	-	451,812	451,812	-	-100%	-100%
Principal	11,220,000	11,415,000	12,305,000	12,105,000	12,105,000	11,645,000	-4%	-4%
Interest	5,679,190	4,335,765	4,524,266	3,914,952	3,914,952	4,265,225	9%	9%
Total Expenditures	16,922,725	21,143,524	16,873,656	38,165,432	38,165,432	15,928,015	-58%	-58%
Net change in fund balances	(1,001,563)	(241,370)	(972,945)	278,873	387,855	1,398,571		
Fund balance - beginning	10,884,048	9,882,485	6,974,490	6,135,600	6,001,545	6,414,473		
Prior period adjustment	-	(2,666,625)	-	-	-	-		
Fund balance - ending	9,882,485	6,974,490	6,001,545	6,414,473	6,389,400	7,813,044		

Note: Beginning in FY 2010 Stormwater Utility Bonds are no longer budgeted in this fund; see the Stormwater Utility Fund.

Stormwater Utility Fund

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012		FY 2013 Budget	% change	
				Revised Budget	Estimated Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Stormwater Fees	-	2,553,971	3,377,779	3,575,795	3,575,795	3,611,553	1%	1%
Grants	-	-	-	-	-	-	-	-
Investments	-	83,128	8,612	-	-	-	-	-
New Bond Issue	-	-	-	-	-	4,350,473	-	-
Total Revenue	-	2,637,099	3,386,391	3,575,795	3,575,795	7,962,026	123%	123%
Expenses								
Personnel:								
Total Personnel	-	-	147,029	147,190	140,022	150,461	2%	7%
Operating:								
Operational						8,200	-	-
Beaufort County SWU Administration Fee	-	-	-	92,109	92,109	92,109	0%	0%
Water Quality Monitoring	-	-	-	59,350	59,350	45,000	-24%	-24%
LiDAR Mapping Update						89,000	-	-
Public Education				35,000	35,000	23,000	-34%	-34%
NPDES Phase II Permitting	-	-	-			12,000	-	-
Total Operating	-	-	-	186,459	186,459	269,309	44%	44%
Stormwater Projects:								
Capital Projects and Upgrades	-	-	-	1,488,454	1,488,454	2,705,000	82%	82%
Drainage Maintenance and Repairs	-	79,875	210,767	726,259	726,259	1,862,000	156%	156%
Pump Stations	-	-	-	301,845	198,845	300,000	-1%	51%
Inventory and Modeling	-	-	-	604,875	114,870	1,250,000	107%	988%
Total Stormwater Projects	-	79,875	210,767	3,121,433	2,528,428	6,117,000	96%	142%
Depreciation and Amortization	-	593,229	690,885	-	690,885	-	-100%	-
Debt Service:								
Administrative	-	3,000	50,000	255,490	3,000	3,000	-99%	0%
Interest	-	721,122	518,146	639,610	383,918	366,126	-43%	-5%
Principal	-	565,000	515,000	605,000	640,000	780,000	29%	22%
Total Debt Service	-	1,289,122	1,083,146	1,500,100	1,026,918	1,149,126	-23%	12%
Total Expenses	-	1,962,226	2,131,827	4,955,182	3,881,827	7,685,896	55%	98%
Transfer Out	-	302,763	302,763	235,330	235,330	276,130	17%	17%
Revenues Over/(Under) Expenses	-	372,110	951,801	(1,614,717)	(541,362)	-		

Note 1: Beginning with FY10, the stormwater projects were established in this fund. Previously, they were reported in the Capital Projects Fund.

Note 2: To date, the pace of expenditures has not exceeded cash on hand (current year revenues and prior year funds brought forward). Therefore, the bond issue planned in fiscal year 2011 and moved to 2012 still has not occurred. If the proposed budgeted expenses for fiscal year 2013 were to be totally incurred, the Town would need to issue bonds during the fiscal year. Staff plans to monitor the cash position of this fund to issue bonds only when it is necessary thereby avoiding unnecessary interest costs. The statement above includes a line for new bonds only in the amount to balance the budget. It is not reflective of the actual amount that would be issued and no debt service is budgeted related to a new bond issue.

The attached budget detail for the projects includes only one column for fiscal year 2013 for the stormwater utility fee funding source. All expenses will initially be charged to the "fee" funding source. If it becomes necessary to issue bonds, the budget will be amended to charge an appropriate amount of expenses to the stormwater utility "bond" funding source.

Stormwater Utility Fund - Budget Detail for Projects and Operating Expenses

Note: Town Council will only adopt the FY 2013 budget. The final amount of roll from FY 2012 to FY 2013 will be determined after FY 2012 is closed and adopted by a budget amendment ordinance. The FY 2014 - FY 2017 budgets are for planning purposes and will not be legally adopted.

BUDGET DETAIL IN THOUSANDS OF DOLLARS	FY 2012	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	ESTIMATED ROLL - SWU FEE	SWU FEE	SWU FEE	BOND	SWU FEE	BOND	SWU FEE	BOND	SWU FEE	BOND
DRAINAGE MAINTENANCE AND REPAIRS										
Non-PUD Areas										
Oakmarsh Road outfall - remove sediments, extend pipe		10								
Mathews / Matilda - bank erosion		12								
Sinkhole at Shelter Cove Park		Misc.								
Palmetto Headlands - ditch cleanouts										
Mathews culvert outfall - remove pinch valves repl w gates		80								
Folly Field - channel cleanout		75								
Woodlake Villas outfall backflow prevention weir installation										
Old Woodlands - pond weir / channels up to Pineland		20								
Beaufort County										
Shamrock Circle - roadside ditches/drvwy pipes		80								
Crossings Park Vac Haul and Pipe Jetting										
Bermuda										
Firethorn										
Folly Field Turn Lane Drng Imp.										
Northridge										
Summit										
Tabby Walk										
Tanglewood										
State Misc.										
WHP median and shoulder drainage work		150								
Out year Town/County/SCDOT ROW work			75		75		75		75	
Jarvis bypass channel (Const) (moved from UG & IMP)			98							
Misc Vac-haul		75	75		75		75		75	
Channel Cleaning		75	75		75		75		75	
Misc Ditch Mowing		50	50		50		50		50	
Video of misc suspect failing pipes		50	50		50		50		50	
Unknown Rehab contingency		100	100		100		100		100	
TOTAL	-	777	523	-	425	-	425	-	425	-
SEA PINES - PUD begin 2013										
Greenwood Dr ditch from Heritage Farm to Fraser Circle		60								
Out year POA requested maint projects			100		100		100		100	
General drainage maint - pipe cleaning & repairs		15	15		15		15		15	
General Lagoon maint of risers and gates		20	20		20		20		20	
ditch cleaning, vac-haul, stabilization, unknown rehab		25	25		25		25		25	
TOTAL	-	120	160	-	160	-	160	-	160	-
PALMETTO DUNES - PUD begin 2013										
Man o War & Longboat ROW drainage pipe repair/lining		20								
Longboat to Man O War pipe cleaning & inspection		10								
Queens Folly ROW drainage pipe rehab / line		20								
Queens Folly ROW median drainage swale grading		10								
Out year POA requested maint projects			50		50		50		50	
ditch cleaning, vac-haul, stabilization, unknown rehab		20	25		25		25		25	
TOTAL	-	80	75	-	75	-	75	-	75	-
LEAMINGTON - PUD begin 2013										
Clearing ditch / trim wax myrtles - ditch b/tw Leam & SY		15	15		15		15		15	
ditch cleaning, vac-haul, stabilization, unknown rehab		35	35		35		35		35	
TOTAL	-	50	50	-	50	-	50	-	50	-
PALMETTO HALL - PUD begin ?										
ditch cleaning, vac-haul, stabilization, unknown rehab		-	75		50		50		50	
TOTAL (placeholder)	-	-	75	-	50	-	50	-	50	-
SHIPYARD - PUD										
Cottages Sinkhole and Shipmaster sinkholes										
Galleon fairway flooding - adj pipe and repair control structure		20								
Tennismaster - add box, stub pipe and clean channel		15								
Jet pipe between old Isl Packet bldg and golf lagoon		Misc.								
Extend culvert, lower PSD line on Gloucester Rd.		5								
Out year POA requested maint projects			30		30		30		30	
Trimming wax myrtle overhanging channels/ 278 Culverts		20								
ditch cleaning, vac-haul, stabilization		50	50		50		50		50	
TOTAL	-	110	80	-	80	-	80	-	80	-

FY 2013 budgets in red are rebudgeted for FY13 without an amount change and the FY12 budget was reduced correspondingly. Some projects' budget has a portion rebudgeted from FY12 which is disclosed parenthetically after the project name.

Stormwater Utility Fund - Budget Detail for Projects and Operating Expenses

Note: Town Council will only adopt the FY 2013 budget. The final amount of roll from FY 2012 to FY 2013 will be determined after FY 2012 is closed and adopted by a budget amendment ordinance. The FY 2014 - FY 2017 budgets are for planning purposes and will not be legally adopted.

BUDGET DETAIL IN THOUSANDS OF DOLLARS	FY 2012	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
	ESTIMATED ROLL - SWU FEE	SWU FEE	SWU FEE	BOND	SWU FEE	BOND	SWU FEE	BOND	SWU FEE	BOND
DRAINAGE MAINTENANCE AND REPAIRS, CONTINUED										
HILTON HEAD PLANTATION - PUD										
Pipe collars, ditch cleaning, vac-haul, stabilization		75	100		100		100		100	
Dolphin Head Drive ditch cleaning										
Golden Hind										
High Bluff										
Myrtle Bank Lane										
Big Woods outfall clearing and ditch reshaping		65								
Out year POA requested maint projects		75	50		50		50		50	
TOTAL		215	150		150		150		150	
PORT ROYAL - PUD										
Scarborough channel widening / stabilization		50								
ditch cleaning, vac-haul, stabilization		50	50		50		50		50	
Century Drive area ditch/channel cleaning										
Clearing siltation in hole 14 lagoon at end of Coggins Point										
Clearing d/s of 90 deg turn at the Links to Bridge										
Clearing u/s and d/s of pipes at the Links bridge										
Clearing siltation upstream of outfall lagoon next to 278 curve										
Out year POA requested maint projects			50		50		50		50	
Coggins Pt at 278 flooding - survey and add infiltration area										
TOTAL		100	100		100		100		100	
INDIGO RUN - PUD										
Pipe collars, vac-haul, ditch work		50	50		50		50		50	
Mead Lane										
Out year POA requested maint projects			25		25		25		25	
Trimming wax myrtle overhanging channels and lagoons		25								
Colonial Drive flooding mitigation		25								
Owner's Club bank erosion survey only										
TOTAL		100	75		75		75		75	
WEXFORD - PUD begin 2013										
ditch cleaning, vac-haul, stabilization (inc. 10k rebudget from		60	50		50		50		50	
Out year POA requested maint projects			25		25		25		25	
Ditch work along powerline easment		50								
TOTAL		110	75		75		75		75	
MISC. DRAINAGE MAINTENANCE AND REPAIRS										
Surveying		50	50		50		50		50	
Environmental		25	25		25		25		25	
Legal		25	25		25		25		25	
Engineering		100	100		100		25		100	
TOTAL		200	200		200		150		200	
TOTAL DRAINAGE MAINTENANCE AND REPAIRS		1,862	1,563		1,440		1,390		1,440	
PUMP STATIONS										
Pump Maintenance		110	110		110		110		110	
Pump Bldgs, Grounds, Electrical, and Utilities		40	40		40		40		40	
Sea Pines Pump Work (reimbursal per contract)	28	75	75		75		75		75	
Emergency Contingency	75	75	75		75		75		75	
TOTAL PUMP STATIONS	103	300	300		300		300		300	
INVENTORY AND MODELING										
Broad Creek Shelter Cove - BMP Retrofits										
Port Royal Plantation (1352 AC)	180	100								
HHP (3519 AC)	180	300								
Gumtree (100 AC)	27									
Unaffiliated Watersheds - Point Comfort (250 AC), Bay	90									
Pines/Pal. Bay/Tide Pointe										
IRP (1651 AC)	14	250								
Sea Pines Plantation (4035 AC.)		600								
Wexford Plantation (500 AC.)				75						
Palmetto Dunes & Leamington (1593 AC.)				238						
Palmetto Hall Plantation (767 AC.)						115				
Long Cove Club (634 AC.)						95				
Spanish Wells (336 AC.)						50				
TOTAL INVENTORY AND MODELING	490	1,250		313		260				

FY 2013 budgets in red are rebudgeted for FY13 without an amount change and the FY12 budget was reduced correspondingly. Some projects' budget has a portion rebudgeted from FY12 which is disclosed parenthetically after the project name.

Stormwater Utility Fund - Budget Detail for Projects and Operating Expenses

Note: Town Council will only adopt the FY 2013 budget. The final amount of roll from FY 2012 to FY 2013 will be determined after FY 2012 is closed and adopted by a budget amendment ordinance. The FY 2014 - FY 2017 budgets are for planning purposes and will not be legally adopted.

BUDGET DETAIL	FY 2012	FY 2013	FY 2014		FY 2015		FY 2016		FY 2017	
IN THOUSANDS OF DOLLARS	ESTIMATED ROLL - SWU FEE	SWU FEE	SWU FEE	BOND	SWU FEE	BOND	SWU FEE	BOND	SWU FEE	BOND
CAPITAL PROJECTS AND UPGRADES										
Arrow Road (inc. 125k rebudget from FY12)		425								
US 278 Flooding (d/s Town work beyond SCDOT Funding)		100								
Miller's Pond										
PR Grasslawn CIPP										
PRP culvert upgrades										
Fish Haul Culverts		100								
HHP Pond Control Structures, Dredging, and Culvert Upgrades		119								
HHP Bear Creek Outfall Rehab		100								
PRP Canal Dredging (inc. 100k rebudget from FY12)		200								
Shipyard Culvert Upgrades (inc. 50k rebudget from FY12)		125								
Palmetto Hall weir & inlet upgrades (not rebudgeted)										
Jarvis bypass channel (Const)		98								
Gum Tree Rd - South Outfall		100								
Bay Pines Point Comfort Outfall - Construction				150						
Broad Creek Shelter Cove - BMP Retrofits		50								
Wexford generator permanent mount		28								
PD - Mooring Buoy culvert replacement		60								
Myrtle & Hickory Lanes		500								
Wiler's Creek bank stabilization		100								
CIPP and CCCP pipe rehabilitaton of CMP system island wide		500								
Contingency services		100								
TOTAL CAPITAL PROJECTS AND UPGRADES	-	2,705	-	150	-	-	-	-	-	-
OPERATING EXPENSES										
Beaufort County SWU Administration Fee		92	95		95		97		97	
Water Quality Monitoring		45	45		45		45		45	
Town share of 10 year County LiDAR mapping update (IGA)		89								
Town share of County SW Public Education (IGA)		23	25		35		35		35	
NPDES Phase II permit implementation expenses		12	15		20		20		20	
TOTAL OPERATING EXPENSES	-	261	180	-	195	-	197	-	197	-
EXPENSES BY YEAR AND FUNDING CATEGORY	593	6,378	2,043	463	1,935	260	1,887	-	1,937	-
BUDGET - ALL FUNDING CATEGORIES				2,506	2,195		1,887		1,937	

FY 2013 budgets in red are rebudgeted for FY13 without an amount change and the FY12 budget was reduced correspondingly. Some projects' budget has a portion rebudgeted from FY12 which is disclosed parenthetically after the project name.

Accounting and Financial Policies

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.] In order to provide a meaningful comparison of actual results with the budget, the CAFR presents the Town's operation on a GAAP basis and shows fund expenditures and revenues on a budget basis for all of the Town's major funds.

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 does not report any 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 are considered government 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 operating expenditures associated with administrative services, sheriff/other public safety, fire, community services, and public projects and facilities.

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

Capital Projects Fund. This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Fund Financial Statements (CAFR) (continued)

Tax Increment Financing (TIF) 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. 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. 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. 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.

Real Estate Transfer Fee 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.

Fund Financial Statements (CAFR) (continued)

Real Estate Transfer Fee Fund (continued).

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.

The Town reports the Community Development Block Grants, Palmetto Electric Franchise Fees, and the Home Grant Special Revenue funds as non-major governmental funds.

The Tax Increment Financing Fund (TIF), Accommodations Tax Fund, Beach Preservation Fees Fund, Real Estate Transfer Fee Fund, 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 {proprietary} 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. Beaufort County collects the stormwater fee and remits the funds to the Town minus an administrative over-head fee. The Town uses these funds for drainage infrastructure maintenance and any associated debt service costs.

Measurement Focus and Basis of Accounting

All funds of the Town are maintained during the year using the modified accrual basis of accounting.

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

Measurement Focus and Basis of Accounting (continued)

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 available if collected within 60 days after year-end.

The Stormwater Utility Fund is reported as required for enterprise funds 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. The Stormwater Utility debt is included in this fund as a liability and principal payments directly reduce the liability. Depreciation is reported in this fund in accordance with the required focus and basis.

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)
- General Services Administration (GSA)
- Department of Housing and Urban Development (HUD)
- Repurchase agreements whose underlying purchased securities consist of the aforementioned 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.

Investments (continued)

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held primarily 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. The Town's road network is deeded to the County and is not included in the Town's 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.

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, 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.

Bond Discounts/Issuance Costs/Deferred Losses on Advance Refundings

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 losses on advance refundings are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred losses on advance refundings 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 Board Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Funds.

In the government-wide financial statements, bond discounts, issuance costs and deferred losses on advance refundings are accounted for in the same manner as in the proprietary funds.

Budgetary Accounting

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, Capital Projects Fund, and the Stormwater Utility Fund. The State Accommodations Fund budget is adopted by Town Council near the beginning of the calendar year. The FY 2013 budget also includes special revenue fund budgets as well. Special revenue funds are used to fund expenditures in the three major funds. The Town's special revenue funds are tax increment financing (TIF), beach preservation fees, hospitality tax, Palmetto Electric franchise fees, and real estate transfer fees (RETF.)

The Town Manager submits to Town Council a proposed operating budget for the General Fund, Debt Service Fund, Capital Projects Fund (CIP), and the Stormwater Utility Fund for the year which includes proposed expenditures and the means of financing them.

Public hearings are held for taxpayers' comments regarding the budgets for the General Fund, Debt Service Fund, Capital Projects Fund (CIP), and the Stormwater Utility Fund.

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

Budgetary transfers between departments may be authorized by the Town Manager. Changes or amendments that alter the total expenditures of any fund must be approved by Town Council.

Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles. All appropriations lapse at year end; however, encumbrances and amounts specifically designated to be carried forward to the subsequent year are re-appropriated in the following year.

Financial Policies

Revenues

The Town estimates its annual revenues by objective and analytical processes. Revenue forecasts for the General Fund 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).

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.

Expenditures/expenses (continued)

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.

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 for the next three years shall be all-inclusive and will be reviewed and updated annually.

Capital Improvement Plan (CIP)

The Town will develop a ten-year Capital Improvements Plan and update it annually.

As part of the annual operating budget, the Town will adopt an annual capital improvement budget based on the multi-year CIP.

The Town will make all capital improvements in accordance with the adopted Capital Improvement Plan.

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

The CIP will contain multi-year projections of expenditures.

The annual budget will implement the first year of the CIP.

Projects funded with bonds, loans, or short-term notes will continue until the project is finished and closed on the general ledger. Staff must re-appropriate the budgets for these projects annually through the budget process.

Projects funded by cash will expire at year end with no funding roll-forward unless approved by Town Council.

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

Capital Improvement Plan (CIP) (continued)

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 may be identified through savings on other capital projects at the discretion of the Director of Finance or through Town Council action 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.

Financial Reserves/Bond Ratings

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.

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.

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.

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.

Debt Management 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.

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.

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.

Disaster Planning Reserves/Policies

To protect the Town's assets against catastrophic events the following reserves have been established:

Operating Reserve

The Town will establish and maintain an operating reserve based on a range with a **minimum of 25%** up to a **maximum of 30%** of the Town's adopted fiscal year operating budget. The operating reserve may be utilized for emergency purposes in post-disaster occurrences; to offset an early fiscal year tax revenue income stream deficiency; and to avoid emergency Town borrowing or use of tax anticipation notes. The Director of Finance is authorized to transfer the amount of undesignated fund balance above the 30% maximum into the debt service reserve fund to maintain an account reserved for the reduction of Town debt. This account shall be called debt defeasance. A report shall be given each year to Town Council, at the close of the fiscal year, identifying the potential excess funds that could be transferred.

Disaster Planning Reserves/Policies (continued)

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 deposit two percent (2%) of the local hospitality tax revenues and five percent (5%) of the local accommodations tax revenues collected annually into the Restricted for Advertising account. Annual interest earned shall be deposited into the account. The Town will maintain at least one million dollars in the account. Deposits into this account shall first be used to replenish the Restricted Advertising Account to a minimum of one million dollars if the account has fallen below that threshold.

Funds may be distributed as follows:

- 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.
- C. At the end of each fiscal year, the Town Manager shall review the amounts deposited into and distributed from the account for that year. Any remaining amount above one million dollars shall be made available to the Town's designated tourism promotion agency for supplemental tourism advertising during the subsequent fiscal year.

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.

Real Estate Transfer Fee Debt Service Reserve

The Town will set aside \$1 million of real 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.

Disaster Planning Reserves/Policies (continued)

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 not exceed \$12 million.

Funds held in the reserve account may be used for the following:

- 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.

In the event of a disaster the Town will adopt the following ordinances/resolutions:

1. Temporary non-residential occupancy of structures ordinance – This is an emergency ordinance to allow the use of manufactured modular structures as temporary replacement structures for local businesses.
2. Temporary housing ordinance – This is an emergency ordinance to allow the use of manufactured homes and travel trailers as temporary residences.
3. Declaration of local state of emergency (resolution).
4. The Town of Hilton Head Island succession list in the event of a disaster (resolution).
5. If necessary, the Town will adopt an emergency reimbursement resolution to provide immediate access to funds in the event of a disaster.
6. In an effort to expedite disaster recovery efforts, the Town currently has a contract in place for the purpose of providing disaster storm debris removal services.

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 services, consulting, supplies, repairs, utilities, 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.

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 by each department.

Approach to the Budget Review Process (continued)

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 and Department Directors, develops the revenue budget.

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 Projects Fund/CIP; 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 month of March, 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.

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 in the Capital Projects Fund.
- d. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Tax Increment Financing Fund (TIF).
- 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 from one fund to another fund (General Fund, Capital Projects Fund, Debt Service Fund, Tax Increment Financing Fund (TIF)), 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 fifteen percent (15%) or One Hundred Thousand Dollars (\$100,000), whichever is less. If the total contract amount exceeds said thresholds, the contract and 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 in governmental funds 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 encumbrances of the fund balance will be provided for through an amendment of the new fiscal year budget to increase the revenues (funds from previous fiscal year(s)) and increase the appropriated budget expenditures. The threshold for encumbrance roll-over is \$1,000. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.