



**The Town of Hilton Head Island
Special Town Council Meeting**

June 14, 2016

3:00 P.M.

**BENJAMIN M. RACUSIN COUNCIL CHAMBERS
AGENDA**

**As a Courtesy to Others Please Turn Off/Silence All Mobile Devices During
the Town Council Meeting**

- 1) Call to Order**
- 2) Pledge to the Flag**
- 3) Invocation**
- 4) FOIA Compliance** – Public notification of this meeting has been published, posted and distributed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 5) Unfinished Business**
 - a. Revised First Reading of Proposed Ordinance 2016-09**

Revised First Reading of Proposed Ordinance 2016-09 to raise revenue and adopt a budget for the Town of Hilton Head Island, South Carolina, for the Fiscal Year ending June 30, 2017; 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.
- 6) New Business**

None
- 7) Executive Session**
 - a. Land Acquisition**

Discussion of negotiations incident to the proposed sale, lease or purchase of property:

 - (1) related to a parcel in the Coligny Area.
 - (2) related to a parcel in the Northridge Area.
 - b. Legal Matters**

Receipt of Status Update:

 - (1) related to legal matters handled by Alford & Thoreson.
 - c. Contractual Matters**

Discussion of negotiations incident to:

 - (1) Proposed contractual arrangements for attorney review of HHI-Bluffton Chamber ATAX expenditures related to the existing Town/Chamber of Commerce contract.
 - d. Personnel Matters**
 - (1) Discussion of employment/potential search process related to town manager.

8) Possible actions by Town Council concerning matters discussed in Executive Session

- a.** Consideration of an engagement letter with attorney Burnet R. Maybank, III of the law firm of Nexson/Pruet for the review of accommodations tax expenditures by the Chamber of Commerce from the promotional fund and preparation of a legal opinion, as required by paragraph 2.8 of the contract between the Town and the Hilton Head Island-Bluffton Chamber of Commerce.

9) Adjournment



MEMORANDUM

TO: Town Council

FROM: Susan M. Simmons, CPA, Director of Finance

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

DATE: June 9, 2016

RE: **First Reading of Proposed Ordinance No. 2016-09**

Recommendation:

Staff recommends Council approve revised first reading of Proposed Ordinance No. 2016-09. The ordinance establishes the fiscal year 2017 General, Capital Projects, Debt Service and Stormwater Funds' budgets. Council directed staff on June 7 to address the remaining shortfall without a millage increase. One item each is addressed in the Capital Projects and Stormwater Funds as described below which left a remaining net balance of \$663,643 which staff proposes to address through the Town Council Initiative carryforward funds.

Summary:

The Town Manager presented the budget by title only on May 3. Council held a budget workshop on May 10 and continued its discussions on June 7, 2016. During the process, staff tracked the changes and summarized them in the attached documents. Per our normal process, staff can only make the final changes to the four budgeted funds rather than the entire budget book. Therefore, the attached agenda package includes the following items. *Note that the budgeted statements and policies have the same page numbers as those in the budget book presented on May 3 and represent the **excerpts** that Council officially adopts.*

1. Accounting and Financial Policies, pages 24-35. No changes from original.
2. Budget Process, pages 36-41. No changes from original.
3. General Fund, pages 51-53. Revised as described below to address Council's directions not elsewhere addressed below.
4. Debt Service Fund, page 123. No changes from original.
5. Capital Projects Fund, pages 135-140. No changes from original – see explanation to address Cordillo Courts park needs.
6. Stormwater Fund, pages 141-146. Revised as described below to provide a solution for Hilton Head Plantation's Pine Island/Barrier Beach Repair.

The ordinance presented has not changed since originally presented on May 3. The millage remains the same as for fiscal year 2016: General Fund is 15.20, Debt Service Fund is 6.14, and Capital Projects Fund is .84 for a total of 22.18 mils.

Background:

The amount of budgeted changes from the original proposal and major budget discussions for each fund are summarized below.

General Fund:

Public Projects & Facilities – Engineering – Operating (increase of \$100,000). This budget increases by \$100,000 for emergency access on dirt roads. Access issues might occur on Town-owned or roads currently privately-owned. Town staff will propose policies and procedures to address how to ensure when worked is performed on private roads, the owners agree to come into the Town-owned road system or if not how the Town limits its future liability for these private roads. With these stipulations, staff believes the potential expenditures would be eligible for the new Road Usage Fee. Therefore, staff correspondingly increased the transfer from the Road Usage Fee resulting in no budgeted fund balance impact for this change.

Public Safety – Police Services – Operating (net increase of \$160,517). The Sheriff’s Office requested two changes for updated costs which have been incorporated: \$136,944 savings and \$8,961 cost increase. Council considered new requests from the Sheriff. From the four patrol officers and one detective requested, Council approved two officers at a budget increase of \$288,500 and awaits the performance audit results prior to determining further action

Townwide – Operating (increase of \$150,000). Last year, Council created an \$850,000 line item for its initiatives with staff directed to move the amounts to the appropriate departments during the fiscal year. Staff estimates that approximately \$677,000 will be available to roll forward to the new year for continued work on these initiatives. Council desires a budget of \$150,000 for Hilton Head Island Cultural and Arts Network (HHICAN) but has not worked out the organizational details; therefore, this item will remain a Townwide – Operating – Town Council Initiatives line item. Other initiatives will be funded in the amounts directed by Council but will be reported in other areas of the budget as described below.

Town Council – Operating (total increase of \$700,000). This budgeted line item will include amounts for the following items.

Visioning	\$400,000
Public Communications	\$100,000
Arts (venue and other analysis)	\$200,000

Townwide – Grants (net decrease of \$346,874). The Town will provide a one-time funding request to First Tee at a budget increase of \$50,000 and will institute normal affiliated agency control and reimbursement processes.

The Town will provide Coastal Discovery Museum (CDM) \$100,000 for a Mitchelville Preservation Project (MPP) Executive Director with the conditions that CDM and MPP formalize the collaboration, CDM will ensure that a qualified employee is hired and make up any budget shortfall; and that the CDM/MPP collaboration will include Council in the process; and ensure success of the collaboration by establishing, measuring and reporting on metrics.

The Economic Development Corporation (EDC) requested and Town staff included \$496,874 in this budgeted line. Council determined at its last meeting to put the EDC funding on hiatus which will result in a savings from the originally proposed budget.

Net Changes in Fund Balance. Together the changes in the General Fund will increase expenditures by \$763,643, increase transfers into the General Fund by \$100,000, leaving the remaining balance of \$663,643 to be covered by the available carryforward in the Town Council Initiatives’ budget. With the changes described above, the amount of prior year fund balance is reported as originally presented

at \$1,350,000. Normally, roll-forward amounts are handled in September, following year-end closeout, and are not reflected in the budget document adopted in June. However to clearly demonstrate that the Council Initiatives are budgeted and largely from funds available to roll, a budget line has been added to the General Fund statement near the bottom of page 53.

Debt Service Fund: No changes.

Per Council's request, staff in the near future will issue public communications regarding future bonding plans and anticipated savings from bond refundings planned for this summer.

Capital Projects Fund:

No budgetary level changes; however, the Park Upgrades project will now include addressing Cordillo Court park needs pushing other planned upgrades (likely at Chaplin Park) out to future years. (Initially, Cordillo Courts was included in the proposed General Fund – Town Council Initiatives.) The agenda package includes the one-year budget and ten-year plan; Council adopts only the one-year budget.

Stormwater Fund:

Projects – Maintenance & Repairs: There is only one change for this fund which is a \$100,000 increase for Pine Island/Barrier Beach Repair at Hilton Head Plantation to be funded with available prior year funds. In the detailed project attachment to the budget, this project reports \$100,000 which Council would be adopting for fiscal year 2017 and \$100,000 each for fiscal year 2017 and 2018 in its four-year plan.

Miscellaneous Budget Topics:

1. Staff has or will address several smaller needs within the fiscal year 2016 budget.
 - a. Additional broadcasting of meetings.
 - b. Arts Center of Coastal Carolina (ACCC) building assessment consultant contract.
 - c. BCSO radars (and most of radar trailer).
 - d. Cordillo Courts parking lots and landscaping.
2. Future dredging needs: \$400,000 cumulative allocation to fund balance reserve by June 30, 2016 with additional \$200,000 allocation for June 30, 2017.
3. Items discussed but deferred to a future date for various reasons.
 - a. ACCC lighting and or facility purchase.
 - b. Stormwater rate increase to create a repair/replacement reserve.
 - c. Shelter Cove pier or other park needs.
 - d. Staff update to Council on USCB campus construction project and a larger status update of all remaining TIF projects, funding and bond issue requirements.
 - e. Need to identify funding sources for roads, beyond what will be funded by the new Road Usage Fee, and for other large dollar value capital items, especially Fire Rescue apparatus/vehicles.
 - f. Future projects or other expenditures resulting from Committee work currently in process, such as the Circle to Circle and Arts Venue Committees.
 - g. Flyover beautification funding and its designated reserved funds.
 - h. Evaluation of proper balances to maintain for disaster reserves.

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 and the proprietary funds use the accrual basis. The CAFR presents the Town's funds on a GAAP basis in the Government-wide and Fund Financial Statements. The Town adopts a formal budget for the General, Capital Projects, Debt Service and Stormwater Funds. In order to provide a meaningful comparison of actual results with the budget, the Town presents budget and actual statements for its four budgeted funds in the Other Supplementary Information section of the CAFR. The budgets are adopted on a modified accrual basis including the Stormwater Fund. The budget and actual statements are reconciled to the appropriate GAAP basis in the CAFR.

Government-Wide Statements (CAFR)

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

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

Fund Financial Statements (CAFR)

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

The Town reports the following major governmental funds:

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

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

Accounting Policies (continued)

Fund Financial Statements (CAFR) (continued)

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

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

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

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

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

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

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

Accounting Policies (continued)

Fund Financial Statements (CAFR) (continued)

Real Estate Transfer Fee Fund (Special Revenue 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.

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

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

The Town reports the following enterprise fund:

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

Measurement Focus and Basis of Accounting

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

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.

Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

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

Cash and Cash Equivalents

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

Investments

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

- Government National Mortgage Association (GNMA)
- Federal Home Loan Banks (FHLB)
- Small Business Administration (SBA)
- U.S. Maritime Administration (MA)
- Tennessee Valley Authority (TVA)
- U.S. Export-Import Bank (Eximbank)
- Farmers Home Administration (FHA)
- Federal Financing Bank (FFB)
- General Services Administration (GSA)
- Department of Housing and Urban Development (HUD)
- Repurchase agreements whose underlying securities consist of the above 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 order of investment activities shall be safety, liquidity, and yield.

Accounting Policies (continued)

Investments (continued)

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

Restricted Assets

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

Capital Assets and Depreciation

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

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

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

Additions, improvements and other capital outlay significantly extending useful lives of assets 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

Accounting Policies (continued)

Physical Inventory

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

Compensated Absences

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

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

Long-Term Obligations

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

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

Bond Discounts/Issuance Costs/Deferred Charges on Advance Refunding

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

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

Accounting Policies (continued)

Budgetary Accounting

Annual appropriated budgets are formally adopted for three governmental funds: the General Fund, Debt Service Fund, and Capital Projects Fund. The Town also adopts a formal budget for its proprietary fund: the Stormwater Fund operating as an enterprise.

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

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

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

Public hearings are held for citizens' comments regarding the budgets for the General Fund, Debt Service Fund, Capital Projects Fund, and the Stormwater Fund.

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

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

The Town prepares and adopts budgets on a basis consistent with the appropriate generally accepted accounting principles and basis of accounting. All appropriations lapse at year end; however, encumbrances and amounts specifically designated to be carried forward to the subsequent year are re-appropriated by ordinance in the following year.

Financial Policies

Revenues

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

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

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

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

Financial Policies (continued)

Revenues (continued)

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

Expenditures/Expenses

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

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

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

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

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

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

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

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

Incorporating the Capital Improvement Plan (CIP) into the Capital Projects Fund (CPF)

The Town is required by State law to develop a ten-year Capital Improvements Plan (CIP) and update it annually. The CIP is a separate document from the Capital Projects Fund (CPF) budget; however, the CIP is the initial source for developing the formal CPF.

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

The Town adopts an annual (current year only) Capital Projects Fund budget based on the multi-year CIP. The Town determines its available funding and submits a prioritized CPF budget in accordance with the adopted CIP.

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

The CPF budget section will contain a ten-year projection of expenditures. However, the Town only formally adopts the first year of the CPF.

Financial Policies (continued)

Incorporating the Capital Improvement Plan (CIP) in the Capital Projects Fund (CPF) (continued)

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.

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

Contingency

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

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

Debt Management Policies

Market Review

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

Debt Issuance

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

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

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

Debt Service Levels

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

Based on the March 2016 County-wide assessment report, the total assessed value is \$863,950,905. The legal debt margin for the Town of Hilton Head Island is \$69,116,072. Town Council has imposed an 80% cap which further limits this to \$55,292,858. The Town has \$7,266,669 in bonds outstanding at June 30, 2016, which are applicable to this cap, leaving \$48,026,189 available.

Financial Policies (continued)

Debt Management Policies (continued)

Bond Ratings

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

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

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

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

Financial Reserves

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

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

Disaster Planning Reserves

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

Operating Reserve

The Town 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 the Town’s general obligation 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. In the event there are no outstanding GO debt issues conducive to early retirement, the excess funds may remain in the general fund until needed for operations and debt reduction.

Financial Policies (continued)

Disaster Planning Reserves (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, (ATAX), 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.

The Town may distribute the funds in the following manner.

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

The local ATAX reserve is a component of the General fund. Beginning in Fiscal Year 2013, the Hospitality component has been held in the Hospitality Fund's fund balance.

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 estate transfer fees into a disaster debt service reserve account in the Real Estate Transfer Fee Fund. The funds will be used to fund debt service payments during a disaster or financial crisis.

Financial Policies (continued)

Disaster Planning Reserves (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 items.

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

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

The Town will adopt the following ordinances/resolutions in the event of a disaster.

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 Calendar

Budget Calendar

February 2, 2016	Budget kick-off departmental budget packages distributed
February 23, 2016	Department budgets due to Asst. Town Manager for initial review
February 29, 2016	Budgets due to Finance Department for budget integration
March 31, 2016	Initial Review of Draft by Town Management
April 26, 2016	Finalize budget proposals and staffing requests
May 3, 2016	Town Manager delivers the proposed budget to the Town Council for first reading of Budget Ordinance
May 3–June 7, 2016	Town Council workshops
June 7, 2016	Public hearing; revised first reading of the budget ordinance by Town Council
June 21, 2016	Planned Second and final reading of the Budget Ordinance

Budget Process Overview

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

Policy and Strategy Phase

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

Assessment Phase

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

Format of Department Budgets

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

Mission Statement

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

Core Services

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

Current Fiscal Year Accomplishments

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

Format of Department Budgets (continued)

Goals

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

Objectives

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

Performance Measures (not all departments report this information)

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

2. Department Expenditures by Division and Category

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

Categories of expenditures are as follows:

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

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

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

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

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

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

The *grants* category includes Town funding for its affiliated organizations such as the Island Recreation Center; Coastal Discovery Museum management fee and turtle watch program; Solicitor's Office for the multidisciplinary court and career criminal program; Lowcountry Regional Transportation Authority (LRTA); and the Hilton Head Island Economic Development Corporation.

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

3. Department Expenditures by Division and Category (continued)

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

Approach to the Budget Review Process

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

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

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

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

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

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

The Director of Finance, in conjunction with the Deputy Director of Finance 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; as well as the Stormwater (Proprietary) Fund budget into the Town's upcoming fiscal year business plan. In addition, a three-year financial forecast is created for the General Fund and incorporated into its upcoming fiscal year business plan.

Budget Approval Process

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

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

The Finance and Administrative Committee as well as the Town Council consider the departmental goals with to ensure they are aligned with the overall goals of the Town during this process.

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 Stormwater Utility Fund (SWU).
- 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, Stormwater Utility Fund (SWU)), or (b) conflict with any existing Bond Ordinances.

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

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

Budget Transfers, Amending the Budget and Encumbrances (continued)

Encumbrances – appropriations are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. While appropriations lapse at the end of each fiscal year, re-appropriation of encumbrances of the fund balance will be provided 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 \$1,500. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.

General Fund

Revenues and Expenditures by Program/Department/Division Analysis - Historical, Estimated Actual, and Budget

	2013	2014	2015	2016		FY 2017 Budget	2017		
				Revised Budget	Estimated		FY 16 Budget	FY 16 Estimate	% change
Revenues									
Property Taxes	11,500,913	11,447,533	11,894,284	12,948,587	12,634,499	12,950,052	0.0%	2.5%	
ATAx Local 1%	2,499,067	2,798,783	3,068,339	2,917,990	3,044,505	3,119,000	6.9%	2.4%	
Business Licenses:									
Business Licenses - Town	3,388,636	3,428,367	3,941,652	3,635,900	3,821,701	3,987,000	9.7%	4.3%	
Business Licenses - MASC	4,385,502	4,367,542	4,392,826	4,632,940	4,396,120	4,484,000	-3.2%	2.0%	
Franchise Fees:									
Cable	763,434	817,454	848,708	787,000	873,014	875,000	11.2%	0.2%	
Beach Fee	21,811	24,234	27,352	25,750	28,430	25,000	-2.9%	-12.1%	
Recycling	150,324	135,231	-	-	-	-	0.0%	0.0%	
Permit Fees:									
Construction	481,110	588,868	552,722	575,099	874,699	794,233	38.1%	-9.2%	
Development	13,212	6,615	15,101	6,180	14,511	11,000	78.0%	-24.2%	
Other	873,843	782,456	813,023	814,538	815,534	815,000	0.1%	-0.1%	
Intergovernmental	800,659	805,027	812,085	800,000	803,687	812,000	1.5%	1.0%	
Grants:									
Beaufort County - Hazmat	11,677	11,677	11,677	11,677	11,677	11,001	-5.8%	-5.8%	
Beaufort County - E911	140,328	171,401	132,041	90,000	129,850	132,000	46.7%	1.7%	
DHEC & Others	8,261	3,990	-	4,000	13,742	4,000	0.0%	-70.9%	
Miscellaneous Revenue:									
Beach Services	223,196	230,839	239,358	245,851	234,401	245,000	-0.3%	4.5%	
Donations	155	273	2,429	300	276	500	66.7%	81.2%	
Municipal Court	262,022	224,447	198,948	220,000	192,733	190,000	-13.6%	-1.4%	
Other	325,209	255,218	223,925	259,200	174,326	250,000	-3.5%	43.4%	
Public Safety - EMS	1,198,868	1,059,918	1,403,782	1,314,000	1,275,049	1,394,700	6.1%	9.4%	
Public Safety - County D/T	53,758	55,103	55,721	56,500	54,078	55,000	-2.7%	1.7%	
Town Codes	246	230	46	250	210	250	0.0%	19.0%	
Victim's Assistance	42,477	36,980	34,399	45,000	31,990	45,000	0.0%	40.7%	
Transfers In:									
Beach Preservation Fee Fund	981,705	1,111,138	1,111,138	1,111,138	1,111,138	1,111,138	0.0%	0.0%	
Capital Projects Fund:	-	-	594,000	-	-	-			
Sale of Equipment	-	-	-	175,000	175,000	175,000	0.0%	0.0%	
Ad Valorem Taxes	-	-	-	1,238,000	1,238,000	453,000	-63.4%	-63.4%	
Lease	-	-	12,000	-	-	-			
Sunday Liquor Fees	37,500	359,703	418,150	37,500	37,500	50,000	33.3%	33.3%	
Hospitality Tax Fund	2,974,237	3,570,012	4,391,195	3,270,069	3,295,069	3,392,245	3.7%	2.9%	
Tax Increment Financing Fund	182,930	163,775	169,398	169,398	169,398	175,000	3.3%	3.3%	
State Accommodations Tax Fund (fir f	1,178,148	1,270,356	1,338,188	1,264,324	1,264,324	1,347,181	6.6%	6.6%	
Non-Major Governmental Funds (Elec	82,551	121,216	311	87,878	87,878	90,000	2.4%	2.4%	
Stormwater Utility Fund	236,130	74,258	94,258	94,258	94,258	95,000	0.8%	0.8%	
Road Fee Fund	-	-	-	-	-	509,000	n/a	n/a	
Investments	2,732	2,662	2,347	2,700	2,403	2,700	0.0%	12.4%	
Total Revenues	32,820,642	33,925,306	36,799,403	36,841,027	36,900,000	37,600,000	2.1%	1.9%	
Increase/Decrease	1,190,175	1,104,664	2,874,097	41,624	100,597	758,973			
%	3.8%	3.4%	8.5%	0.1%	0.3%	2.1%			

General Fund, continued

Revenues and Expenditures by Program/Department/Division Analysis - Historical, Estimated Actual, and Budget

	2013	2014	2015	2016		2017		% change	
				Revised	Estimated	FY 2017	FY 16	FY 16	
				Budget	Actual	Budget	Budget	Estimate	
Expenditures									
General Government:									
Town Council	374,955	433,654	408,860	458,143	425,493	1,174,768	156.4%	176.1%	
Town Manager	593,550	626,486	638,030	650,746	645,707	659,078	1.3%	2.1%	
Total General Government	968,505	1,060,140	1,046,890	1,108,889	1,071,200	1,833,846	65.4%	71.2%	
Management Services:									
Administration/Legal									
	379,630	457,520	495,858	500,068	487,433	535,611	7.1%	9.9%	
Administrative Services									
Administrative Support	171,549	183,724	264,884	229,751	219,409	264,761	15.2%	20.7%	
Municipal Court	376,951	392,215	404,911	424,928	414,022	349,916	-17.7%	-15.5%	
Information Technology	1,813,267	2,082,435	2,166,004	2,099,989	2,048,585	2,189,804	4.3%	6.9%	
	2,361,767	2,658,374	2,835,800	2,754,668	2,682,016	2,804,481	1.8%	4.6%	
Finance									
Administration	282,117	294,043	291,907	317,541	314,803	306,737	-3.4%	-2.6%	
Accounting & Budgeting	546,355	571,742	606,567	608,769	615,268	647,377	6.3%	5.2%	
Revenue and Collections	677,526	676,921	606,206	865,278	635,151	871,726	0.7%	37.2%	
	1,505,998	1,542,707	1,504,680	1,791,588	1,565,222	1,825,840	1.9%	16.7%	
Human Resources	526,428	522,982	537,290	599,080	578,267	619,193	3.4%	7.1%	
Total Management Services	4,773,823	5,181,583	5,373,628	5,645,404	5,312,938	5,785,125	2.5%	8.9%	
Community Services:									
Community Development									
Administration	562,959	541,550	469,752	494,757	481,934	538,871	8.9%	11.8%	
Comprehensive Planning	366,297	466,354	518,454	529,308	522,144	546,189	3.2%	4.6%	
Development, Review and Zoni	625,143	650,162	613,114	869,356	617,796	767,895	-11.7%	24.3%	
Building	664,599	636,046	653,044	692,457	662,992	759,673	9.7%	14.6%	
CD Services	274,914	287,873	303,408	323,716	303,984	355,020	9.7%	16.8%	
Total Community Development	2,493,912	2,581,985	2,557,771	2,909,594	2,588,851	2,967,648	2.0%	14.6%	
Public Projects and Facilities									
Administration	239,381	248,101	254,894	263,635	257,246	270,136	2.5%	5.0%	
Engineering	723,367	577,278	924,937	1,323,651	1,079,042	1,198,577	-9.4%	11.1%	
Facilities Management	2,539,756	2,999,443	3,500,998	4,044,175	3,952,723	4,054,018	0.2%	2.6%	
Total Public Projects and Facilities	3,502,504	3,824,822	4,680,829	5,631,461	5,289,011	5,522,731	-1.9%	4.4%	
Total Community Services	5,996,416	6,406,807	7,238,600	8,541,055	7,877,862	8,490,379	-0.6%	7.8%	

General Fund, continued

Revenues and Expenditures by Program/Department/Division Analysis - Historical, Estimated Actual, and Budget

	2013	2014	2015	2016		2017		
				Revised	Estimated	FY 2017 Budget	% change	
				Budget	Actual		FY 16 Budget	FY 16 Estimate
Public Safety:								
Fire Rescue								
Administration	308,546	390,652	321,582	364,243	347,807	360,157	-1.1%	3.6%
Operations	9,138,388	9,262,673	9,501,028	9,416,581	9,388,897	9,777,424	3.8%	4.1%
Fire Prevention	540,727	559,669	572,248	596,125	579,130	624,350	4.7%	7.8%
Fleet Maintenance	504,545	541,097	538,316	610,389	561,738	609,533	-0.1%	8.5%
Communications	1,136,446	1,089,587	1,108,894	1,134,951	1,119,899	1,154,362	1.7%	3.1%
Training	701,681	698,039	713,425	715,277	708,663	741,294	3.6%	4.6%
Planning	-	-	197,348	204,324	197,247	209,284		
Emergency Management	122,290	134,141	133,137	140,753	130,942	153,899	9.3%	17.5%
E911 Communications	238,152	246,373	257,638	291,724	284,442	300,807	3.1%	5.8%
Support Services	760,132	943,494	1,340,866	1,093,416	1,004,456	1,586,853	45.1%	58.0%
Total Fire Rescue	13,450,907	13,865,725	14,684,482	14,567,783	14,323,222	15,517,963	6.5%	8.3%
Sheriff Services								
Police Services Contract	2,806,906	2,771,833	2,844,295	3,062,316	3,049,470	3,285,251	7.3%	7.7%
Stipend	112,000	107,100	100,100	118,000	118,000	120,000	1.7%	1.7%
Victims' Services	59,492	59,035	60,728	64,664	64,664	65,388	1.1%	1.1%
Total Sheriff Services	2,978,398	2,937,968	3,005,123	3,244,980	3,232,134	3,470,639	7.0%	7.4%
Shore Beach Services	203,339	215,090	215,290	241,404	233,322	247,257	2.4%	6.0%
Total Public Safety	16,632,644	17,018,783	17,904,895	18,054,167	17,788,678	19,235,859	6.5%	8.1%
Townwide (non-departmental):								
Personnel	123,582	136,365	214,044	340,673	320,584	443,609	30.2%	38.4%
Operating	1,364,555	1,403,305	1,380,031	2,520,633	1,818,661	1,866,443	-26.0%	2.6%
Capital	-	28,349	41,635	42,000	42,000	32,000	-23.8%	-23.8%
Grants	1,459,306	1,958,304	2,285,753	2,920,415	2,904,434	1,926,382	-34.0%	-33.7%
Total Townwide (non-departmental)	2,947,443	3,526,323	3,921,463	5,823,721	5,085,679	4,268,434	-26.7%	-16.1%
Total Expenditures	31,318,830	33,193,635	35,485,477	39,173,236	37,136,357	39,613,643	1.1%	6.7%
Net change in fund balances	1,501,811	731,671	1,313,926	(2,332,209)	(236,357)	(1,350,000)		
Carryforward of Town Council Initiatives						(663,643)		
Fund balance - beginning	15,767,062	17,268,873	18,000,544	19,314,470	19,314,470	19,078,113		
Fund balance - ending	17,268,873	18,000,544	19,314,470	16,982,261	19,078,113	17,728,114		

The amount proposed for dredging is not a FY 17 budgeted expenditure. The proposal is to set aside \$200,000 each year from Local Accommodations Tax (Local ATAX) to be available for future dredging needs. Future Town Councils would have the authority to adopt the future annual set-aside amounts as well as budget expenditures as the needs arise. If the amount is approved and no expenditures are incurred in FY 17, the balance at fiscal year-end will be \$600,000.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal and interest payments, except those of the proprietary fund - Stormwater.

The most significant change in the Debt Service Fund for fiscal year 2017 is the expectation of three new bond issues. The planned amounts are: \$20.5 Beach Preservation Fee Bonds, \$30.25 million Tax Increment Financing (TIF) Bonds and \$20.0 General Obligation Bonds. The Town retired TIF bonds in fiscal year 2015 causing a temporary drop in debt service payments. The Town will issue new Beach Fee Bonds in fiscal year 2017 for the next full re-nourishment – which is underway. The Town intends to issue the TIF bonds for the TIF extension recently approved – with the main projects being the USC- Beaufort (USCB) project and Coligny/Pope Initiatives with a Community Park.

Since the Town plans to issue General Obligation Bonds in fiscal year 2017; it is not reducing the millage. The Fund Balance is expected to be applied toward the debt service of the new bonds.

Revenues and Expenditures Analysis – Historical, Estimated Actual, and Budget

							<u>% change</u>	
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2016	FY 2017	FY 2017	FY 2017
	Actual	Actual	Actual	Revised	Estimate	Budget	Budget	Estimate
Revenues:								
Ad Valorem Property Taxes	\$5,493,152	\$ 5,064,974	\$ 5,084,193	\$5,230,346	\$5,200,000	\$ 5,324,419	1.8%	2.4%
Issuance of Bonds	-	-	-	-	-	-		
Bond Premium	-	-	-	-	-	-		
BABS Subsidy	189,634	171,155	168,051	163,391	164,000	169,870	4.0%	3.6%
Investment Income	76,527	57,136	37,374	36,905	36,000	38,801	5.1%	7.8%
Transfers In:								
Beach Preservation Fees	3,113,645	3,106,277	4,381,225	2,828,938	2,818,000	3,336,913	18.0%	18.4%
Hospitality Fees	1,637,313	1,562,670	1,616,427	1,628,113	1,628,000	1,627,113	-0.1%	-0.1%
Tax Increment Financing	4,064,432	4,093,289	4,122,476	-	-	772,500	n/a	n/a
Real Estate Transfer Fees	2,152,296	2,169,797	2,269,578	2,294,953	2,290,000	2,237,884	-2.5%	-2.3%
Capital Projects Fund	-	-	-	-	-	-		
Series 2011 Hospitality Bond	1,061,140	-	-	-	-	-		
Series 2013 GO Bonds	664,056	-	-	-	-	-		
Lease Revenue	-	119,782	10,889	65,336	64,000	65,000	0.0%	1.6%
Total Revenue	18,452,195	16,345,080	17,690,213	12,247,982	12,200,000	13,572,500	10.8%	11.3%
Expenditures:								
Administrative	23,625	17,025	11,025	11,025	11,025	38,790	251.8%	251.8%
Payment to Escrow Agent	-	-	-	-	-	25,000		
Transfer to Beach Pres. Fees	-	-	1,900,110	-	-	-		
Debt Issue Costs	-	-	-	-	-	750,000		
Principal	11,645,000	12,950,000	12,994,999	7,420,000	7,420,000	7,680,000	3.5%	3.5%
Interest	4,265,011	4,080,573	3,702,272	3,784,676	3,784,676	5,078,710	34.2%	34.2%
Total Expenditures	15,933,636	17,047,598	18,608,406	11,215,701	11,215,701	13,572,500	21.0%	21.0%
Net Change in Fd Balance	2,518,558	(702,518)	(918,193)	1,032,281	984,299	-		
Beginning Fund Balance	6,587,994	9,106,552	8,404,034	7,485,841	7,485,841	8,470,140		
Ending Fund Balance	\$9,106,552	\$ 8,404,034	\$ 7,485,841	\$8,518,122	\$8,470,140	\$ 8,470,140		

Capital Projects Fund

Revenues and Expenditures by Category Analysis – Historical, Estimated Actual, and Budget

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Budget	FY 2016 Estimated Actual	FY 2017 Budget	% change	
							FY 2016 Budget	FY 2016 Est. Actual
Revenues:								
Ad Valorem Property Taxes	685,501	667,370	694,238	715,552	715,552	705,000	-1.47%	-1.47%
Investment Income	3,269	3,099	2,468	2,000	2,000	-	-100.00%	-100.00%
Grants	27,622	-	275,000	-	-	525,000	100.00%	100.00%
Contributions	20,000	-	-	-	-	-	-	-
Sunday Permit Fees	381,015	349,169	364,107	681,851	681,851	350,000	-48.67%	-48.67%
Traffic Impact Fees	100,572	141,157	216,183	35,000	155,000	-	-100.00%	-100.00%
Park Impact Fees	63,160	107,576	77,748	-	-	-	-	-
Beaufort County Bond	-	-	-	-	-	-	-	-
Bond Premium	664,056	-	-	-	-	-	-	-
Bond Proceeds (Beach Preservation)	-	-	-	20,500,000	20,500,000	-	-100.00%	-100.00%
Bond Proceeds (Hospitality)	-	-	-	718,923	718,923	1,750,000	143.42%	143.42%
Bond Proceeds (TIF)	-	-	-	3,250,000	3,250,000	30,250,000	830.77%	830.77%
Bond Proceeds (2013 General Obligation)	9,000,000	-	-	-	-	-	-	-
Bond Proceeds (2016 General Obligation)	-	-	-	7,703,917	7,703,917	8,265,000	7.28%	7.28%
Lease Revenue	208,998	127,938	213,996	65,336	65,000	-	-100.00%	-100.00%
Other Revenue	-	-	-	-	-	-	-	-
Reimbursement of Prior Year Expenditures	-	458,479	4,990	-	-	-	-	-
Sale of Property & Equipment	266,622	175,000	559,688	-	300,000	-	-	-100.00%
Transfers In:								
Beach Preservation Fees	642,078	2,327,672	612,676	1,405,414	1,405,414	750,000	-46.63%	-46.63%
Hospitality Fees	273,575	2,374,820	490,011	413,925	475,000	425,000	2.68%	-10.53%
Tax Increment Financing	1,594,527	1,844,358	4,329,873	3,919,533	3,919,533	5,575,000	42.24%	42.24%
Debt Service Fund	-	-	-	-	50,000	-	-	-
Real Estate Transfer Fees	-	-	-	-	-	-	-	-
Road Usage Fee	-	-	-	-	-	322,250	100.00%	100.00%
Total Revenue	13,930,995	8,576,638	7,840,978	39,411,451	39,942,190	48,917,250	24.12%	22.47%
Expenditures:								
Beach Maintenance	711,634	2,326,444	794,774	21,905,413	10,285,413	750,000	-96.58%	-92.71%
Existing Facilities	1,220,283	4,118,687	522,053	473,691	380,691	2,850,000	501.66%	648.64%
Park Development	765,811	707,641	1,115,701	6,796,550	287,550	5,300,000	-22.02%	1743.16%
New Facilities	1,340,995	2,601,826	2,227,088	4,438,495	2,769,495	31,515,000	610.04%	1037.93%
Pathway Improvements	1,354,262	1,436,506	1,007,895	662,223	573,223	100,000	-84.90%	-82.55%
Roadway Improvements	1,669,550	1,548,043	2,650,081	4,586,712	3,307,712	8,172,250	78.17%	147.07%
Land Acquisition	6,080,118	19,752	2,012,510	131	120,000	-	-100.00%	-100.00%
Total Expenditures	13,142,653	12,758,899	10,330,102	38,863,215	17,724,084	48,687,250	25.28%	174.70%
Other Financing Sources / Uses:								
Bond Proceeds Previously Recognized	-	-	-	*(718,923)	(718,923) *	(1,750,000)	143.42%	143.42%
Bond Issue Costs	127,167	114,997	-	375,000	375,000	300,000	-20.00%	-20.00%
Transfers Out	4,215,828	479,485	1,035,039	1,515,836	1,515,836	453,000	-70.12%	-70.12%
Net Change in Fund Balance	(3,554,653)	(4,776,743)	(3,524,163)	(2,061,523)	19,608,347	(2,273,000)		
Beginning Fund Balance	20,474,068	16,919,415	12,142,672	8,618,509	8,618,509	6,556,986		
Ending Fund Balance	16,919,415	12,142,672	8,618,509	6,556,986	28,226,856	4,283,986		

* - For actual reporting purposes, all bond proceeds are recognized at the time of issuance and are therefore reflected in the beginning fund balance. For budgetary reporting purposes, bond proceeds are recognized to the extent the proceeds are utilized for capital projects. Therefore to reconcile between the two presentations it is necessary to adjust the Fund Balance by the previously recognized Bond Proceeds.

Capital Projects Fund Expenditures by Funding Source – FY 2017

THOUSANDS OF DOLLARS									
Estimated FY 2016 Funding (Enc./Roll)	FY 2017 Budget	Impact Fees	FY 2017 Property Taxes	Beach Fee	Hospital- ity Tax	TIF	Sunday Liq. Permit Fees	Other Funds	Notes

PATHWAYS

Pathway Accessibility & Safety Enhancement Projects	-	100				100			
Pope Ave (Off Road)	89								
TOTAL	89	100	-	-	-	100	-	-	-

ROADWAY IMPROVEMENTS

Office Park Rd Intersection Imprvmt	784	1,600				1,325		275	Hargray Grant on Hand
Extension of Lagoon Road	20	2,500				2,500			
Reconstruction of Nassau Street	25	1,100				1,100			
South Forest Beach Dr Imprvmts	30	650				650			
Intersection Improvements-W.B. 3rd lane WHP at Squire Pope	30								
Intersection Improvements-Shelter Cove Towne Center	125								
Traffic Signal Mast Arm: Shelter Cove Lane / 278	100								
Private Dirt Roads Acquisition	40	372		250				122	Rd Usage
Misc Turning Lane Improvements	-	225				225			
Pope Avenue Resurfacing (From BCTC)	-	325						325	CTC Funding via IGA
Dirt Road Paving (CDBG Project)	125	200						200	CDBG Grant
Dirt Road Paving (Road Usage Fee-Wiley Rd.)	-	200						200	Rd Usage Fee
Bluffton Parkway Beautification	-	1,000				1,000			HTX Bond
TOTAL	1,279	8,172	-	250	-	1,225	5,575	-	1,122

PARK DEVELOPMENT

Parks Upgrades	70	300						300	
Recreation Center Expansion	5,393	5,000							5,000
Public Art Program	34								
Shelter Cove Parking Lot	200								
Crossings Park Drainage Imprvmt	223								
Shelter Cove Community Park (Pier)	589								
TOTAL	6,509	5,300	-	-	-	-	-	300	5,000

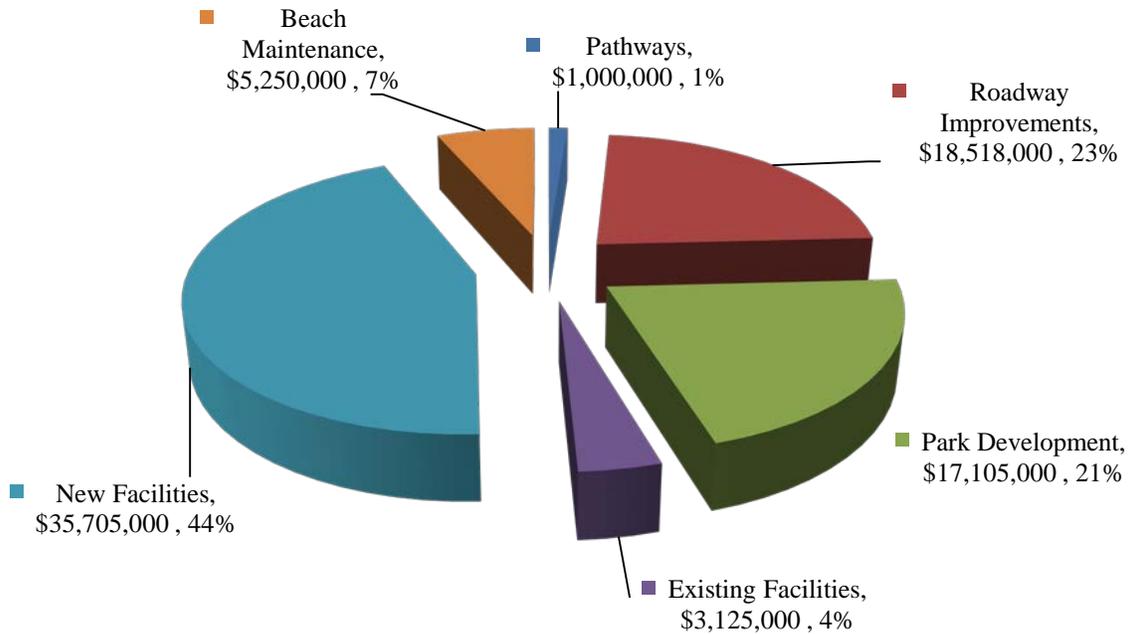
Capital Projects Fund Expenditures by Funding Source – FY 2017

THOUSANDS OF DOLLARS										
Estimated FY 2016 Funding (Enc./Roll)	FY 2017 Budget	Impact Fees	FY 2017 Property Taxes	Beach Fee	Hospital- ity Tax	TIF	Sunday Liq. Permit Fees	Other Funds	Notes	
EXISTING FACILITIES & INFRASTRUCTURE										
Fire Station #2 Replacement	25	2,750				750		2,000	H.Tax Bond / GO Bond	
Town Hall Remodeling	68	100				100				
TOTAL	93	2,850	-	-	-	850	-	2,000		
NEW FACILITIES & INFRASTRUCTURE										
USCB Hospitality Management Program Building	518	18,900				18,900			TIF Bond	
Coligny / Pope Ave Initiative Area Improvements w, Community Park	196	11,350				11,350			TIF Bond	
Sewer Projects	900	1,265						1,265	GO Bond	
58 Shelter Cove Tenant Upfit	55									
TOTAL	1,669	31,515	-	-	-	30,250	-	1,265		
BEACH MAINTENANCE										
Beach Management & Monitoring	120	250			250					
Beach Renourishment Project	11,500	500			500					
TOTAL	11,620	750	-	-	750	-	-	-	-	
TOTAL FY 2017 BUDGET	21,259	48,687	-	250	750	2,175	35,825	300	9,387	

Ten-Year Capital Improvements Program (CIP)

The Town formally adopts a one year Capital Projects Fund budget. In addition, it develops an unbudgeted (planned) Ten-Year Capital Improvements Program (CIP). The anticipated capital expenditures over the next ten years are anticipated to be \$80,703,000. The Town estimates the following expenditures by program.

Ten-Year Capital Improvements Program Expenditures by Program



CIP Expenditures by Category 2017-2026

	THOUSANDS OF DOLLARS					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022-2026
SUMMARY						
Pathways	100	100	100	100	100	500
Roadway Improvements	8,172	1,096	1,900	5,400	950	1,000
Park Development	5,300	2,880	300	325	300	8,000
Existing Facilities & Infrastructure	2,850	50	225	-	-	-
New Facilities & Infrastructure	31,515	585	1,415	2,190	-	-
Beach Maintenance	750	500	500	500	500	2,500
TOTALS (THOUSANDS OF DOLLARS)	48,687	5,211	4,440	8,515	1,850	12,000

CIP Expenditures by Category 2017-2026

	THOUSANDS OF DOLLARS					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022-2026
PATHWAYS						
Pathway Accessibility & Safety Enhancement Projects	100	100	100	100	100	500
TOTAL	100	100	100	100	100	500
ROADWAY IMPROVEMENTS						
Office Park Rd Intersection Imprvmt	1,600					
Extension of Lagoon Road	2,500					
Reconstruction of Nassau Street	1,100					
South Forest Beach Dr Imprvmts	650		100		750	
Intersection Improvements-W.B. 3rd lane WHP at Squire Pope		500	TBD	4,000		
Intersection Improvements-Shelter Cove Towne Center			1,250			
Private Dirt Roads Acquisition	372	TBD	TBD	TBD	TBD	TBD
Misc Turning Lane Improvements	225					
Pope Avenue Resurfacing (From BCTC)	325					
Dirt Road Paving (CDBG Projects)	200	200	200	200		
Dirt Road Paving (Road Usage Fee Projects)	200	200	200	200	200	1,000
Bluffton Parkway Beautification	1,000					
Traffic Signal Mast Arms (TIF Funded in District)		96	150			
Pope Avenue Improvements		100		1,000		
Arrow / Target Rd Improvement			TBD			
TOTAL	8,172	1,096	1,900	5,400	950	1,000
PARK DEVELOPMENT						
Parks Upgrades	300	380	300	325	300	1,500
Recreation Center Expansion	5,000					
Chaplin Linear Park		2,500				6,500
TOTAL	5,300	2,880	300	325	300	8,000

CIP Expenditures by Category 2017-2026

	THOUSANDS OF DOLLARS					
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022-2026
EXISTING FACILITIES & INFRASTRUCTURE						
Fire Station #2 Replacement	2,750					
Town Hall Remodeling	100	50	50			
Fire Rescue Training Center Enhancements			175			
TOTAL	2,850	50	225	-	-	-
NEW FACILITIES & INFRASTRUCTURE						
USCB Hospitality Management Program Building	18,900					
Coligny / Pope Ave Initiative Area Improvements w, Community Park	11,350		750	2,100		
Sewer Projects	1,265	585	665	90		
TOTAL	31,515	585	1,415	2,190	-	-
BEACH MAINTENANCE						
Beach Management & Monitoring	250	500	500	500	500	2,500
Beach Renourishment Projects	500	-	-	-	-	-
TOTAL	750	500	500	500	500	2,500
TOTALS (THOUSANDS OF DOLLARS)	48,687	5,211	4,440	8,515	1,850	12,000

Stormwater Fund (Enterprise Fund)

This fund is used to account for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs. The total expense budget for fiscal year 2017 is \$3.725 million including a transfer to the General Fund. The annual base fee per SFU will remain at \$108.70 for fiscal year 2017.

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016		FY 2017 Budget	% change FY 2016	
				FY 2016 Budget	Estimated Actual		FY 2016 Budget	Est. Actual
Revenues:								
Stormwater Fees	3,574,933	3,564,300	3,551,386	3,574,134	3,584,444	3,725,000	4.2%	3.9%
Miscellaneous Income/Grant Income	5,512	-	25,764	-	44,272	-	0.0%	0.0%
Prior Year Funds	-	-	-	-	-	-	0.0%	0.0%
Investment Income	253	394	450	-	300	300	0.0%	0.0%
Total Revenue	3,580,698	3,564,694	3,577,600	3,574,134	3,629,016	3,725,300	4.2%	2.7%
Expenditures:								
Total Personnel	154,100	269,278	317,573	370,797	352,072	370,887	0.0%	5.3%
Operating:								
Travel	-	972	2,265	5,200	3,000	5,000	-3.8%	66.7%
Meetings & Conferences	-	2,586	1,195	3,100	3,100	3,000	-3.2%	-3.2%
Public Education	6,507	19,954	4,895	7,000	12,000	20,000	185.7%	66.7%
Mapping Update	-	58,980	-	-	-	-	0.0%	0.0%
General Operating Expenses	3,201	4,485	35,876	13,900	14,600	19,100	37.4%	30.8%
Beaufort County SWU Admin Fees	90,039	89,700	90,496	105,000	105,000	167,000	59.0%	59.0%
Street Sweeping Contract	-	-	-	106,000	106,000	108,000	1.9%	1.9%
Project Database Management System	-	-	-	-	-	50,000	0.0%	0.0%
Contingency Repairs/Vehicle Purchase	-	-	-	28,000	30,764	-	-100.0%	100.0%
Beaufort County Stormwater Master Plan	-	-	-	147,000	140,000	-	-100.0%	100.0%
NPDES Compliance (IDDE program)	-	-	-	-	-	10,000	100.0%	100.0%
Water Quality Monitoring	42,353	36,514	91,933	120,000	100,000	120,000	0.0%	20.0%
Total Operating	142,100	213,191	226,660	535,200	514,464	502,100	-6.2%	-2.4%
Projects:								
Infrastructure and Capital	662,236	553,843	815,243	387,000	479,968	776,000	100.5%	61.7%
Inventory and Modeling	522,127	326,633	399,899	150,000	220,418	50,000	-66.7%	-77.3%
Maintenance and Repairs	264,092	373,183	357,807	713,000	678,545	629,000	-11.8%	-7.3%
Pump Station Costs	249,884	455,300	257,195	250,000	146,884	250,000	0.0%	70.2%
Total Project Costs	1,698,339	1,708,959	1,830,144	1,500,000	1,525,815	1,705,000	13.7%	11.7%
Debt Service:								
Principal	780,000	805,000	825,000	850,000	850,000	875,000	2.9%	2.9%
Interest	366,077	333,245	414,081	299,000	299,000	275,000	-8.0%	-8.0%
Other Charges	2,500	2,500	2,500	3,000	2,500	3,000	0.0%	20.0%
Total Debt Service	1,148,577	1,140,745	1,241,581	1,152,000	1,151,500	1,153,000	0.1%	0.1%
Total Expenditures	3,143,116	3,332,173	3,615,958	3,557,997	3,543,851	3,730,987	4.9%	5.3%
Transfer to General Fund	236,130	74,163	94,258	94,258	94,258	95,000	0.8%	0.8%
Total Expenditures and Transfers Out	3,379,246	3,406,336	3,710,216	3,652,255	3,638,109	3,825,987	4.8%	5.2%
Net Change in Fund Balance	201,452	158,358	(132,616)	(78,121)	(9,093)	(100,687)		
Beginning Fund Balance (unrestricted)	3,691,780	1,812,919	1,971,277	1,838,661	1,838,661	1,829,568		
Ending Fund Balance (unrestricted)	3,893,232	1,971,277	1,838,661	1,760,540	1,829,568	1,728,881		

Revenues and Expenses Analysis - Historical, Estimated Actual, and Budget
Stormwater Expenditures by Category 2017-2020

STORMWATER BUDGET SUMMARY	THOUSANDS OF DOLLARS				
	Est. Roll-Forward Bal.	FY 2017	FY 2018	FY 2019	FY 2020
CATEGORY					
Salary, Benefits, Operating Expenses	140	968	706	718	730
Debt Service		1,153	1,154	1,149	1,154
Capital & Infrastructure Upgrades and Improvements	286	776	1,750	250	682
Inventory & Modeling	-	50	50	50	50
Maintenance & Repairs	28	629	250	669	325
Pump Station Costs	-	250	450	450	450
TOTAL	454	3,826	4,360	3,286	3,391

STORMWATER BUDGET DETAIL	THOUSANDS OF DOLLARS				
	Est. Roll-Forward Bal.	FY 2017	FY 2018	FY 2019	FY 2020
SALARY, BENEFITS, OPERATING EXPENSES AND DEBT SERVICE					
SALARY AND BENEFITS					
Total Salary and Benefits	-	371	382	394	405
OPERATING EXPENSES					
Beaufort County SWU Administration Fee (withheld by County)	-	167	150	150	150
Beaufort County Stormwater Master Plan Update	140	-	-	-	-
Public Education	-	20	20	20	20
Water Quality Monitoring	-	120	120	120	120
Asset Management Software / Project Database Software Development	-	50	-	-	-
Transfer to General Fund for OH cost allocation		95			
NPDES Compliance (IDDE program)		10	10	10	10
General Operating Costs	-	27	24	24	24
Travel	-	5	5	5	5
Training & Conference	-	3	3	3	3
Legal (PUD negotiations, easements)	-	5	5	5	5
Membership Dues		1	1	1	1
Tools & Equip.	-	8	5	5	5
Uniforms & Protective Gear	-	1	1	1	1
Cell Phone	-	1.2	1.2	1.2	1.3
Stormwater Hotline		1.3	1.3	1.3	1.3
Veh. Fuel	-	1.6	1.6	1.7	1.7
Total Operating Expenses	140	489	324	324	324
DEBT SERVICE (matures fiscal year 2026)					
Principal	-	875	900	920	950
Interest	-	275	251	226	201
Other Charges and Fees	-	3	3	3	3
Total Debt Service	-	1,153	1,154	1,149	1,154
TOTAL SALARY, BENEFITS, OPERATING EXPENSES AND DEBT SERVICE	140	2,013	1,860	1,867	1,884

Stormwater Expenditures by Category 2017-2020

STORMWATER BUDGET DETAIL		THOUSANDS OF DOLLARS				
		Est. Roll-Forward Bal.	FY 2017	FY 2018	FY 2019	FY 2020
CAPITAL & INFRASTRUCTURE UPGRADES & IMPROVEMENTS						
Capital Upgrades Contingency (Pipe Lining, Pipe Replacement, Infrastructure Upgrades)						
HILTON HEAD PLANTATION - PUD						
8 Dolphin Point Lane - Pipe Upgrades	HHP		10			
Sweetwater Lane - Pipe Replacement	HHP	40	-	-	-	-
Old Fort Drive Outfall - CCTV, line or replace existing 48" pipes	HHP	-	151	-	-	-
Prestwick Court Lagoon Connector - Line and replace 42" & 48" pipes	HHP	-	-	-	-	300
Total Hilton Head Plantation			161			
INDIGO RUN - PUD						
Total Indigo Run		-	-	-	-	-
LONG COVE - PUD						
Friendfield Court Weir Replacement	LCC	-	-	75	-	-
Long Cove Club Drive - Lagoon pipe extensions (5 locations)	LCC		10	-	-	-
Total Long Cove Club			10	75	-	-
PALMETTO HALL - PUD						
Arthur Hills Golf Course (#18, #11, #12) - Replace three outfall weirs	PH	-	50		-	-
Total Palmetto Hall			50	-	-	-
PALMETTO DUNES - PUD						
Total Palmetto Dunes	PD	-	-	-	-	-
LEAMINGTON - PUD						
Total Leamington	LM	-	-	-	-	-
PORT ROYAL PLANTATION - PUD						
Total Port Royal Plantation			-	-		-
SEA PINES - PUD						
Baynard Cove Outfall Repairs - steel supports / gates / grate replacement	SP	10	120	-	-	-
Spotted Sandpiper - Pipe repair / replacement	SP	-	140	-	-	-
Ruddy Turnstone - CCTV and pipe repair	SP	-	30	-	-	-
Duck Hawk Road - CCTV and pipe/sinkhole repair	SP	-	60	-	-	-
Ocean Course Pipe Upgrades (#15 to N. Sea Pines Drive)	SP	-	40	-	-	-
Light House Lane - CCTV and pipe repair	SP	-	-	-	-	141
Total Sea Pines			390	-	-	141
SHIPYARD - PUD						
Total Shipyard		-	-			
WEXFORD - PUD						
Wexford Club Drive Flooding - Pipe Upgrades	WEX	-	-	50	-	-
Pump Station Access Easement Stabilization (46 Yorkshire)	WEX	50	-	-	-	-
Total Wexford		-	-	50	-	-
NON-PUD AREAS						
Northridge Theater / Mathews Drive outfall - Upsize pipes	XN	62	15	-	-	-
Lemoyne Avenue Flooding - Install drainage infrastructure (roll \$100k to FY17)	XN	99		-	-	-
Tanglewood Dr. - Road Flooding (coordinate w/ Coligny Re-development)	XN	8	-	-	-	-
Lawton Woods - Install drainage infrastructure / design/permit/util FY17, construct	XN	17	150	1,500	-	-
Mathews Drive / Ashmore Channel - Replace 72" & 60" pinch valves	XN	-	-	-	250	-
Islanders Beach Park Flooding - Install drainage infrastructure	XN	-	-	-	-	50
Driessen Beach Park Flooding - Install drainage infrastructure	XN	-	-	-	-	50
Total Non-PUD			165	1,500	250	100
TOTAL CAPITAL & INFRASTRUCTURE UPGRADES & IMPROVEMENTS		286	776	1,750	250	682

Stormwater Expenditures by Category 2017-2020

STORMWATER BUDGET DETAIL (continued)		THOUSANDS OF DOLLARS				
		Est. Roll- Forward Bal.	FY 2017	FY 2018	FY 2019	FY 2020
INVENTORY & MODELING						
Inventory & Modeling Updates		-	50	50	50	50
TOTAL INVENTORY, MODELING, AND MASTER PLANNING		-	50	50	50	50
MAINTENANCE & REPAIRS						
Emergency Contingency for Repairs			50	-	-	-
General Maintenance Contingency (All Areas)			50	-	-	-
Street Sweeping Contract			108	108	108	108
MAINTENANCE & REPAIRS PROJECTS						
Mathews / Matilda - Channel Repair and Bank Stabilization	XS	-	-	-	-	50
The Cottages - repair bank erosion, replace weir	SH		25	-	-	-
Wiler's Creek Bank Stabilization	IR	-	-	-	-	-
Haig Point Outfall (Crossings to Broad Creek) Channel Stabilization	XN	-	-	-	25	90
Pine Island / Barrier Beach Repair	HHP		100	100	100	-
Seabrook Drive (Behind 4 Hadley) - Erosion and end treatment repair	HHP		-	-	15	-
2 Fife Lane - Pipe / inlet / sinkhole repair	LCC		15	-	-	-
Lawton Canal - Replace 2 lift gates and clean structure	SP		15	-	-	-
Aberdeen Court Inlet Repair	IR		-	-	5	-
Baynard Cove Outfall - cleaning and repairs	SP	8	-	-	-	-
Light House Road - Replace flap gate	SP		5	-	-	-
Clipper Course (#8 Tee) - Repair lagoon bank erosion	SH	-	-	-	-	-
Windward Village - Lagoon bank erosion repair	SH		-	-	-	-
167 Mooring Buoy - Pipe and Inlet repairs	PD		-	-	-	-
35 Baynard Park - erosion repair	SP		-	-	-	-
CHANNEL MAINTENANCE, CON'T						
Cordillo Parkway to Lawton Drive channel maintenance	SP	-	25	10	10	-
Arrow Road Powerline Channel (Town owned portion)	XN		15	-	-	-
Ashmore Channel	XN		4	-	-	-
Shipyard Outfall (WHP to Dunnagan's Alley)	XN		2	-	-	-
Gumtree / Wildhorse Channel	XN		4	-	-	-
Jarvis Creek Outfall Channel	XN		13	-	-	-
Willion Hilton Parkway to Leg O'Mutton (Gardner Channel)	XN		25	-	-	-
Oakview	XN		4	-	-	-
Old Woodlands	XN		6	-	-	-
Palmetto Headlands	XN		10	-	-	-
Mathews Drive Outfall (US 278 to Dillon)	XN		10	-	-	-
Muddy Creek	XN		3	-	-	-
Haig Point Channel (Arrow to Broad Creek)	XN		70	-	-	-
Airport Outfall	XN		10	-	-	-
Folly Field channel maintenance	XN		5	-	-	-
Wexford Powerline Channel Maintenance	WEX		30	30	10	-
Scarborough Head Road Channel Maintenance	PRP		25	-	-	-
Century Drive Channel Maintenance	PRP		25	-	-	-
South Port Royal Drive Channel Maintenance	PRP		20	-	-	-
Club Course drainage system (70 & 76 Club Course)	SP		-	-	30	-
Club Course drainage system (#5 to #8)	SP		-	-	15	-
Club Course drainage system (Wood Duck/Water Oak & Water Oak to Oyster Landing Club)	SP		-	-	15	-
Wimbledon Court Channel Maintenance	PRP		-	-	-	-
Ocean Course #4 & #5 (Tupelo Road)	SP		-	-	24	-

Stormwater Expenditures by Category 2017-2020

STORMWATER BUDGET DETAIL (continued)		THOUSANDS OF DOLLARS				
		Est. Roll- Forward Bal.	FY 2017	FY 2018	FY 2019	FY 2020
CHANNEL MAINTENANCE, CON'T						
Beach Lagoon dredging	SP		-	-	60	-
20 River Club - Erosion and weir siltation	IR	-	-	-	-	-
65 Lighthouse to Forest Drive - channel maintenance	SP	-	-	-	26	-
Willow Oak Rd. To Lighthouse Road	SP		-	-	-	-
Club Course drainage system (#18 to Oyster Landing Club)	SP		-	-	15	-
Parking Lot 2 to Greenwood Drive	SP		-	-	19	-
Governors Road to Six Oaks (Parking Lot 4)	SP		-	-	19	-
Greenwood Forest (Wisteria Lane) to Greenwood Drive	SP		-	-	35	-
Lawton Canal sediment removal	SP		-	-	15	-
Plantation Drive (Heron Point #12 to Lawton Stables)	SP		-	-	32	-
66 Baynard Cove channel maintenance	SP		-	-	13	-
Ridgewood Lane to Greenwood Villas	SP		-	-	26	-
Marshland Road at Mathews Drive roadside ditch	XS		-	-	3	-
Broad Point and River Club - Channel maintenance	IR		-	-	-	-
Club Course drainage system cleaning (Otter Rd. to Newhall Rd.)	SP	-	-	-	25	-
Port & Lagoon Villas / Wren Drive - Channel and outfall siltation	SP	-	-	-	-	-
Heritage Villas lagoon bank erosion repair	SP		-	-	-	40
Night Heron Lane lagoon maintenance	SP		-	-	-	10
Cordillo Parkway (downstream of Pump Station)	SH		-	-	4	-
Mathews Court	XS		-	-	-	-
Bear Creek Golf Course (Headlands) - Channel Maintenance	HHP	20	-	-	-	-
Preserve at Indigo Run - Culvert / channel siltation	IR	-	-	-	-	10
Barcelona Drive between North Forest Beach	SH		-	-	-	4
Katie Miller Road	XN		-	-	-	3
Squire Pope Road Outfalls	XS		-	-	-	4
Squiresgate to Wildhorse	XN		-	-	-	3
Clifford Miller Drive	XN		-	-	-	3
Misc. maintenance (Town owned parks, roadside ditches, ponds)	XN		25	-	-	-
Point Comfort Club Lagoon Outfall	XN	-	-	-	20	-
Channel Maintenance Totals		20	331	40	416	77
PIPE & INLET CLEANING						
Headlands Road / Rusty Rail Lane pipe cleaning	HHP		5	-	-	-
Barony Golf Course #13 Tee Pipe Cleaning	PRP		3	-	-	-
54 Barcelona Drive - Pipe and Inlet Cleaning	SH		3	-	-	-
Coggins Point Road Pipe Cleaning	PRP		3	-	-	-
Wexford Club Drive - Pipe and Inlet Cleaning	WEX		2	-	-	-
Yorkshire Drive - Pipe and Inlet Cleaning	WEX		4	-	-	-
Wicklow Drive - Pipe and Inlet Cleaning	WEX		6	-	-	-
Indigo Run Drive pipe and inlet cleaning	IR		3	-	-	-
31 Full Sweep - Pipe and Inlet Cleaning	PD		3	-	-	-
Bridgetown Road - Pipe and Inlet Cleaning	WEX		3	-	-	-
Wexford On the Green - Pipe and Inlet Cleaning	WEX		3	-	-	-
Golden Bear 11th Tee pipe cleaning	IR		-	2	-	-
Pipe and Inlet Cleaning Totals		0	38	2	-	-
TOTAL MAINTENANCE & REPAIRS		28	737	250	669	325

Stormwater Expenditures by Category 2017-2020

STORMWATER BUDGET DETAIL (continued)	THOUSANDS OF DOLLARS				
	Est. Roll-Forward Bal.	FY 2017	FY 2018	FY 2019	FY 2020
PUMP STATION COSTS (MAINTENANCE, REPAIRS and REPLACEMENT)					
Sea Pines Pump Station	-	50	50	50	50
Shipyard Pump Station	-	25	50	50	50
Wexford Pump Station	-	25	50	50	50
Jarvis Creek Pump Station	-	50	50	50	50
Annual Pump Replacement	-	-	150	150	150
Emergency Contingency for Repairs	-	100	100	100	100
TOTAL PUMP STATION COSTS (MAINTENANCE, REPAIRS & REPLACEMENT)	-	250	450	450	450
TOTAL BUDGET	454	3,826	4,360	3,286	3,391

ORDINANCE NO. _____

PROPOSED ORDINANCE NO. 2016-09

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, 2017; TO ESTABLISH A PROPERTY TAX LEVY; TO ESTABLISH FUNDS; TO ESTABLISH A POLICY FOR ACQUISITION OF RIGHTS OF WAY AND EASEMENTS; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

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

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

WHEREAS, Town Council 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, 2017.

Section 2. Establishment of Property Tax Levy. A tax to cover the period from July 1, 2016 through June 30, 2017, 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 15.20 mills, Debt Service 6.14 mills, and Capital Projects Fund .84 mills making the total levy of 22.18 mills.

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

Section 4. Acquisition of Rights of Way and Easements. The Town Manager is charged with the duty of executing all necessary documents to obtain rights of way, easements, and other property interests necessary to complete duly authorized Capital Improvement Projects. Capital Improvement Projects based on the ownership and life expectancy of the assets or improvements or based on the funding source authorized may be budgeted in the General, Capital Projects or Stormwater Funds. If expenditures are expressly authorized for an approved Capital Improvement Project in any of the budgeted funds, then the Town Manager is hereby authorized to execute all necessary documents and to expend such funds as are approved pursuant to the Capital Improvement budgets. Provided, however, in the event that the costs of an acquisition of such real property interests materially exceeds the amount budgeted in the approved Capital Improvement Project and the Town Manager is unable to shift additional funds from other authorized sources, the Town Manager shall be required to obtain the approval of Town Council for such additional expenditures. Nothing herein shall obviate the requirement that no condemnations shall be commenced without the appropriate approval of the Town Council for the Town of Hilton Head Island.

Section 5 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 _____, 2016.**

David Bennett, Mayor

ATTEST:

Victoria L. Pfannenschmidt, Town Clerk

First Reading: _____

Public Hearing: _____

Revised First Reading: _____

Second Reading: _____

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____