

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

**Date:** Tuesday, June 14, 2011

**Time:** 6:00 P.M.

**Present from Town Council:** Drew A. Laughlin, *Mayor*; Ken Heitzke, *Mayor Pro-Tem*; Bill Ferguson, George Williams, Bill Harkins, Lee Edwards, *Council Members*.

**Absent from Town Council:** Kim Likins, *Council Member*

**Present from Town Staff:** Stephen G. Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*; Charles Cousins, *Director of Community Development*; Scott Liggett, *Director of Public Projects and Facilities*; Lavarn Lucas, *Fire Chief*; Nancy Gasen, *Director of Human Resources*; Tom Fultz, *Director of Administrative Services*; Susan Simmons, *Director of Finance*; Steven Markiw, *Deputy Director of Finance*; Brad Tadlock, *Deputy Fire Chief, Operations*; Ed Boring, *Deputy Fire Chief, Support Services*; Jeff Buckalew, *Town Engineer*; Bruce Seeley, *Inspections, Collections and Audit Manager*; Lori Schmidt, *Billing and Cash Receipting Manager*; Vicki Pfannenschmidt, *Executive Assistant*

**Present from Media:** Tom Barton, *Island Packet*

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**1) CALL TO ORDER**

Mayor Laughlin called the meeting to order at 6:00 p.m.

- 2) FOIA COMPLIANCE** – Public notification of this meeting has been published, posted and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

**3) 6:00 p.m.: PUBLIC HEARING ON THE MUNICIPAL BUDGET FOR FY2011-2012**

Mayor Laughlin opened the Public Hearing for comment on the proposed budget for Fiscal Year 2011-2012. Numerous members of the audience spoke concerning the proposed budget. After everyone completed speaking, Mayor Laughlin closed the Public Hearing at 6:30 p.m.

**4) Revised First Reading of Proposed Ordinance No. 2011-09**

- a. Revised First Reading of Proposed Ordinance No. 2011-09 to raise revenue and adopt a budget for the Town of Hilton Head Island, South Carolina, for the fiscal year ending June 30, 2012; 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.

Mr. Heitzke moved for approval. Mr. Williams seconded.

Mr. Williams commented that historically there is no audience for the budget public hearing. He stated there have been about six weeks of meetings and four or five workshops and public attendance was very low. Mr. Williams explained that there are items in the budget as a direct result of the recent campaign and he reviewed a few of the items. He stated everyone has worked hard to look at the budget, challenge the staff and keeps costs down and deliver the services expected by the citizens. Mr. Williams said he has confidence in the staff and Town Manager concerning the budget presented.

Mr. Harkins stated all present recognize times are tough but he has been told repeatedly the Town is tired. He said citizens tell Council they need to do more in providing services and improve the Town. Mr. Harkins commented that in review of the budget it is not perfect but it has merit. He requested that if the budget passes on the first reading that Town Council and management will take into consideration that the 1% merit increase, if approved, would truly be a merit increase and it is triggered only if savings equal or greater than that are found in the existing operating budget. Mr. Harkins suggested that the proceeds of the millage increase be assigned to tangible, substantive projects. He said all the projects should be tangible, substantive, add value to the quality of life to the Community, and that they strengthen, enhance and hopefully expand the tax base. He added that he does not believe the Town is overstaffed. He suggested the Town look at itself objectively in the context of a fair comparative municipal base. He said he would like benchmarks that would look at the Town in terms of productivity, financial performance, operating performance, marketing, and quality of service.

Mr. Ferguson stated he cannot find it in his heart to vote for the proposed budget. He explained he was not in favor of a property tax increase, not in favor of upper management pay increases and there is not enough CIP funding for infrastructure improvements. He added that he feels these are three important issues that go by the wayside.

Mr. Edwards stated he feels it is a pretty good budget. He noted that 65% of the millage increase is being applied to operations and he cannot support that. He explained if they would use the majority of the increase for CIP projects that are going to help increase the value of Hilton Head Island that would be great. He said he may be overstepping his bounds by getting in to operations, but this is the one area where Council members can have an influence. He said he is not in favor of an increase and if it goes through as written he will not be able to support it but if the majority of the money would go to CIP he might be able to look at it. Mr. Edwards added he liked the idea of the merit increase being triggered only in the case of cost savings. He added there are a lot of great people on Town staff and it would be wonderful to give them a raise but the onus needs to be placed on department heads and the management to see if they can find the savings to give the 1% merit increase.

Mr. Heitzke said the millage rate has not been raised for a number of years and that may have been a detriment. He explained that the Town has reached this particular time when it will be difficult not to do this small incremental increase. He said the Town has lost good help through the years because salaries did not equal what other communities paid. Mr. Heitzke explained there have been studies done in the past and as a result salaries are now within the range of surrounding communities. He said the budget represents the minimum of what is needed to keep on track with improving the Town rather than see it deteriorate.

Mayor Laughlin stated the Town should be spending tax payer's dollars as efficiently and productively as they possibly can. He added they should constantly be looking for opportunities to save costs. Mayor Laughlin said he does not feel this is the time to abandon the notion that the Town should be aggressively trying to improve. He explained that in the past they have been able to transfer funds into the general fund from other funds. He explained the proposed budget reflects a \$500,000 decrease in transfers into the general fund from Beach Preservation Fees and a \$300,000 decrease into the general fund from local Hospitality taxes. He said the reason for not transferring Beach Preservation Fees is due to the Port Royal Heel Project and the need to add the project into the Beach Renourishment Project at a cost of over \$12 million dollars.

Mayor Laughlin said the proposed increase in millage is approximately two thirds of what the current State Law allows. He said costs have increased in many line items in the budget. Mayor Laughlin said Hilton Head Island is a well run town. He said improving the product of Hilton Head Island is extremely important now and he supports the proposed budget and he will continue to support it as they go forward.

Mr. Riley said the increase is approximately \$725,000. He said there is the issue of the Beach Fee which is used to maintain the parks and the staff that operate them. He said that is a loss that he suggests needs to be replaced in the operating budget. He said if they wanted to take the remainder and put it towards one time CIP costs that is something that can be done but there is still an operational shortfall of approximately \$225,000. He said they can look to delay some less pertinent CIP projects and another way to make it up is look at current and future vacancies. He said whether or not Town Council agrees with a salary increase is a policy matter and he needs direction from Council in that area. He added that the benchmarking request can begin small in certain areas and they can continue to build on certain areas over time.

Mayor Laughlin said that in the current form the budget allows for up to \$181,000 in merit increases. He said it is a fund that would allow the Town Manager to reward good performance on whatever basis he deems is appropriate. He stated that two of the last three years there were no provisions for increases. Mayor Laughlin added that Town employees do not get automatic cost of living increases.

Mr. Harkins summarized that if he votes in favor of the proposed budget today, it is on the condition by what he sees coming back from management on three items which are: 1) a triggering mechanism for the merit increase; 2) the direction of the proceeds from the millage rate increase; and 3) the entry into performance measurement in the areas of financial management, productivity, operating performance, marketing and quality service. The motion was approved by a vote of 5-1. Mr. Ferguson was opposed.

**5) Adjournment**

Mr. Heitzke moved to adjourn. Mr. Williams seconded. The meeting was adjourned at 7:15 p.m.

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Vicki Pfannenschmidt, Secretary

Approved: July 5, 2011

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Drew A. Laughlin, Mayor