

**THE TOWN OF HILTON HEAD ISLAND**  
**TOWN COUNCIL BUDGET WORKSHOP**

**Date:** Tuesday, May 14, 2013

**Time:** 4:00 P.M.

**Present from Town Council:** Drew A. Laughlin, *Mayor*; Bill Harkins, *Mayor Pro Tem*; George Williams, Kim Likins, Lee Edwards, Marc Grant, John McCann, *Council Members*

**Present from Town Staff:** Steve Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*, Scott Liggett, *Director of Public Projects and Facilities/Chief Engineer*; Charles Cousins, *Director of Community Development*; Lavarn Lucas, *Fire Chief*; Tom Fultz, *Director of Administrative Services*; Susan Simmons, *Director of Finance*; Bret Martin, *Deputy Director of Finance*; Jeff Buckalew, *Town Engineer*; Julian Walls, *Facilities Manager*; Brad Tadlock, *Deputy Fire Chief – Operations*; Ed Boring, *Deputy Fire Chief- Support Services*; Natalie Majorkiewicz, *Systems & Reporting Administrator*; Jill Foster, *Deputy Director of Community Development*; Shawn Colin, *Deputy Director of Community Development*; Nancy Gasen, *Director of Human Resources*; Angie Stone, *Sr. Human Resources Administrator*; Lisa Stauffer, *Sr. Human Resources Administrator*; Brian Hulbert, *Staff Attorney*; Vicki Pfannenschmidt, *Executive Assistant*

**Present from Media:** Brian Heffernan, *Island Packet*

---

**1) CALL TO ORDER**

Mayor Laughlin called the meeting to order at 4:00 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) Review of General Operating Budget**

Mr. Riley explained Susan Simmons would be reviewing the changes made in the Budget Overview distributed at the meeting on May 7. Susan Simmons pointed out there are two new programs which are the Economic Development Corporation which will be in Townwide Grants for \$156,044 and the Town Owned Roads Budget which is in Engineering in the amount of \$170,000. She explained the Town Owned Roads budget was originally \$10,000 and with the increase to \$180,000 she felt it qualified as a new program. Ms. Simmons pointed out corrections in the allocations for Fire and Rescue Equipment noting that the amount in Fire and Rescue Apparatus/Vehicles was listed as \$313,000 and should be \$45,000. She explained it was a clerical error. She added that since she was classifying the Town Owned Roads as a new program she felt the best classification of Capital Projects to General Fund would be \$802,000.

Ms. Simmons reviewed slide changes and explained she added information for comparative purposes.

Mr. Williams asked how much the Town was leaving on the table due to Act 388. Ms. Simmons explained that this year the use it or lose it amount is zero and next year it would be .46 and most likely after that it will be .42 which equals to approximately a .88 over the next couple years. She stated that she felt the Town would not want to lose all of it and calculated what the excess revenues would generate.

Mrs. Simmons referred to the consolidated budget noting it is made up of the General Fund, Capital Projects Fund and Debt Service and that the Storm Water Utility is separate because it is an Enterprise Fund. She noted there is a 5% increase in revenues and transfers in in the General Fund and an expenditure increase of 3%. She added that the Administrative Services line at -14% is due to the one time expenditure for permitting software in FY13. She explained the 16% increase in Public Projects and Facilities is mainly due to the transfer of programs from Capital Projects to the General Fund. Ms. Simmons said the Townwide 12% increase is made up of the Economic Development Corporation budget and the Recreation Center capital moving from Capital Projects Fund to the General Fund Townwide Grants.

Mr. Edwards asked about the amount budgeted for the Economic Development Corporation and how it was derived. Mr. Riley stated staff generated some costs they knew would be incurred including salary, benefits, supplies, travel and organization dues. Ms. Simmons explained it is just a start up budget and did not include leased office space or any economic development programs and would basically just cover beginning operations. Mr. Williams added that staff support time should be included in the budget. Mr. Riley stated the budget will be reviewed in the future in order to capture the entire cost of the operation. Mr. Williams expressed his concern that all costs including additional staff are not accounted for in the proposed budget for the Economic Development Corporation. Mrs. Simmons said she could go back and add projected costs. Mayor Laughlin stated that it was assumed that by the time the Board was organized and would submit a proposed recommended budget it would be well in to the future. He added that he did not feel the \$156,000 would suffice for the entire operation of the Corporation but when it is up and running, the additional costs can be incorporated in to the budget. Mr. Williams said he felt Town Council should not send a signal to the public that it is being done with a minimum budget. Ms. Simmons explained the document they are working with is just a draft and she would go back and make notes explaining the amounts are just start-up costs and do not reflect the total operating costs for the Corporation.

Ms. Simmons noted personnel expenditures are increasing .05% in total from budget with 2.5% actual which includes a 3% merit increase average and the estimated employer contributions. She noted an elimination of one position from Community Development and the transfer of one position from Public Projects and Facilities to the Storm Water Enterprise Fund.

Ms. Simmons explained the transfer of Capital Projects/Improvements from the CIP Fund to the General Fund has been a complicated task and will continue to be and the Town will be making changes in the MUNIS system to provide better tracking for the changeover.

Mr. Williams asked if the Public Art expenditure of \$75,000 is ongoing. Ms. Simmons stated the Town pays \$37,500 each year for an allocation of \$75,000 for two years. Mr. Riley confirmed that it is an ongoing expenditure.

Ms. Simmons explained the approximate \$500,000 increase in the Operating fund that \$400,000 is due to the changes from Capital Projects Fund to General Fund for Public Projects and Facilities and the start-up of the Town road program. She said the 25% increase in the Grants line is due to the Economic Development Corporation Budget of \$156,000 and the \$281,000 moved from the Capital Projects Fund for the Recreation Center. She explained the decrease in the Capital line is an offset due to the absence of the permitting software from FY13 with some increases in equipment and vehicles for Facilities Management and Fire and Rescue. Mr. Williams asked what the rationale was for the move of vehicles from the Capital Projects Fund. Ms. Simmons explained they are trying to make the Capital Projects Fund more of a construction fund. She added that the GASB 54 (Governmental Accounting Standards Board) standards recommended this.

Ms. Simmons reviewed the changes under the General Government which includes Town Council and the Town Manager Budgets. She explained the increase in Council personnel is due to the salary and meeting allowance increases. Ms. Simmons said the increase in operating for Town Council is due to the one-time cost increase for the 350/30<sup>th</sup> Celebration.

Ms. Simmons reviewed and explained the increases and decreases in Managerial Services. Mr. Williams noted the decline in revenues for the Municipal Court. Ms. Simmons stated it has been declining in the past couple years. She added they are monitoring it quarterly and for the most part it is reflective of fewer Sheriff Office cases coming before Municipal Court. Ms. Simmons stated they have since eliminated one half-time position and are working towards a solution to the deficit in that area.

Ms. Simmons noted the Community Development Department continues with a lean operating budget. She explained the Public Projects and Facilities and Public Safety increases are due mainly to the changes from the Capital Projects Fund to the General Operating Fund and the roads project.

Ms. Simmons invited Chief Lucas to review a breakdown of personnel assigned to Fire and Rescue. He explained the breakdown is categorized to clarify function, supervisory status and requirement to respond to emergencies. He noted as a result the individual budget divisions do not reflect true numbers as to responders to emergencies for firefighting, command and control and of the 145 employees 118 are responders in various capacities and types of support.

Ms. Simmons reviewed the anticipated timeline for the County reassessment process and implementation. She explained the Town will pass the budget now and will come back in August to reset the millage rate. She stated the value of a mil is now at \$915,147 and the early determination is that the value of a mil is going to be \$837,876 with a decrease of \$77,271 or 8.44%. She emphasized that the 8.44% is the average decrease. She said if Town Council chooses to do revenue neutrality, the County is estimating that the Town will go from 19.33 to 21.15 mils. She said that if the Council chooses not to have revenue neutrality, the Town's budget would need to decrease by \$1.5 million.

Mr. Riley noted that millage rates have gone up and down with prior reassessments and in every case the Town has gone with revenue neutrality. He explained even a decline in the value doesn't guarantee tax bills will go down significantly and he went on to explain the determining factors and that there are individual circumstances. He explained under the Act 388 Tax Cap the ability to increase millage is based on the new tax rate so if they stay

with the smaller rate the ability to go up is a percentage of a smaller number. Ms. Simmons said that if Council does not want to do revenue neutrality they need to address it now because the further they go in to the year the more difficult it is to cut the budget.

Mr. Williams pointed out that the Town is over \$700,000 short of balancing the budget and expressed concern about using the reserve fund balance. Mr. Riley stated there is a Town policy to target 25% to 30% for the reserve and at this time they are close to 40% and he is trying to draw it back down closer to 30%.

### **3) Review of Debt Service**

Ms. Simmons reviewed the outstanding debt that is funded by Ad Velorem and RETF. She reviewed a stacked representation of all of the Town's debt. Ms. Simmons pointed out that the Public Facilities Corporation bonds will be dropping off after FY2014. The representation also included the Storm Water Bonds and they are not reported in the Debt Service Fund. She reviewed specifics concerning bonds that have been issued and the funding type. Mr. Harkins asked if Ms. Simmons could provide a sum total of debt with a projected reduction over time. Ms. Simmons said she would provide the information to Council. Mr. Edwards asked for a breakdown of the Hospitality Bonds and how much was for Fire Stations and how much for Fire Apparatus. Ms. Simmons said she would compile the information and provide it to Council. She explained the Town is required to review outstanding debt annually but they review it semi-annually and often times quarterly.

### **4) Capital Improvements Program (CIP)/Storm Water Utility(SWU) Review**

Mr. Liggett explained his overview presentation would cover the new projects for FY14 and at the next workshop he would cover the FY13 projects that will be brought forward for FY14. He explained that any project where funding has been removed as a result of the amendment which is scheduled for second reading on May 21, that Council will have to re-budget those funds.

Mr. Liggett reviewed the CIP expenditures by funding source for FY14. During review of Beach Maintenance, Mr. Liggett explained within the Beach Management and Monitoring line item professional services and design developments for the large scale beach renourishment program earmarked for 2016 are included. He explained there is a special project for Ocean Point included in the budget. Mr. Riley said that since the Port Royal heel project came in under budget they were able to add the Ocean Point special project for FY14.

Mr. Liggett reviewed the existing facilities and infrastructure category pointing out the addition of Coastal Discovery Museum/Honey Horn line item in the amount of \$77,000. He explained this was added due to the direction of Council during the FY13 budget process. Ms. Likins asked what the \$77,000 is earmarked for at Coastal Discovery Museum. Mr. Liggett replied that it is a combination of painting, restroom fixtures, roadway repair, boardwalk repair and painting of the horse barn. Mrs. Likins inquired as to what portion of repairs and improvements the Town is responsible for at Honey Horn. Mr. Liggett stated that according to the lease agreement the Town is not responsible for any repairs or improvements. He stated he would get further information from the Museum as to what expenses they are incurring for repairs or improvements and provide it to Council at the next budget meeting. Mayor Laughlin suggested the \$77,000 be included in the grant requests within the affiliated agencies budget workshop. Ms. Simmons suggested the amount be removed from the CIP and have the Museum include it in their

request with an explanation as to what is being donated, what portion is being provided from Coastal Discovery Museum and what amount is requested from the Town. All were in agreement.

Mr. Harkins asked how many cameras could be purchased for the \$35,000 budgeted and if the amount included support for the proposed license identification program. Tom Fultz explained this was a process of selectively reviewing the placement of the existing cameras and anticipating enhancing capability by adding cameras. He added the license identification program is a program within the Sheriff's department and is not included.

Mr. Edwards inquired about the \$275,000 budgeted for Fire Station 2 Replacement. Mr. Liggett explained the Fire Station 2 Replacement line item is for architectural design services and was originally in the FY13 budget and has been brought forward for FY14. He explained that the prototype used for other fire stations would not work for the one in Sea Pines. Mr. Edwards asked if the cracks in the existing building were being addressed. Mr. Liggett replied that they were but staff still sees a need to replace the building. Mr. Riley said the plan over a period of years was to address the survivability of facilities to have something to come back to for Fire and Rescue and public support purposes.

Mr. Liggett noted an error under Park Development on page 130 of the draft budget and said that Park Upgrades should be \$215,000 as opposed to the \$466,000 listed.

Mr. Liggett explained the amount of \$750,000 listed for Chaplin Linear Park is a placeholder until the parameters of the project are determined. Ms. Simmons reminded Council that if the TIF is not extended, the Town will have to reduce the budget by \$5 million. She added there will be discussion in the fall to completely address the issue but Council may want to go ahead and discuss it now. Mr. Williams added the issue needs discussed as soon as possible. Mayor Laughlin stated Council needs to have a plan as to what they will do if the TIF gets extended or what they will do if it does not. Mr. Riley explained the County wants to get through assessment and School District wants have the new superintendent on board before discussion concerning a TIF extension.

Mr. Liggett stated the Chaplin Community Park Boardwalk to Collier Beach, Rowing and Sailing Center, Collier Beach Park and Chaplin Tennis Park are all re-budgeted lines from FY13. Mr. Liggett noted the need for Council's guidance concerning the Recreation Center Enhancements and the Chaplin Tennis Park improvements. He noted the Council's decision to hold off on the aquatic center and inquired as to what degree Council would like to offer up the land where the facility was proposed to allow the tennis complex improvements. He stated staff is waiting for Council's guidance to proceed.

Mrs. Likins asked about the \$885,000 budgeted for the Rowing and Sailing Center stating she thought it was originally budgeted at \$700,000. Mr. Liggett stated pricing estimates from the consultant were revisited and adjustments made resulting in the increase. Mr. Williams asked if it included the dock and Mr. Liggett confirmed it did. Mrs. Simmons noted that this is a TIF funded project. Mayor Laughlin stated he felt it is a large amount of money to benefit relatively few people. Mrs. Likins concurred asking if there were enough citizens in support of spending close to a million dollars on a rowing and sailing center. Mr. Williams asked how much has been spent on the project to date. Mr. Liggett responded that consultant services were just over \$100,000. Mr. McCann asked if the Rowing and Sailing Center could be revisited at the next workshop. Mrs. Likins added that she would like an estimate of operating costs to be included in the discussion.

Mr. Liggett stated the Coligny/Pope Avenue Area Initiative amount of \$1,991,000 is also a placeholder pending finalized discussions.

Mr. Liggett proceeded to review pathway projects and road improvements. He stated the line item for Honey Horn Drive apron improvements are a result of the updated Honey Horn Master Plan. Mr. Williams stated he felt the extension of Lemoyne Road would destroy a lifestyle in that area. He stated he did not feel the improvement is necessary and suggested the community be contacted for input. Mr. Williams felt the \$110,000 budgeted for the right turn in to Jenkins Island may be low and he questioned the need for it. Mr. Liggett said he would bring follow up information to the next workshop concerning the turning lane. Mrs. Likins asked for a better understanding of the Honey Horn Drive apron improvements and questioned the need. Mr. Riley suggested staff gather more detail on the proposed project and bring it back to the next workshop.

Mr. Williams requested the Stoney Secondary Road South project be reviewed at the next workshop.

Mr. Liggett reviewed the Storm Water Utility Fund noting that for FY14 the fee will remain the same. He said that they have not been able to maintain the pace of the scheduled improvements. He said the program staff is suggesting is a pay as you go system where the revenue stream is matched with the expenses from year to year. He said as of this point the Town is responsible for about 65% of the land mass of Hilton Head Island and it's Storm Water Systems. He conducted a review of the expenses and debt service. Mr. Liggett asked Council to let him know which projects or areas of interest within the program Council members would like to discuss and he would have the information available at the next workshop.

Mr. Riley stated that if Council had any more issues they would like to discuss at the next workshop that they please get them to him, Scott Liggett or Susan Simmons so they can be prepared with answers and explanations.

**5) Appearance by Citizens**

None.

**6) Adjournment**

Mr. Williams moved to adjourn. Mr. Harkins seconded. The workshop was adjourned at 6:27 p.m. by a vote of 7-0.

---

Vicki L. Pfannenschmidt  
Executive Assistant

Approved:

---

Drew A. Laughlin, Mayor