

THE TOWN OF HILTON HEAD ISLAND

SPECIAL MEETING/TOWN COUNCIL BUDGET WORKSHOP

Date: Tuesday, May 13, 2014

Time: 4:00 P.M.

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

Absent from Town Council: Lee Edwards, *Council Member*

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*; Jayme Lopko, *Senior Planner*; Brian McIlwee, *Assistant Town Engineer* Vicki Pfannenschmidt, *Executive Assistant*

Present from Media: None

1) CALL TO ORDER

Mayor Laughlin called the meeting to order at 4:00 p.m. Mayor Laughlin stated Mr. Edwards had previously notified him that he would not be in attendance at the workshop.

- 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) Second Reading of Proposed Ordinance 2014-09

Second Reading of Proposed Ordinance 2014-09 to amend Title 16, the Land Management Ordinance, of the Municipal Code of the Town of Hilton Head Island, South Carolina, by amending Section 16-4-102, the Official Zoning Map, the Hilton Head Plantation Master Plan, specifically rezoning 0.14 acres identified as parcel 263 on Beaufort County Tax Map 3 to add Telecommunications Facilities as a permitted use on the property and providing for severability and an effective date.

Mr. Harkins moved to approve. Mr. Williams seconded. The motion was approved by a vote of 6-0.

4) Review of General Operating Budget

Regarding revenue estimates, Susan Simmons explained staff used specific information on increases/decreases in revenue funds when it was available, while on certain revenues they utilized an average of the past three years and came up with the 3% growth rate. She noted it was a conservative number. Ms. Simmons noted there is a recommended millage

increase of 3.5% for General and Capital Projects Fund and there is no recommended change for debt service. She said expenditures are being controlled while maintaining service levels.

Mayor Laughlin asked if the 3.5% was the roll-up to revenue neutrality. Ms. Simmons said that it was and explained it is not a use it or lose it figure. Ms. Simmons noted there was a small increase in the general fund over the revised budget for FY14. She said the Capital Projects are significantly less and the debt service is less due to bonds that matured in FY14.

Ms. Simmons noted the increases in the budget for Administration/Legal is for some capital that is increasing this year and Administrative Services decreased because in the previous year there was a software cost in FY14 which is not being replicated in FY15. She added that Public Projects and Facilities increased due to moving items from the Capital Projects Fund to the General Fund and in Engineering the increase is due to roadway maintenance. Ms. Simmons explained Fire and Rescue's increase is due to a large line item for self-contained breathing apparatus at a cost over \$700,000.

Ms. Simmons explained the increase in Townwide is due to the 1% compensation study placed in that budget until they knew which departments would have recommended increases and decreases. She stated that in total it was estimated they would use \$782,246 of prior year funds and that is consistent with what is normally done.

Ms. Simmons reviewed the revenue sources noting that in the past they relied more on property taxes for revenue and that the Town is very blessed to have a variety of revenue sources as to not depend entirely on one funding source. Mr. Riley added that in the 1994 budget property taxes represented 67% of total revenues as opposed to 33% in the present budget due to a focus over the years to find other funding sources. Ms. Simmons proceeded to review highlights of the revenues. She noted they are estimating a \$717,000 increase in revenues.

Ms. Simmons highlighted the expenditures stating a proposed 5.1% increase in the general fund budget is a 4.4% increase over the FY14 estimated actual. She explained within the budget there is a 3% merit increase and a 1% budget for classification and compensation survey recommendations and no new FTE's are proposed for the General Fund and one new FTE for the Stormwater Fund and will be funded without an increase in revenues. Mr. Harkins asked what percentage of employees receive the full 3% merit increase. Nancy Gasen approached the dais and explained the procedure.

Ms. Simmons noted the General Fund Budget continues to capture more operational expenditures previously budgeted in the Capital Projects Fund or resulting from increased maintenance cost of facilities or Town owned roads. She explained by moving these items to the General Fund there is a much clearer picture of what it costs to operate the Town.

Fire Chief Lavarn Lucas was invited to approach the dais and explain the expenditure of \$765,000 for the self-contained breathing apparatus. Chief Lucas stated this is the apparatus worn by firefighters any time they enter a dangerous life and health atmosphere or in the case of a structure fire, where there is smoke. He explained it is a mask and the pack that is worn on their back that provides breathable air. He stated it is time to replace 92 total units. Mr. Harkins asked what would happen if there is no replacement. Chief Lucas explained maintenance costs would continue to rise and there is the possibility of injury or death. But more importantly, the current units are at the end of their useful life

as defined by OSHA and NFPA. He explained this is one of the most important safety devices utilized. Mr. Harkins suggested setting aside funds annually for future replacement items. Ms. Simmons explained Finance has worked closely with Fire and Rescue to look at a ten year plan for such items and this is the beginning. She added that next year there will be a request for this amount or more for other replacement items.

Mr. Williams asked if reclassifying the items from CIP to General Fund would create an issue. Ms. Simmons stated the cap from Act 388 is on the General Fund and CIP Fund; there is no cap on Debt Service. Mr. Riley stated that even when the items are moved from one fund to the other there is the option of financing.

Ms. Simmons reviewed the affiliated agencies requests noting representatives will be in attendance at the May 29 Town Council Workshop. She explained that due to a scheduling conflict, the Sheriff's Department representatives will be in attendance at the May 21 Town Council Workshop.

5) Review of Debt Service

Ms. Simmons stated there is no proposed change in millage as the Certificates of Participation hit their final maturity in 2014. She explained it is anticipated bonds will be issued near the end of FY15. She said if the TIF is extended and construction begins quickly they may have to look at issuing TIF bonds in FY 15. She added that shortly into FY16 they will issue Beach Preservation Bonds for the next renourishment. Mr. Harkins asked if any long term debt was being considered for refinancing. Ms. Simmons stated there is one that has potential for savings but they would like to wait to review until they issue new bonds in approximately one year as they may consider combining and refinancing. She said the debt is reviewed once or twice a year for consideration of refinancing.

Ms. Simmons reviewed upcoming GO bond issues and funding limitations and reviewed the Town's capacity to issue debt.

Mr. McCann asked how Council could budget for items not listed in the budget. Mr. Riley explained there is always something that comes up which is unexpected. He noted that as far as the Know2 request and the Heritage Library History Day request, it would be up to Council to add those items to the budget as they are not included at this time. He suggested if Council would like them added, they would need to be addressed at this time or at the May 29 Budget Workshop. He said Mr. Williams mentioned creating a fund for future dredging and something for First Tee which would fall under the CIP budget and would need discussed at the CIP Budget Review at the May 21 Budget Workshop.

Mr. McCann asked if the Arts request is included in the budget. Mr. Riley stated there really isn't a request. He said the Arts Study suggested creating an Office of Cultural Affairs but he has no costs submitted and it is not included in the upcoming budget.

6) Capital Improvements Program (CIP)/Storm Water Utility(SWU) Review

Scott Liggett reviewed the proposed FY15 new funding consisting of beach management, existing facilities, parks, new facilities, pathways and roadways for a total of \$10,575,000. He reviewed specifics within each item and detailed the projected costs.

Mr. Riley stated that originally they had looked at no funding for pathways and then looked into the funding from Hospitality Taxes. He said originally funds were obligated from Hospitality Taxes for Fire Station 2 and while it does have an impact from tourism it

would be difficult to fund entirely from Hospitality Taxes. He said the pathways do qualify for Hospitality Tax funding and if the \$1,720,000 is approved it will come from Hospitality Tax money will be moved out of reserve for the Fire Station replacement. Mr. Riley said that the replacement then could possibly come back to Council in the form of a GO bond issue.

Mr. McCann asked if the Heritage Plaza Road Extension project was placed on hold. Mr. Riley said that it had not officially been placed on hold. He stated that there is a traffic consultant looking at Office Park Road and Sea Pines Circle as they look at construction of USCB. The same consultant is looking at traffic impacts on Coligny Circle, Lagoon Road and South and North Forest Beach as they relate to Coligny improvements. He said he has asked for a price for the consultant to look at the entire stretch and the long term and include Heritage Road Plaza Extension and see if there is a cost benefit to completing the project. He asked that Council wait for results of the study before cancelling the project. Mr. McCann suggested renaming the project and applying the funds to all of the areas.

Mr. Liggett reviewed the need for intersection improvements at Shelter Cove Town Center. He said staff will identify the needs for the improvements and come back with cost estimates.

Mr. McCann asked that the Bluffton Pkwy. Phase 5A Beautification be scheduled for discussion at the May 21 Budget Workshop.

Mr. Liggett stated the Honey Horn improvements will also include access enhancements for busses due to parking for other events. Mr. Williams stated the open space often needs repaired after use for parking for large events and maintenance should be kept in the forefront. Mr. Riley stated he would like to get this project in place before the Conours' in the fall. He said that long term there are two significant international events that depend on that area for parking and besides being a museum with many activities, it is a resource as to how the two international events are handled on the Island. He encouraged the land be kept as open space that serves that need while not compromising the mission of the Coastal Discovery Museum.

Mr. Riley encouraged Council to submit any further questions concerning the budget to him in advance of the Workshop scheduled for May 21.

Mr. Richard Jackson spoke in support of funding for the private road acceptance policy.

7) **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