

Town of Hilton Head Island, South Carolina



**Consolidated Municipal Budget
Fiscal Year
July 1, 2006 through June 30, 2007**

TOWN OF HILTON HEAD ISLAND, SC
CONSOLIDATED MUNICIPAL BUDGET
FISCAL YEAR ENDED JUNE 30, 2007

ELECTED OFFICIALS

MAYOR

The Honorable Thomas D. Peeples

TOWN COUNCIL

Kenneth (Ken) S. Heitzke, Mayor Pro Tempore

Willie (Bill) Ferguson

W.J. (Bill) Mottel

John D. Safay

George W. Williams, Jr.

Drew Laughlin

ADMINISTRATION

Stephen G. Riley

Shirley Freeman

Charles O. Hoelle, Jr.

Gregory DeLoach

Thomas M. Fieldstead

Charles F. Cousins

Nancy H. Gasen

Frank P. Hodge, Jr.

Town Manager

Director of Finance

Deputy Town Mgr./Director of

Public Projects and Facilities

Assistant Town Manager/Director of

Administration

Fire Chief

Director of Planning

Director of Human Resources

Director of Building and Fire Codes



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Hilton Head Island
South Carolina**

For the Fiscal Year Beginning

July 1, 2005

President

Executive Director

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Reader's Guide

This reader's guide is intended to assist those readers not familiar with the Town's budget document in gaining an understanding of how the budget document is organized and what information is presented. The budget document is divided into the following sections:

Town Manager's Letter

This section provides a general overview of the Town's budget

Town Vision

This section identifies goals for the upcoming fiscal year.

About Hilton Head Island

This section provides an overview of the rich history of the Island.

General Information

This section includes the Town's organizational chart, budget calendar and map, and Hilton Head Island at a Glance.

Accounting and Financial Policies

This section includes the operating budget policies, operating reserve policy, financial reserves/bond ratings, disaster planning policies (*new*), major policy considerations, performance measurement policy, financial modeling tools, capital improvement program policies, debt management policies, revenue policies, reporting and analysis policies, investment policies, fixed asset policies.

Budget Process Overview

This section includes information pertaining to the business plan, budget methodology, approach to the budget review process, budget approval process, monitoring the budget, budget transfers and amending the budget.

Consolidated Budget Summary - All Funds

This section includes an introduction, Fiscal Year 2007 consolidated budget, where the money comes from (chart), where the money goes by program (chart), where the money goes by category (chart), trend analysis of expenditures by fund (chart), description of major governmental funds, description of restricted major governmental funds, description of other governmental funds, historical overview of revenues and expenditures (schedule), budget highlights, property tax analysis, millage rate historical analysis (chart), staffing changes.

General Fund Analysis

This section includes the department expenditure summary (schedule), historical overview of revenue and expenditures (schedule), two-year comparison (schedule), detail revenue two-year comparison (schedule), general fund major revenue source review, general fund expenditures (chart), expenditure trend analysis by program (charts), department budgets, and the five-year General Fund Plan.

Capital Projects Fund (CIP)

This section includes an overview and summary of major revenue sources, expenditures by category, a two-year revenue and expenditure comparison, the Town's capital plan for the upcoming year, and the ten-year Capital Improvement Plan.

Debt Service Fund

This section includes a revenue analysis, expenditure analysis for the upcoming fiscal year, two-year revenue and expenditure comparison, calculation of legal debt limit, a list of outstanding debt issues, and the planned debt position for the next five years.

Appendix - Glossary of Terms

This section provides definitions of key terms used throughout this document.

Town Manager's Letter

Town Council Members
Town of Hilton Head Island
One Town Center Court
Hilton Head Island, SC 29928

Dear Council Members:

We respectfully present the Fiscal Year 2007 Budget for the Town of Hilton Head Island, South Carolina, to the Town Council for review. This budget represents an annual funding plan which responds to the needs of the Town while maximizing a limited resource of funds.

Budget Summary

The Fiscal Year 2007 Budget represents a funding plan designed to meet the needs of the Town's citizens. The total consolidated budget amount is **\$74,753,260**.

The General Fund budget maintains the current level of high quality service with additional funds being provided for merit increases, a compensation study, a significant increase in workers' compensation costs, computer software improvements, facility equipment replacement in the Fire Department, an increase in part-time administrative support, an increase in maintenance contract costs, and an increase in the police services contract with the County Sheriff.

The Capital Projects Fund (CIP) reflects the Town's continued focus on drainage improvements, roadway improvements, pathways, and beach maintenance which accounts for 54% of the capital budget. The largest component is \$10 million earmarked for roadway improvements. Other major focuses for Fiscal Year 2007 include several fire station renovations.

The Debt Service Fund budget is slightly lower than last fiscal year. No significant changes have occurred in this budget.

Funding to maintain the high quality services provided to the citizens of the Town will continue to be a challenge because revenues are not projected to grow at the same rate as the demand for services.

Millage Rate

The total millage rate for Fiscal Year 2007 is the same as last fiscal year. The chart below reflects the millage rates by fund for Fiscal Years 2006 and 2007.

	<u>FY 2006</u>	<u>FY 2007</u>
General Fund	12.33	12.33
Debt Service	5.82	5.82
C.I.P.	0.85	0.85
Total Millage Rate	<u>19.00</u>	<u>19.00</u>

In the General Fund, Debt Service Fund, and the Capital Projects Fund (CIP), an increase in the use of other revenues will offset the need to increase property tax revenues. Additional funds will come from accommodations taxes, beach preservation fees, hospitality taxes, stormwater utility fees, and tax increment financing (TIF).

Financial Plan

As outlined above, the Town’s budget consists of three separate fiscal accounting funds. These funds are created to provide for the following specific activities of the Town:

- The General Fund is the operating fund of the Town and accounts for all financial resources of the Town except those required for capital improvements and debt service.
- The Capital Projects Fund account is for the financial resources used to acquire land and facilities; and to construct and improve public facilities, including roads, bike paths, and fire stations; vehicle replacement; drainage improvements; and park development.
- The Debt Service Fund accounts for the accumulation of resources and the payment of debt.

The following table shows the amount and percent of change to these three funds over last fiscal year:

Comparison of the Fiscal Year 2006 Revised Budget with the Fiscal Year 2007 Budget

	General Fund	Capital Projects Fund	Debt Service Fund	Consolidated Municipal Budget
FY 2006 Revised Budget	\$ 27,599,004	\$ 51,129,630	\$ 10,517,000	\$ 89,245,634
FY 2007 Budget	\$ 29,671,810	\$ 34,684,000	\$ 10,397,450	\$ 74,753,260
Amount of Increase/(Decrease)	\$ 2,072,806	\$ (16,445,630)	\$ (119,550)	\$ (14,492,374)
Percent of Increase/(Decrease)	7.51%	-32.16%	-1.14%	-16.24%

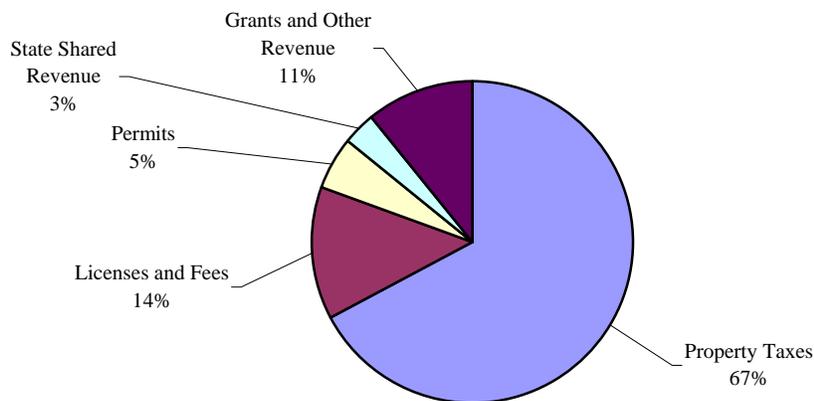
Budgets by Fund as a Percent of the Total Budget

	General Fund	Capital Projects Fund	Debt Service Fund	Consolidated Municipal Budget
FY 2006 Revised Budget	30.92%	57.29%	11.78%	100.00%
FY 2007 Budget	39.69%	46.40%	13.91%	100.00%

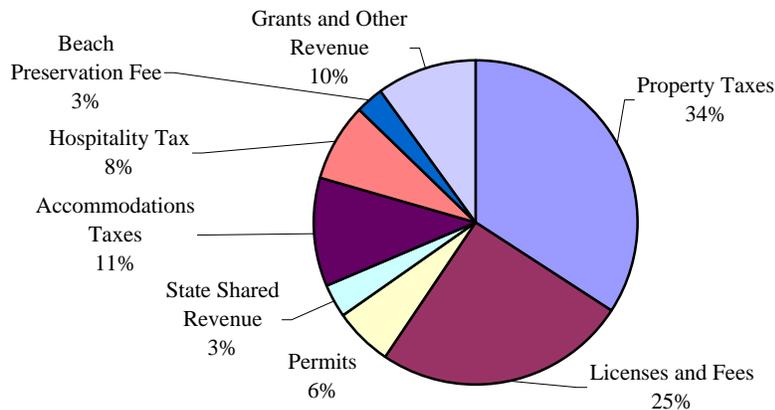
General Fund

A mix of property taxes, other fees and taxes, and local accommodations tax for public safety supports the General Fund budget of **\$29,671,810**. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund. The chart below provides a comparison of the actual revenues collected for Fiscal Year 1994 compared to the Fiscal Year 2007 Budget. These graphs highlight the progress made to lessen the reliance on a high percentage of property tax revenue from 67% in Fiscal Year 1994 as compared to 34% in Fiscal Year 2007. Additional funding is provided through, licenses and fees, local 1% accommodations tax, state accommodations tax, beach preservation fee, hospitality tax, stormwater fee, electricity franchise fee, and tax increment financing (TIF). The increase in funding provided through these other sources demonstrates the Town’s ability to expand the diversity of its funding sources through the years.

FISCAL YEAR 1994 GENERAL FUND BUDGET



FISCAL YEAR 2007 GENERAL FUND BUDGET



General Fund - Major Revenues

The chart below reflects the anticipated growth in the General Fund's major revenue sources:

Revenue Source	FY 2006 Budget	FY 2007 Budget	\$ Change	% Change
Property Taxes	\$ 9,740,700	\$ 10,134,510	\$ 393,810	4.04%
Business Licenses & Franchise Fees	6,845,910	7,513,450	667,540	9.75%
Permit Fees	1,360,000	1,735,900	375,900	27.64%
Local Accommodations Tax	1,860,000	2,140,000	280,000	15.05%
Transfers In:				
State Accommodations Tax	957,550	1,081,420	123,870	12.94%
Hospitality Tax	1,999,880	2,278,090	278,210	13.91%
Beach Preservation Fee	775,610	855,360	79,750	10.28%

General Fund - Expenditures

The chart below reflects the budgets by category for Fiscal Years 2006 and 2007:

Expenditure Category	FY 2006 Budget	FY 2007 Budget	\$ Change	% Change
Personnel	\$ 18,116,889	\$ 19,141,070	\$ 1,024,181	5.65%
Operating	6,574,110	7,414,790	840,680	12.79%
Capital Outlay	373,315	183,960	(189,355)	-50.72%
Debt Service	71,000	71,000	-	0.00%
Police Services	2,463,690	2,860,990	397,300	16.13%
Total	\$ 27,599,004	\$ 29,671,810	\$ 2,072,806	7.51%

The \$1 million dollar increase in personnel costs includes the addition of two (2) part-time positions, representing an increase in total FTE's from 254.30 to 255.60. The proposed salary budget increase is 5.75% of which 4.50% of the increase relates to the impact of merit and miscellaneous increases and 1.25% represents the annualized impact of a proposed compensation study. Medical premiums are budgeted to increase by 2.50% while workers' compensation costs are expected to increase 71%. The workers' compensation increase is due to a combination of rising SC Municipal Insurance Trust fixed costs (Second Injury Fund assessments, insurance and tax increases, adverse court rulings, increased attorney involvement, liberal commissioner awards, etc.) and Town experience (rising medical costs, number of claims, payroll increases, deductible change, aging workforce, etc.).

The chart below reflects the increases in the operating category of expenditure budgets by department:

Expenditure Category	FY 2006 Budget	FY 2007 Budget	\$ Change	% Change
Town Council	\$ 173,300	\$ 299,000	\$ 125,700	72.53%
Town Manager	90,800	32,450	(58,350)	-64.26%
Human Resources	143,855	210,070	66,215	46.03%
Administration	854,773	899,990	45,217	5.29%
Finance	141,370	145,220	3,850	2.72%
Planning	126,461	138,780	12,319	9.74%
Building and Fire Codes	88,207	113,590	25,383	28.78%
Fire	1,650,430	1,858,270	207,840	12.59%
Police Services	2,463,690	2,860,990	397,300	16.13%
Public Projects and Facilities	1,455,567	1,725,520	269,953	18.55%
Townwide	1,849,350	1,991,900	142,550	7.71%
Total	\$ 9,037,803	\$ 10,275,780	\$ 1,237,977	13.70%

Capital Projects Fund - CIP

The Capital Projects Fund Budget (CIP) budget reflects revenues and expenditures for Fiscal Year 2007 as well as a ten-year projection of anticipated new projects. The hard work and input of the Planning Commission and Parks and Recreation Commission in developing this proposal is acknowledged.

This appropriation of **\$34.7 million** is funded with property taxes, transfers from special revenues, grants, and the 2% hospitality tax. The drainage projects are funded in the Capital Improvements Program from stormwater utility bonds and utility fees.

The appropriations for this fund provide for:

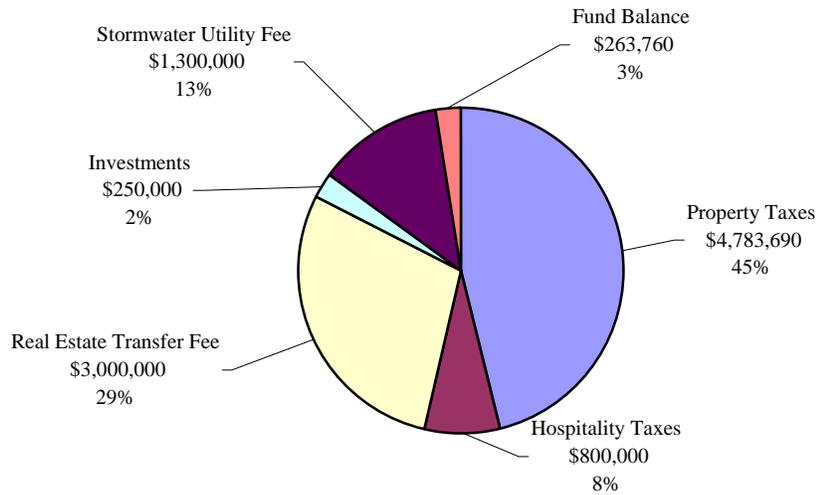
Project Category	FY 2006 Budget	FY 2007 Budget	\$ Change	% Change
Pathways	\$ 3,168,532	\$ 4,621,000	\$ 1,452,468	45.84%
Drainage Improvements	2,282,226	1,740,000	(542,226)	-23.76%
Roadway Improvements	10,551,621	9,840,000	(711,621)	-6.74%
Park Development	3,486,306	2,107,000	(1,379,306)	-39.56%
Existing Facilities/Infrastructure	5,851,460	6,280,000	428,540	7.32%
New Facilities/Infrastructure	2,380,418	7,031,000	4,650,582	195.37%
Beach Maintenance	15,855,567	2,595,000	(13,260,567)	-83.63%
Land Acquisition*	470,000	470,000	-	0.00%
Total	\$ 44,046,130	\$ 34,684,000	\$ (9,362,130)	-21.26%

*This budget is amended by Town Council as land purchases are accomplished.

Debt Service Fund

The Debt Service Fund is established to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest payments.

Funding for next fiscal year is as follows:



Debt service costs for Fiscal Year 2007 are as follows:

	Interest	Principal	Total
Certificates of Participation	\$ 277,960	\$ 1,040,000	\$ 1,317,960
General Obligation Bonds	3,277,252	3,780,000	7,057,252
Revenue Bonds	1,185,566	820,000	2,005,566
* 2004 TIF Bond	* 326,314	675,000	1,001,314
Grand Total	\$ 5,067,092	\$ 6,315,000	\$ 11,382,092

* Funding for and payment of debt service related to this bond is in the TIF fund.

Town Council Members
Page 7
May 2, 2006

Summary

The budget's development proved to be challenging, but we have diversified financial resources with which to sustain our Town programs. Through this budget process, we are able to demonstrate that such a successful community can create a budget that continues the Town's progressive focus. While the pressures of growth and the demands of a substantial number of visitors each year have a significant impact on this financial plan, it still provides for the needs of the Town Council's community-oriented agenda. Thanks to all the departments for holding the line in this budget.

Sincerely,

TOWN OF HILTON HEAD ISLAND

Stephen G. Riley, AICP
Town Manager

Town Vision

“WORLD CLASS RESIDENTIAL RESORT COMMUNITY” MEANS:

- Enhancing our natural beauty
- World class beaches
- Pristine waterways
- Preserving our low country character and heritage
- Well planned community
- Sustainable community through continuous revitalization
- Recreational opportunities for all
- Community welcomes all
- Hilton Head Island: community spirit and pride
- Providing top-quality services and facilities
- Town as a regional and state leader

Goals

TOWN OF HILTON HEAD ISLAND 2011: OUR GOALS

- Sustainable Town - preserving our character
- World-class amenities for residents and guests
- Top quality services, financially sound
- Effective regional transportation system
- Clean, safe, accessible waterways
- Strengthen community spirit and pride

Policy Agenda 2006: Targets for Action

TOP PRIORITY

- Dunnagan’s Alley-Arrow Road area
- Mathew’s Drive corridor
- Coastal Discovery Museum development
- L.M.O. (Land Management Ordinance) revisions for redevelopment
- Sewer Plan Policy on assistance and projects
- Stoney-Island entrance area
- Coligny Beach area

HIGH PRIORITY

- Visitors’ Center relocation direction
- Cultural arts umbrella organization
- Bond referenda/sales tax referenda participation
- Fire station location, direction and funding
- Stormwater-Utility Management plan for Beaufort County/cost allocation

MODERATE PRIORITY

- Aesthetic quality of Town projects policy direction
- Police safety strategy for “Smash and Grab” and community safety
- Annexation policy and actions (bridge control)
- Groin maintenance policy and funding
- Community events; active Town support and funding

Management Agenda 2006

TOP PRIORITY

- Disaster recovery plan
- Office Park corridor area
- Beach renourishment
- State lobbying on tax reform and other critical issues
- Town space needs assessment and plan
- Dirt roads/acquire 2 per year

HIGH PRIORITY

- Management succession plan and actions
- Compensation study
- William Hilton Parkway Project funding
- US 278 alternate feasibility study
- Southern Beaufort County comprehensive plan completions
- Town participation in 50th anniversary of Sea Pines
- Latino communication strategies

About Hilton Head Island

History¹

Early History

The written history of Hilton Head Island began with the Spaniards in 1526 as they explored the coastal waters from Key West to the St. Lawrence, naming it "La Florida." They found Indian settlements and evidence of agriculture. (With the arrival of the Europeans, the Indians fate was signed, so that by the year 1662, most of the Indians were gone due to European abuse and disease. But, they left a rich legacy of names and archaeological treasures still being unearthed today.)

Captain Jean Ribaut, a French Huguenot, led an expedition to the area in 1562. He built a fort, named Port Royal, near the present town of Port Royal in Beaufort County.

In 1566, the Spanish again prevailed and established a Fort named Santa Elena on Parris Island (St. Helena), in what is now Beaufort County. From here they explored westward into the new world.

As the scale of power tipped in Europe, England's Elizabeth I sent Sir Francis Drake, in 1586, to drive the Spanish from "La Florida." English development did not commence until 1663, when then King Charles II granted the Coastal Area to 8 Lord Proprietors. They named their territory "Carolina."

Hilton Head Discovered

English Captain William Hilton, in August of 1663, while exploring the Port Royal Sound, sighted the high bluffs of the Island and named it for himself, "*Hilton Head*." The word "Head" refers to the headlands visible to them as they sailed the uncharted waters. He lingered several days, making note of the trees, crops, and also the *sweet water* and *clear sweet air*.

The first English development in the Low Country began in 1698. Indian attacks, sponsored by the Spanish, continued to harass the settlers in the area.

In 1717, Col. John Barnwell was granted a thousand acres on the NW corner of Hilton Head Island by the Lord Proprietors. He became the first white settler. By 1766, 25 families lived on Hilton Head Island.

In 1742, the SC colonial half-galley Beaufort, commanded by Captain David Cutler Braddock, was stationed in the cove at the southern point of the Island to guard against Spanish intrusions. The point and the cove have carried the name Braddock ever since.

Revolutionary War

As talk of Revolution escalated in the Colonies, Hilton Head Island sided with the Colonists. Daufuskie Island, just 1 mile south of the Island, was occupied by the Tories. During the Revolution, the British frequently raided Hilton Head Island and hostilities continued for weeks after Cornwallis surrendered at Yorktown.

¹ Information obtained from the Beaufort County Public Library

Revolutionary War (continued)

During the war, the British burned Plantations on the Island and captured slaves who were later sold in the West Indies. After the war, the Island made a healthy recovery. This became the "Golden Age," as the crops of cotton, indigo, and rice flourished.

Houses on the Island during this prosperous period between the Revolutionary and the Civil War were not the pillared mansions of romantic novels. Although large and airy, the majority were not the owner's main house. Lavish Townhouses were kept in Beaufort or Savannah, or even Charleston. Many of these homes are still in use today.

The War of 1812 once again disrupted life on the Island as the British invaded and burned most of the houses near deep water. When the War was over, the Island's booming economy returned and the good life resumed.

Civil War

South Carolina was among the richest of States, and Hilton Head Island was responsible for several millionaires. South Carolina was the 1st State to secede from the Union on December 20, 1860. The Civil War began April 12, 1861, with Confederates firing on Fort Sumter in Charleston harbor. In January, 1861, General Robert E. Lee was assigned command of the coasts of South Carolina, Georgia, and East Florida. By October of 1861, 77 Union ships sailed from Virginia to Port Royal. On board were 13,000 troops, 1,500 horses, 500 surf boats, and 1,000 laborers to build a town and fortress for the blockade of the South.

In November, 1861, after surviving a hurricane off Cape Hatteras, the small armada circled Port Royal Sound, firing at all settlements in the area. By noon of that day, on November 7th, the Confederates knew the battle for the area was lost, and fled before the invading forces of the Union. Victory that day for the Union meant freedom for 1,000 slaves. The Yankees were here to stay until the War's end. Fort Mitchel was built in 1862. It was named for General Ormsby Mitchel, a well liked leader, who died of malaria that year.

Eventually, Union Forces reached 50,000 on the Island. The blockade of Savannah was accomplished, preventing the Confederacy from exporting cotton and importing supplies from Europe. Hilton Head was Headquarters for the *South Atlantic Blockading Squadron*. The Island became the transfer point for prisoners of war and the wounded as well as Union Soldiers on their way to battle and tons of supplies. Black males on the Island and in the surrounding area were pressed into service, becoming the first Black troops for the Union. The money they earned as soldiers enabled them, after the War, to buy land on Hilton Head Island. General Mitchel, before his death, began construction of adequate housing for several thousand homeless Blacks who had gathered on the Island since the War began. Mitchelville was the first town developed specifically for the freedmen. It had almost 1,500 residents.

During this time, their children attended schools and they lived in this housing for the duration of the War. After Lee's surrender at Appomattox, the Federal troops departed for the North. Only Mitchelville inhabitants remained. With the passage of time Mitchelville disappeared, and the Island was left to nature and only a few islanders. Hilton Head Island was again forgotten. Small communities of former slaves sprang up on the Island. These communities consisted of farmers, fishermen, basket weavers and fishnet makers. Summer was for farming, winter was for harvesting oysters and in the fall the "blue crab" was caught. Island navigators piloted boats between Savannah and the Island.

Civil War (continued)

"Gullah", a blend of slave, native, cadence, and Elizabethan English was spoken here. This rich culture, developed over the years of slavery, survives to this day. Old spirituals and songs were made up and used by slaves as codes for meeting times and places and as messages for freedom. The songs and stories also spoke of storms and other events in the lives of the slaves. As interest in the history of African-Americans on Hilton Head grows, more evidence of their lifestyle is being preserved. The Gullah culture continues as community leaders encourage its preservation.

By 1890, Northerners again came, this time to hunt and fish the abundant game. 1,000 acres in Leamington Plantation were sold to the North Carolina Hunt Club. Money was scarce and the Islanders bartered for goods and services. In 1931, more land was acquired for hunting purposes, including those remaining lands owned by the Federal Government. By now, the native island population was around 300. Access to the Island was by water only.

During World War II, the Leamington Lighthouse was the site of Camp McDougal, used by the Shore Patrol. Gun emplacements for target practice out over the Atlantic are still visible south of the Marriott Hotel (formerly known as the Hyatt) as the sands shift with the tides. These join Indian relics and landmarks of the Revolution and Civil War that are found throughout the Island.

Modern Age

1950 marks the beginning of the Modern Age of Hilton Head Island. Electricity arrived in 1951, and the first telephone was installed in 1960. In the fifties, the Fraser family and Fred Hack led a group of Georgia natives in the purchase of 19,000 of the Island's 25,000 acres. These farsighted men ended the use of land for timbering and hunting, and began selling the land to developers. They brought a system of land use that became the prototype of many other successful developments by focusing on preserving the natural environment.

Dirt roads gave way to paved ones. Beautiful bridges replaced Ferry boats accessing the Island. Residential Plantations were developed, often around original Plantation boundaries.

Rapid growth of the Island began in 1970, and the population has grown from 2,500 then to some 35,000+ in recent years. In 1970, The Island Packet, our present daily Newspaper, was first published as a 12 page tabloid. In 1975, the Island Hospital was built, and the Town population was then 6,500. The Town was incorporated on May 18, 1983. The Articles of Incorporation provide for a Council-Manager form of government. The legislative authority rests with a Mayor and six (6) council members.

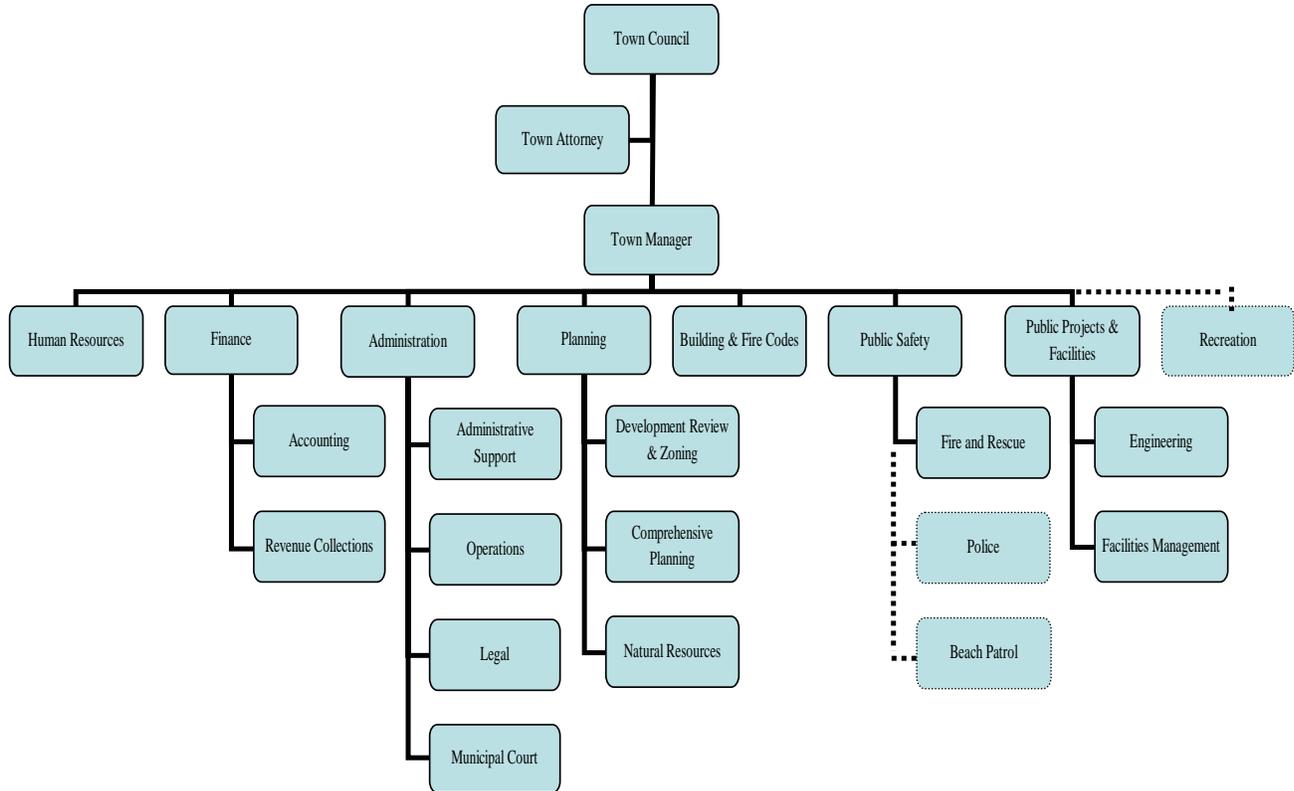
Geography/Industry

Hilton Head Island is a barrier island on the Atlantic coast of South Carolina. The Island is located about 30 miles from Savannah, Georgia and about 90 miles from Charleston, South Carolina. Approximately 54 miles in square area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor.

Tourism is the largest industry in the Island's economy. There are approximately 2.3 million visitors annually. The Island hosts a major sports event in the Verizon Heritage Golf Tournament. The Island has established world class accommodations, and the tourism industry continues to grow with a peak summer population of approximately 275,000.

General Information

Town Organizational Chart

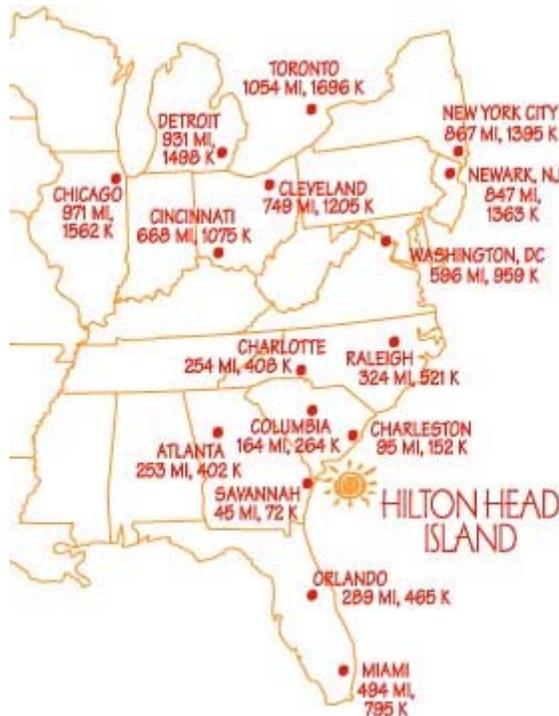


Budget Calendar and Map

Budget Calendar

December 14-16, 2005	Budget kick-off departmental budget packages distributed
February 3, 2006	Department budget package due to Finance
March 21, 2006	Proposed budget is submitted to the Town Manager for review
March 28-29, 2006	Town Manager reviews the proposed budget with department heads
May 2, 2006	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 2-23, 2006	Town Council workshops
June 6, 2006	Public hearing; revised first reading of the budget ordinance by Town Council
June 20, 2006	Second and final reading of budget

Where is Hilton Head Island?



Hilton Head Island at a Glance

Demographic Information

Population	
1996	30,340
1997	31,141
1998	31,452
1999	31,767
2000	33,862
2001	34,001
2002	34,531
2003	34,499
2004	34,371
2005	34,920
2006	35,600
Median Age	46.5
Number of Households	14,408
Average Family Size	2.32
Per Capita Income	\$36,621
Racial Composition	
White	85.33%
Black or African American	8.26%
American Indian, Alaskan Native	0.14%
Asian	0.55%
Other	5.72%
Hispanic Ethnicity	11.48%
Land Use	
Land Area	54 sq. miles
Miles of Beach	13
Tourism	
Monthly Peak	
Summer Population	275,069
Total Annual Visitors	2.3 million
Annual Visitor	
Expenditures	\$1.57 billion

General Information

Property Tax Millage Rate:	
General Operating	12.33
CIP	.85
Voter Approved Debt	5.82
Total Millage Rate	19.00
Bond Ratings:	
Moody's Investor Service	Aa ²
Standard and Poor's	AA
Fitch	AA
FY 2007 Adopted Budget	\$74,753,260
Total Town Staff (FTEs)	255.60

Recreation and Culture

Public Tennis Clubs	7
Tennis Courts Public and Private	382
Public Recreation Facilities	
Active Recreation	3
Beach Access/Parks	7
Pools	1
Arts Center	1
Number of Libraries	2
Number of Museums	1
Number of Nature Preserves	3
Number of Marinas	10
Golf Course in Town Limits (non-municipal)	25

Hilton Head Island at a Glance (continued)

Economic Development²

Hilton Head Island's economy is primarily tourism and real estate driven.

- Presently, there are more than 600 real estate executives employed on the Island.
- 61% of local jobs are tourism-related.
- Tourism in the Hilton Head Island area employs over 10,000 people living both on the Island and in the surrounding communities.
- Approximately 43 percent of the 5,000 licensed Island enterprises are retail and service-oriented companies.
- Retail operations and restaurants, in particular, have flourished on Hilton Head Island.
- Tourism contributes more than \$1.5 billion into the Hilton Head Island area economy annually.
- Tourist lodging facilities on Hilton Head Island pay nearly \$20 million in property taxes to Beaufort County.
- Sales taxes paid by visitors total \$47 million. Taxes paid by tourists save every South Carolina taxpayer more than \$200 each year in state taxes.
- Last year, \$2.5 million in accommodation taxes paid by tourists was awarded to community organizations and Town government to help:
 - ⇒ Promote tourism
 - ⇒ Nourish beaches
 - ⇒ Support beach parks
 - ⇒ Build pathways
 - ⇒ Support various cultural organizations
 - ⇒ Pathway rehabilitation

Property Sold Through Real Estate Agents ³

	2002	2003	% change	2004	% change	2005	% change
Homes Sold	919	943	2.6%	1,186	25.8%	1,314	10.8%
Average Price	\$ 639,612	\$ 679,587	6.2%	\$ 760,714	11.9%	\$ 927,752	22.0%
Days on Market	146	136	-6.8%	128	-5.9%	94	-26.6%
Villas Sold	1,117	1,361	21.8%	1,726	26.8%	1,954	13.2%
Average Price	\$ 255,282	\$ 265,884	4.2%	\$ 278,711	4.8%	\$ 349,583	25.4%
Days on Market	141	119	-15.6%	87	-26.9%	61	-29.9%
Lots Sold	n/a	261	n/a	422	61.7%	370	-12.3%
Average Price	n/a	\$ 277,674	n/a	\$ 331,234	19.3%	\$ 439,756	32.8%
Days on Market	n/a	194	n/a	157	-19.1%	82	-47.8%

² Hilton Head Island Chamber of Commerce

³ hhisleinfo.com

Accounting and Financial Policies

Accounting Policies

General Guidelines

The Comprehensive Annual Financial Report (CAFR) presents the status of the Town's finances on a basis consistent with Generally Accepted Accounting Principles (GAAP) [i.e., the governmental funds use the modified accrual basis of accounting.] In order to provide a meaningful comparison of actual results with the budget, the CAFR presents the Town's operation on a GAAP basis and shows fund expenditures and revenues on a budget basis for all of the Town's major funds.

Government-Wide Statements (CAFR)

The statement of net assets and the statement of activities display information about the primary government. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the *governmental* and *business-type activities* of the Town. Governmental activities, generally, are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed, in whole or in part, by fees charged to external parties. The Town does not report any business-type activities.

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

Fund Financial Statements (CAFR)

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

The Town reports the following major governmental funds:

General Fund. This fund is used to account for operating expenditures associated with police, fire, planning, engineering, facilities management, building and fire codes, and administrative services.

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

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

Fund Financial Statements (continued)

Tax Increment Financing District. This fund is used to account for the revenues and expenditures associated with the Town’s redevelopment districts.

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

Beach Preservation Fees 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.

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

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

The Tax Increment Financing Fund (TIF), Accommodations Tax Fund, Beach Preservation Fees Fund, Real Estate Transfer Fee Fund, and Electricity Franchise Fee Fund budgets are reflected in the General Fund, Capital Projects Fund (CIP), and Debt Service Fund as “transfers in”. Any additional funds expended from these funds are approved at the time the funds are expended.

Measurement Focus and Basis of Accounting

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the Town gives (or receives) value without directly receiving (or giving) equal value in exchange include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt, claims and judgments, and 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.

Measurement Focus and Basis of Accounting (continued)

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.

Cash and Cash Equivalents

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

Investments

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

- Government National Mortgage Association (GNMA)
- Federal Home Loan Banks (FHLB)
- Small Business Administration (SBA)
- U.S. Maritime Administration (MA)
- Tennessee Valley Authority (TVA)
- U.S. Export-Import Bank (Eximbank)
- Farmers Home Administration (FHA)
- Federal Financing Bank (FFB)
- General Services Administration (GSA)
- Department of Housing and Urban Development (HUD)
- Repurchase agreements whose underlying purchased securities consist of the afore-mentioned instruments;
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities; and
- Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental agreement legislation.

The Town's primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held by Wachovia 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 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 can not be determined from the available records, estimated historical costs have been used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair value at the date of acquisition. The Town's road network is deeded to the County and is not included in the Town's capital asset inventory.

Additions, improvements and other capital outlay that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated lives for each major class of depreciable fixed assets are as follows:

Buildings	30 years
Infrastructure	25 years
Vehicles	8-15 years
Furniture, fixtures, equipment	5-20 years
Land	20-30 years
Roads	25-30 years
Waterway	30 years
Dams	30-50 years
Software	10 years

Physical Inventory

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

Compensated Absences

The Town has a policy to accrue compensated absences for employees when the obligation relating to the employee's rights to receive compensation is attributable to the employee's services already rendered, when the rights vest and accumulate and when the payment is payable. Vacation pay meets the above

Compensated Absences (continued)

criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee reaches retirement age. In accordance with GASB no liability is recorded for non-vesting accumulative rights to receive sick pay benefits.

The sick leave termination benefit for employees who have a minimum of five years consecutive employment and are terminated for non-disciplinary reasons is computed based on a percentage of actual sick leave. The sick leave termination benefit is paid as a taxable lump-sum bonus at termination. Employees who were older than age 55 on July 1, 2000, and were employed by the Town were grandfathered under the prior plan of receiving their sick leave as a retirement benefit. The grandfathered employees are eligible for the greater of the sick leave termination benefit or the sick leave retirement benefit.

Long-Term Obligations

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

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

Bond Discounts/Issuance Costs/Deferred Losses on Advance Refundings

As mentioned above in the fund financial statements, bond discounts and issuance costs for governmental funds are recognized in the current period. For proprietary funds, bond discounts, issuance costs, and deferred losses on advance refundings are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred losses on advance refundings are presented as a reduction of the fact amount of the bonds payable, whereas issuance costs are recorded as deferred charges in accordance with Governmental Accounting Standards Board Statement No. 23, Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Funds.

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

Budgetary Accounting

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, and Capital Projects Fund. Budgets for the Tax Increment Financing (TIF) Fund and the State Accommodations Fund are adopted by Town Council some time after the start of the fiscal year. The only portion of these budgets approved during the annual adoption process is the portion transferred into the General Fund, Debt Service Fund, and Capital Projects Fund.

Budgetary Accounting (continued)

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

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

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

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

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

Financial Policies

Revenues

The Town estimates its annual revenues by objective and analytical processes. Revenue forecasts for the next five 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.

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

Current revenues will be sufficient to support current expenditures (balanced budget).

Expenditures

All current operating expenditures will be paid for with current operating revenues. Budgetary procedures that fund current expenditures at the expense of future needs, such as postponing expenditures, 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.

Expenditures (continued)

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 next five years shall be all-inclusive and will be reviewed and updated annually.

Capital Improvement Plan (CIP)

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

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

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

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

The CIP will contain multi-year projections of expenditures.

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

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

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

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

Projects that will exceed budget must have a revised budget and request for additional funding submitted to Finance at the earliest possible time. Additional funding may be identified through savings on other capital projects at the discretion of the Director of Finance or through Town Council action in accordance with the budget transfer policy.

Contingency

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

Debt Management Policies (continued)

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 current estimated total assessed value of \$823,336,000, the legal debt margin for the Town of Hilton Head Island is \$65,866,880. Town Council has imposed an 80% cap which further limits this to \$52,693,504. The Town has \$15,855,000 in bonds issued at June 30, 2006, which are applicable to this cap, leaving \$36,838,504 available.

Bond Ratings

The Town shall periodically review possible actions to maintain or improve its bond ratings by various rating agencies.

The Town shall follow a policy of "full disclosure" in its Comprehensive Annual Financial Report and bond prospectuses.

Disaster Planning Reserves/Policies

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

Operating Reserve

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

Advertising Reserve

The Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster advertising reserve account. These funds are held in reserve for disaster management communications oriented programs. The fund will be used to provide post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the Town Manager. The total amount of funds to be deposited in the reserve for this purpose will not exceed \$1 million. Annual interest earned on funds in the reserve will also be deposited into the account.

General Reserve

Once the Disaster Advertising Reserve reaches \$1 million, the Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into a disaster general reserve account. These funds may be used for pre-disaster planning and post disaster recovery efforts (non-communication related activities or debt service payments). The total amount of funds held in reserve for this purpose will not exceed 15% of the General Fund's annual operating revenue.

Disaster Planning Reserves/Policies (continued)

Debt Service Levels

General statutes limit the amount of general obligation debt that a unit of government can issue up to eight percent (8%) of the total assessed value of taxable property located within that government's boundaries. The Town may incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote in a referendum as authorized by law. In addition, Town Council has imposed an 80% cap on this amount. The remaining 20% is reserved for additional bonding associated with disaster recovery.

Real Estate Transfer Fee Debt Service Reserve

The Town will set aside \$1 million of real transfer fees into a disaster debt service reserve account in the Real Estate Transfer Fee Fund. The funds will be used to fund debt service payments during a disaster or financial crisis.

Beach Preservation Reserve

The Town will hold in an interest bearing account a portion of the amounts on deposit in the Town of Hilton Head Island Beach Preservation Fee Account. The amount to be held in this reserve account shall not exceed \$12 million.

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

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

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

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

- A. 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.
- B. Temporary housing ordinance - This is an emergency ordinance to allow the use of manufactured homes and travel trailers as temporary residences.
- C. Declaration of local state of emergency (resolution).
- D. The Town of Hilton Head Island succession list in the event of a disaster (resolution).
- E. If necessary, the Town will adopt an emergency reimbursement resolution to provide immediate access to funds in the event of a disaster.
- F. In an effort to expedite disaster recovery efforts, the Town currently has a contract in place with Phillips and Jordan for the purpose of providing disaster storm debris removal services.

Budget Process Overview

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

Policy and Strategy Phase

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

Assessment Phase

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

Goals

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

Format of Department Budgets (continued)

Objectives

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

Performance Measures (not all departments report this information)

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

2. Department Expenditures by Division and Category

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

Categories of expenditures are as follows:

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

Operating - contract services, consulting, supplies, repairs, utilities, capital outlay for equipment and furniture costing less than \$5,000, and software purchases costing less than \$50,000;

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

Approach to the Budget Review Process

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

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

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

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

It should be noted that departments not only develop a budget for the upcoming fiscal year, they develop a five-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 five-year revenue forecast developed by the Finance Department, with assistance from the departments, to create the Town's five-year forecast that is incorporated in the budget document.

Approach to the Budget Review Process (continued)

At the same time the operating budgets are being created, the Deputy Town Manager 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 Finance Department staff consolidates the General Fund: revenue budget and departmental expenditure budgets; the Capital Projects Fund/CIP budget; the Debt Service Fund budget; as well as the five-year forecast creating the proposed operating budget (business plan) for the upcoming fiscal year.

Budget Approval Process

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

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

Public hearings and final adoption of the budget occurs by June 30 in accordance with state law.

Monitoring the Budget

The Finance Department prepares a quarterly financial report for Town Council comparing actual expenditure activity to the budget.

Budget Transfers, Amending the Budget and Encumbrances

Budget Transfers - the Town Manager is authorized to transfer funds as follows:

- a. Make any budget line item transfer within a department in the General Fund.
- b. Transfer up to One Hundred Thousand Dollars (\$100,000) between departments in the General Fund.
- c. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Capital Projects Fund.
- d. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Tax Increment Financing Fund (TIF).
- e. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved line items in the Debt Service Fund.
- f. Any other transfers between a department's line items or capital projects exceeding the thresholds outlined above will be submitted to Town Council for approval.
- g. No budget transfers shall (a) be made from one fund to another fund (General Fund, Capital Projects Fund, Debt Service Fund, Tax Increment Financing Fund (TIF)), or (b) conflict with any existing Bond Ordinances.

Budget Transfers, Amending the Budget and Encumbrances (continued)

Contract Authority - the Town Manager is authorized to enter into Town contracts if the total contract amount does not exceed the budgeted line item by fifteen percent (15%) or One Hundred Thousand Dollars (\$100,000), whichever is less. If the total contract amount exceeds said thresholds, the contract and funding proposal must be submitted to Town Council for approval.

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

Encumbrances - appropriations in governmental funds are encumbered upon issuance of purchase orders, contracts, or other forms of legal commitments. While appropriations lapse at the end of each fiscal year, re-appropriation of encumbrances of the fund balance will be provided for through an amendment of the new fiscal year budget to increase the revenues (funds from previous fiscal year(s)) and increase the appropriated budget expenditures. The threshold for encumbrance roll-over is \$1,000. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.

Consolidated Budget Summary - All Funds

Introduction

The Fiscal Year 2007 Annual Budget was developed based on the goals and vision of Town Council. The financial resources have been allocated in the budget in a manner that we believe will successfully meet the challenges we have before us and set the stage for the Town’s continued success in the future.

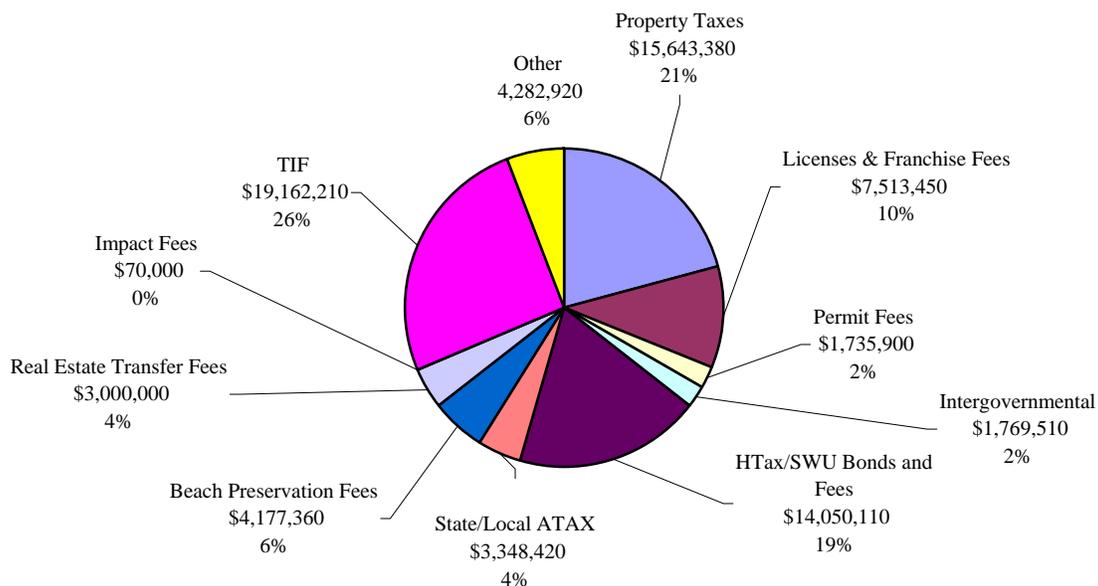
Fiscal Year 2007 Combined Budget

The combined Fiscal Year 2007 budgeted expenditures for all funds is **\$74,753,260**. This represents a decrease of \$14.5 million or 16.2% under the Fiscal Year 2006 budget. The majority of this decrease is in the Capital Projects Fund (CIP) which is decreased by \$16.3 million in comparison to the Fiscal Year 2006 budget which contained approximately \$16 million in approved funds for Beach Renourishment.

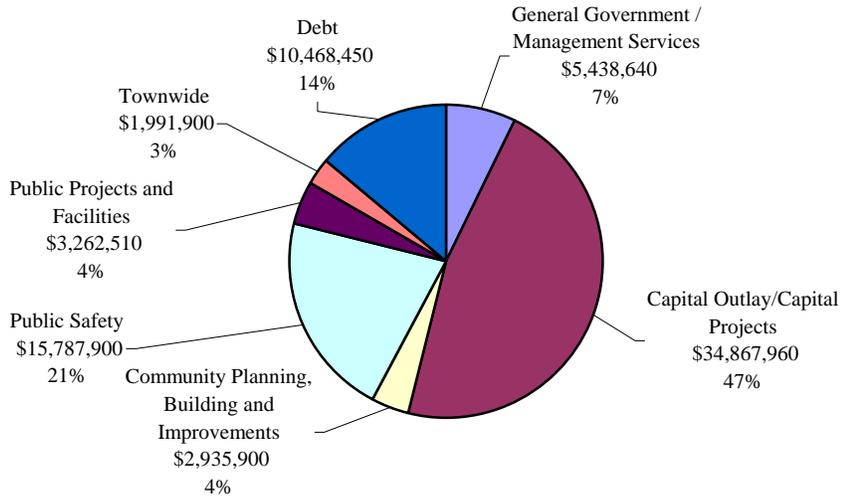
The Fiscal Year 2007 budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures.

The Town’s budget is structured on the basis of individual funds. This approach represents the financial structure of the Town as a municipal corporation. Each fund is a distinct financial entity with its own revenues and expenditures.

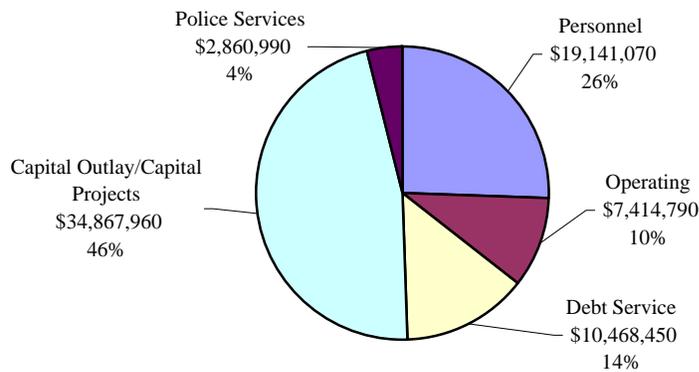
ALL FUNDS - WHERE THE MONEY COMES FROM



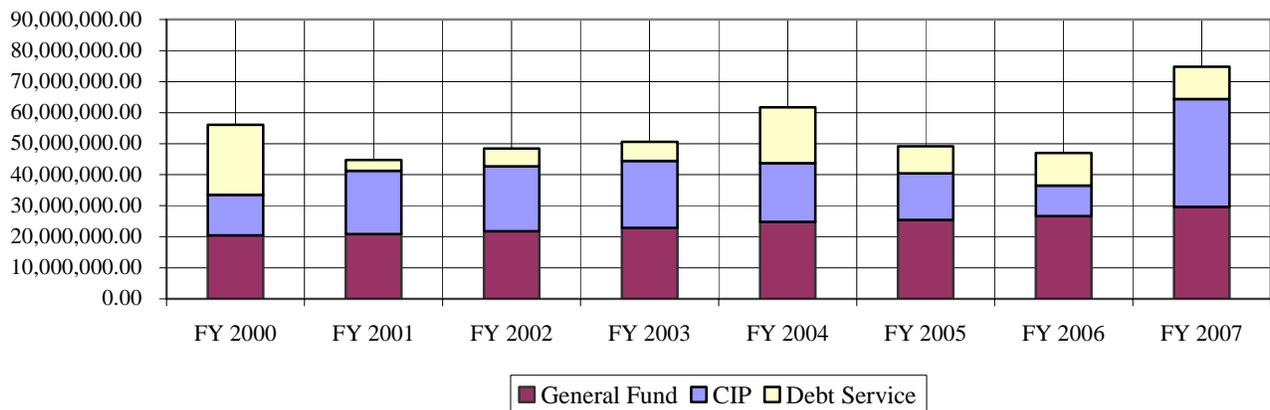
ALL FUNDS - WHERE THE MONEY GOES BY PROGRAM



ALL FUNDS - WHERE THE MONEY GOES BY CATEGORY



Trend Analysis of Expenditures by Fund



Note: FY 2000 through FY 2005 are actual and FY 2006 is a projection.

Historical Overview of Revenues and Expenditures - General Fund, Debt Service Fund and Capital Projects Fund (CIP)

	Actual FY 2003	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Budget FY 2007
Revenues					
Property Taxes	\$ 14,930,098	\$ 15,113,491	\$ 17,824,995	\$ 15,400,111	\$ 15,643,380
Other Taxes/Fees	5,014,151	4,858,182	7,162,412	9,500,092	7,338,110
Business Licenses and Franchise Fees	6,214,543	6,722,380	7,261,596	7,360,410	7,513,450
Permits	1,114,997	1,256,954	1,663,283	1,791,090	1,735,900
Intergovernmental	2,765,543	2,760,006	2,875,601	2,921,535	2,509,510
Investment Income	559,729	425,783	819,878	1,678,593	615,940
Miscellaneous Fees	4,119,185	3,061,400	3,149,491	2,904,047	3,162,800
Total	\$ 34,718,246	\$ 34,198,196	\$ 40,757,256	\$ 41,555,878	\$ 38,519,090
Expenditures					
General Government	\$ 1,035,285	\$ 1,150,862	\$ 1,233,212	\$ 1,327,727	\$ 1,378,440
Management Services	2,915,272	3,045,720	3,166,953	3,632,318	4,060,200
Community Planning, Building and Imp.	2,259,486	2,341,354	2,481,374	2,673,525	2,935,900
Public Safety	12,237,337	12,812,101	13,766,856	14,048,347	15,787,900
Public Projects and Facilities	2,191,772	2,307,710	2,467,434	2,846,322	3,262,510
Townwide	1,737,315	2,774,970	1,668,095	1,691,857	1,991,900
Capital Outlay	21,948,911	19,174,524	14,215,046	13,806,045	34,867,960
Debt Service	6,292,418	18,061,127	38,464,886	10,587,649	10,468,450
Total	\$ 50,617,796	\$ 61,668,368	\$ 77,463,856	\$ 50,613,790	\$ 74,753,260
Sub-Total Excess/Deficiency of Revenues Over Expenditures	\$ (15,899,550)	\$ (27,470,172)	\$ (36,706,600)	\$ (9,057,912)	\$ (36,234,170)
Other Financing Sources (Uses)					
Bond Issue/Other	17,092,496	36,740,000	31,545,673	-	6,522,000
Operating Transfers In	7,937,406	7,995,637	8,839,434	11,847,170	29,712,170
Total Other Financing Sources (Uses)	25,029,902	44,735,637	40,385,107	11,847,170	36,234,170
Total Excess/Deficiency of Revenues Over Expenditures	\$ 9,130,352	\$ 17,265,465	\$ 3,678,507	\$ 2,789,258	\$ -

Budget Highlights

Some of factors impacting the budget are:

- The Town's total millage rate will remain the same as last fiscal year at 19.0 mills. The millage rate by fund for the General Fund (12.33 mills), Capital Projects Fund (CIP) (0.85 mills) and Debt Service Fund (5.82 mills) will also remain unchanged from last fiscal year.
- Revenue from property taxes in all three funds is anticipated to increase by \$607,880 over the previous fiscal year budget. The increase in revenue is due to an increase in assessed property values.
- It is anticipated revenue from business licenses will increase by \$608,290 (General Fund).
- It is anticipated that revenue from building and development permits will increase by \$375,000 (General Fund).

Budget Highlights (continued)

- Beach preservation fees will provide \$3.3 million for various CIP projects in the Capital Projects Fund.
- TIF (Tax Increment Financing) funds will provide \$18.9 million for various CIP projects in the Capital Projects Fund.
- An additional 1.3 FTEs will be added in the General Fund next fiscal year. The FTEs added will provide increased administrative support in the Fire Department and Public Facilities Department.
- The funding of a compensation study.
- A significant increase in workers' compensation costs.
- A significant increase in maintenance contract costs in the Fire Department and Public Facilities Department.
- The funding of the fourth annual departmental/division review.
- The funding of software upgrades for pictometry, revenue collection, and human resource functions.
- Debt service costs decreased by \$119,550 over the previous fiscal year's budget.

Property Taxes - All funds

Current Property taxes

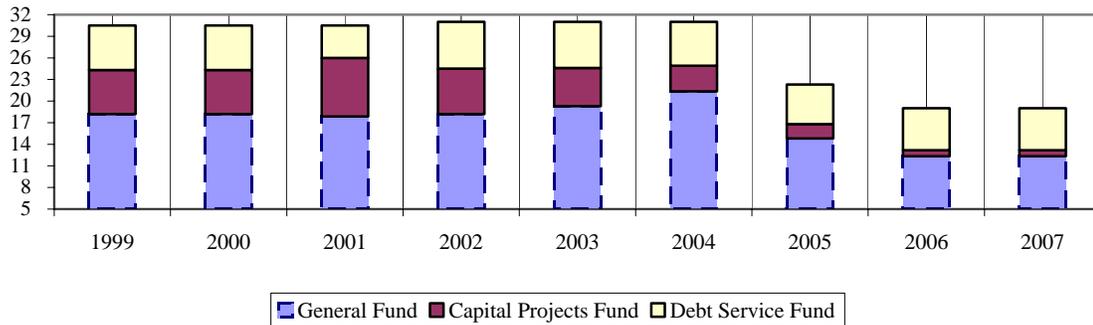
An ad valorem property tax, a tax per unit of property value, is levied upon all real property and certain classes of tangible property as that property is assessed and equalized for State and County purposes for any tax year. The property tax is authorized by the South Carolina Code of Laws (SC Code), Sec. 5-7-30 and 12-43-220, and also by the Town of Hilton Head Island Code of Ordinances, Title 4, Chapter 3.

Collection and Distribution

The tax levy is released in September and current taxes are payable from October 1st through December 31st of each year. On January 15, unpaid taxes are considered delinquent and penalties begin to accrue.

Property taxes are levied for the purposes of funding the provision of municipal services, the Capital Improvements Program (CIP), and the retirement of debt. For Fiscal Year 2007, 12.33 mills will be paid to the General Fund (64.9% of levy), .85 mills to the Capital Projects Fund (4.5% of levy), and 5.82 mills (30.6% of levy) will be used for the retirement of debt.

Millage Rate - Historical Analysis



Staffing Changes

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Variance</u>
Town Council	7.00	7.00	7.00	7.00	-
Town Manager	3.00	3.00	3.00	3.00	-
Human Resources	4.00	4.00	4.00	4.00	-
Administration	23.00	23.00	23.50	23.50	-
Finance	16.00	17.00	17.00	17.00	-
Planning	19.00	19.00	19.00	19.00	-
Building and Fire Codes	16.00	16.50	17.00	17.00	-
Fire and Rescue	143.00	144.00	144.80	145.30	0.50
Public Projects and Facilities	19.00	19.00	19.00	19.80	0.80
TOTAL	<u>250.00</u>	<u>252.50</u>	<u>254.30</u>	<u>255.60</u>	<u>1.30</u>

Total FTEs in the General Fund will increase by 1.30 FTEs, from 254.30 to 255.60. FTE additions for the upcoming fiscal year are:

1. The addition of a 20 hour per week part-time Administrative Assistant position (.50 FTE). (Fire - Support Services)
2. The addition of a 30 hour per week part-time Administrative Clerk position (.80 FTE). (Public Facilities)

General Fund Analysis

The General Fund accounts for the revenues and expenditures necessary to carry out basic governmental activities of the Town such as police and fire protection, recreation, and legal and administrative services. All financial transactions not accounted for in other funds are recorded in the General Fund.

Department Expenditure Summary for Fiscal Year 2007 (General Fund)

Department	Personnel	Operating	Capital	Grants	Total Expenses
Town Council	\$ 84,930	\$ 299,000	\$ -	\$ -	383,930
Town Manager	305,610	32,450	-	-	338,060
Human Resources	446,380	210,070	-	-	656,450
Administration	1,808,550	899,990	116,460	-	2,825,000
Finance	1,206,440	145,220	-	-	1,351,660
Planning	1,459,660	138,780	-	-	1,598,440
Building and Fire Codes	1,223,870	113,590	-	-	1,337,460
Fire and Rescue	11,068,640	1,858,270	138,500	-	13,065,410
Police (Contract Agreement)	-	2,860,990	-	-	2,860,990
Public Projects and Facilities	1,536,990	1,725,520	-	-	3,262,510
Non-Departmental (Townwide)	-	790,940	-	1,200,960	1,991,900
Totals	\$ 19,141,070	\$ 9,074,820	\$ 254,960	\$ 1,200,960	\$ 29,671,810

Historical Overview of Revenues and Expenditures - General Fund

	Actual FY 2003	Actual FY 2004	Actual FY 2005	Estimated FY 2006	Budget FY 2007
Revenues					
Property Taxes	\$ 9,265,943	\$ 10,366,446	\$ 11,833,517	\$ 9,976,912	\$ 10,134,510
Other Taxes	1,728,707	1,860,744	1,991,048	2,100,000	2,140,000
Business Licenses and Franchise Fees	6,214,543	6,722,380	7,261,596	7,360,410	7,513,450
Permits	1,114,997	1,256,954	1,663,283	1,791,090	1,735,900
Intergovernmental	872,768	880,365	916,929	920,985	994,510
Investment Income	100,582	91,673	135,853	365,940	365,940
Miscellaneous Fees	1,967,156	2,094,627	2,010,064	2,103,162	2,025,220
Total	\$ 21,264,696	\$ 23,273,189	\$ 25,812,290	\$ 24,618,499	\$ 24,909,530
Expenditures					
General Government	\$ 1,035,285	\$ 1,150,862	\$ 1,233,212	\$ 1,327,727	\$ 1,378,440
Management Services	2,915,272	3,045,720	3,166,953	3,632,318	4,060,200
Community Planning, Building and Imp.	2,259,486	2,341,354	2,481,374	2,673,525	2,935,900
Public Safety	12,237,337	12,812,101	13,766,856	14,048,347	15,787,900
Public Projects and Facilities	2,191,772	2,307,710	2,467,434	2,846,322	3,262,510
Townwide	1,693,628	2,364,034	1,668,095	1,691,857	1,991,900
Capital Outlay	411,501	316,328	375,866	373,351	183,960
Debt Service	97,722	97,722	97,723	70,649	71,000
Total	\$ 22,842,003	\$ 24,435,831	\$ 25,257,513	\$ 26,664,096	\$ 29,671,810
Sub-Total Excess/Deficiency of Revenues Over Expenditures	\$ (1,577,307)	\$ (1,162,642)	\$ 554,777	\$ (2,045,597)	\$ (4,762,280)
Other Financing Sources (Uses)					
Bond Issue/Other	-	2	-	-	40,000
Operating Transfers In	2,000,378	1,883,830	3,160,783	4,100,981	4,722,280
Operating Transfers Out	(43,687)	(410,936)	-	-	-
Total Other Financing Sources (Uses)	1,956,691	1,472,896	3,160,783	4,100,981	4,762,280
Excess/Deficiency of Revenues Over Expenditures	\$ 379,384	\$ 310,254	\$ 3,715,560	\$ 2,055,384	\$ -

General Fund Two-Year Comparison

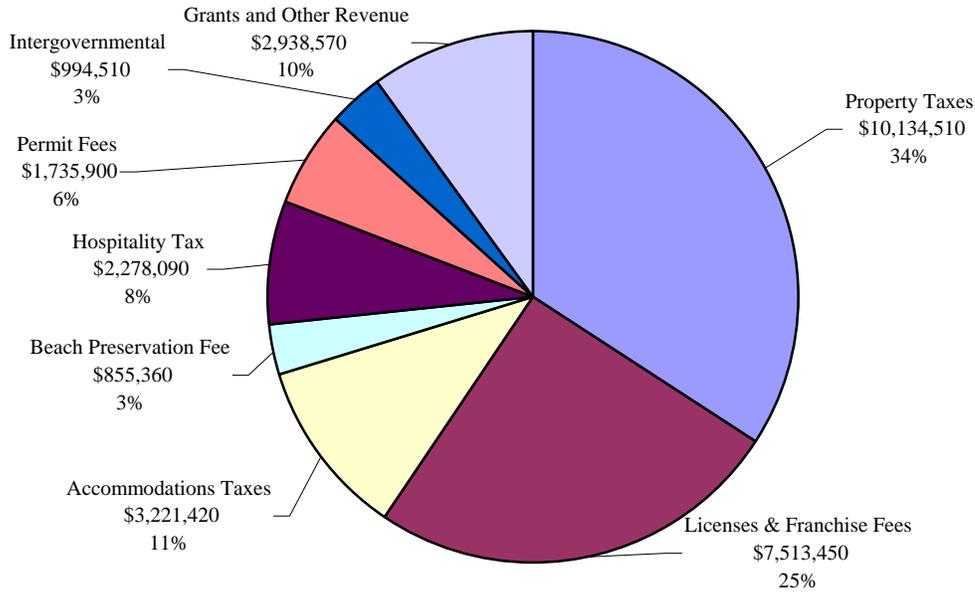
	FY 2006 Revised Budget	FY 2006 Est. Actual	FY 2007 Budget	Budget Diff. % FY 2006	Estimate Diff. % FY 2006
Revenues:					
Property Taxes	\$ 9,740,700	\$ 9,976,912	\$ 10,134,510	4.04%	1.58%
Local ATAX Public Safety	1,860,000	2,100,000	2,140,000	15.05%	1.90%
Licenses & Franchise Fees	6,845,910	7,360,410	7,513,450	9.75%	2.08%
Permit Fees	1,360,000	1,791,090	1,735,900	27.64%	-3.08%
Intergovernmental Revenue	922,220	920,985	994,510	7.84%	7.98%
Miscellaneous Revenue	2,448,634	1,958,162	1,920,220	-21.58%	-1.94%
Grants	145,000	145,000	145,000	0.00%	0.00%
Investments	120,000	365,940	365,940	204.95%	0.00%
Transfer In	4,156,540	4,100,981	4,722,280	13.61%	15.15%
Total Revenues	\$ 27,599,004	\$ 28,719,480	\$ 29,671,810	7.51%	3.32%
Expenditures					
General Government					
Town Council	\$ 258,480	\$ 374,766	\$ 383,930	48.53%	2.45%
Town Manager	382,720	391,158	338,060	-11.67%	-13.57%
Human Resources	562,684	561,803	656,450	16.66%	16.85%
	1,203,884	1,327,727	1,378,440	14.50%	3.82%
Management Services					
Administration	2,537,423	2,447,603	2,708,540	6.74%	10.66%
Finance	1,246,040	1,184,715	1,351,660	8.48%	14.09%
	3,783,463	3,632,318	4,060,200	7.31%	11.78%
Community Planning, Building and Improvements					
Planning	1,510,971	1,454,955	1,598,440	5.79%	9.86%
Building and Fire Codes	1,213,077	1,218,570	1,337,460	10.25%	9.76%
	2,724,048	2,673,525	2,935,900	7.78%	9.81%
Public Safety					
Fire	12,259,927	11,617,127	12,926,910	5.44%	11.27%
Police	2,463,690	2,431,220	2,860,990	16.13%	17.68%
	14,723,617	14,048,347	15,787,900	7.23%	12.38%
Public Projects and Facilities					
	2,870,327	2,846,322	3,262,510	13.66%	14.62%
Townwide					
	1,849,350	1,691,857	1,991,900	7.71%	17.73%
Debt					
	71,000	70,649	71,000	0.00%	0.50%
Capital Outlay					
	373,315	373,351	183,960	-50.72%	-50.73%
Total Expenditures	\$ 27,599,004	\$ 26,664,096	\$ 29,671,810	7.51%	11.28%
Excess/Deficiency of Revenues Over Expenditures	\$ -	\$ 2,055,384	\$ -		
Beginning Fund Balance		\$ 11,319,354	\$ 13,374,738		
Ending Fund Balance		\$ 13,374,738	\$ 13,374,738		

General Fund Detail Revenue Two-Year Comparison

	FY 2006 Revised Budget	FY 2006 Est. Actual	FY 2007 Budget	Budget Diff. % FY 2006	Estimate Diff. % FY 2006
Property Taxes	\$ 9,740,700	\$ 9,976,912	\$ 10,134,510	4.04%	1.58%
Licenses & Franchise Fees					
Business Licenses	6,391,710	6,850,000	7,000,000	9.52%	2.19%
Cable TV Utility	450,000	506,210	509,250	13.17%	0.60%
Beach Franchise Fee	4,200	4,200	4,200	0.00%	0.00%
Total - Licenses & Franchise Fees	6,845,910	7,360,410	7,513,450	9.75%	2.08%
Permit Fees					
Construction Permits	800,000	1,110,000	1,050,000	31.25%	-5.41%
Development Permits	10,000	17,200	15,900	59.00%	-7.56%
Other Permits	550,000	663,890	670,000	21.82%	0.92%
Total - Permit Fees	1,360,000	1,791,090	1,735,900	27.64%	-3.08%
Intergovernmental Revenue					
State Shared Revenue	922,220	920,985	994,510	7.84%	7.98%
Total - Intergovernmental Revenue	922,220	920,985	994,510	7.84%	7.98%
Miscellaneous Revenue					
Public Safety Revenue	1,096,120	1,035,000	1,055,000	-3.75%	1.93%
Beach Service	375,420	347,390	346,700	-7.65%	-0.20%
Municipal Court Fines	290,000	337,700	354,590	22.27%	5.00%
Victim's Assistance	34,000	39,275	41,240	21.29%	5.00%
Miscellaneous Revenue	149,740	198,797	122,690	-18.06%	-38.28%
Total - Miscellaneous Revenue	1,945,280	1,958,162	1,920,220	-1.29%	-1.94%
Grants					
Miscellaneous Reimbursements	145,000	145,000	145,000	0.00%	0.00%
Total - Grants	145,000	145,000	145,000	0.00%	0.00%
Local ATAX Public Safety	1,860,000	2,100,000	2,140,000	15.05%	1.90%
Investments	120,000	365,940	365,940	204.95%	0.00%
Transfers In					
Accommodations Tax	957,550	900,991	1,081,420	12.94%	20.03%
Beach Preserv. Fee	775,610	775,610	855,360	10.28%	10.28%
Electricity Franchise Fee	35,000	35,000	64,180	83.37%	83.37%
Hospitality Tax	1,999,880	1,999,880	2,278,090	13.91%	13.91%
Stormwater Fee	264,500	264,500	224,020	-15.30%	-15.30%
TIF	125,000	125,000	219,210	75.37%	75.37%
Funds From Prior Years	502,354	-	-	-100.00%	N/A
TOTAL	\$ 27,599,004	\$ 28,719,480	\$ 29,671,810	7.51%	3.32%

General Fund Revenues

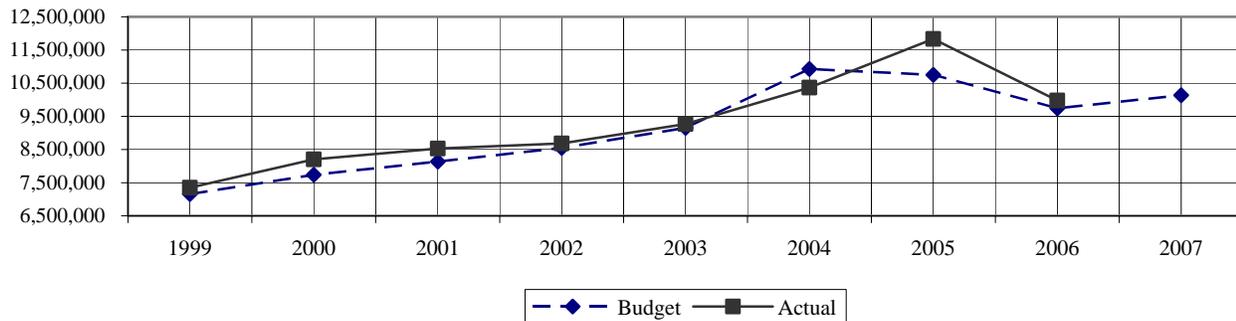
General Fund Revenues in Fiscal Year 2007 are projected to be **\$29,671,810** or 7.5% greater than the current year budget.



Property Taxes

The forecast of \$10,134,510 represents a 4% increase when compared to the Fiscal Year 2006 Budget.

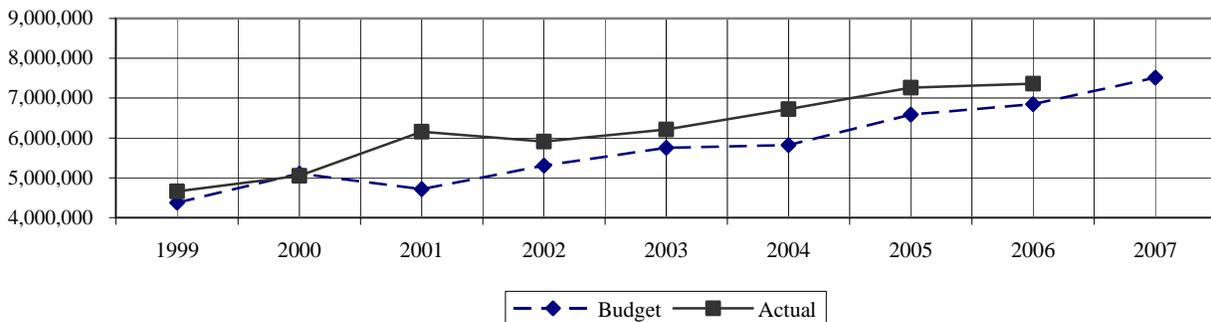
Revenue - Property Taxes



Licenses and Franchise Fees

Licenses and franchise fees represent the second largest single revenue source for the General Fund. The most significant source is the business license tax levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. The Fiscal Year 2007 budget of \$7,000,000 in business license receipts is 9.5% greater than the Fiscal Year 2006 budget of \$6,391,710. The anticipated growth in business license revenue is due to favorable trends in gross receipts as well as the implementation of the "Amnesty Program" which is designed to get businesses compliant with Town code and approved by Town Council. Franchise fee revenue is anticipated to be \$513,450 in Fiscal Year 2007, a slight increase over projected year-end Fiscal Year 2006 anticipated revenue. It should be noted that the electricity franchise fee the Town receives is no longer budgeted in the General Fund. It is budgeted in a separate fund and will be used to bury power lines within Town limits.

Revenue - Business License and Franchise Fees



Permit Fees

Construction and development permit fee revenues are budgeted at \$1.7 million representing a slight decrease from the estimated actual revenue for Fiscal Year 2006.

Local Accommodation Tax

The 1% Local Accommodations Tax is intended to be used for public safety, and will generate \$2.1 million in local accommodations taxes. This figure is 15% greater than the prior fiscal year budget of \$1,860,000 and 1.9% over this year's projected actual revenue. The anticipated increase in revenue is based on receipts for the current fiscal year being greater than was estimated during preparation of the Fiscal Year 2006 budget.

The local accommodations tax is the third largest single revenue source for the General Fund. A local accommodations tax equal to one (1) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting 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 for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients." The revenue generated by the local accommodations tax must be used exclusively for the following purposes:

Local Accommodations Tax (continued)

- Tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums;
- Tourism-related cultural, recreational, or historic facilities;
- Beach access and renourishment;
- 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 identified above, including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.
- ***Festival fund*** - The Town sets aside five (5) percent of this local accommodations tax for the promotion of festivals created after January 21, 1998, and shall select one (1) organization to manage and direct such fund expenditures. To be eligible for selection the organization must be local, organized as a nonprofit (501c), and whose membership consists of representatives from the lodging, restaurant, golf, tennis and related hospitality industry. The organization must employ a full-time executive director and provide an annual audited financial report in accordance with Generally Accepted Accounting Principles. The organization must not otherwise be designated as the official tourism agency by the town or any other governmental agency. The agency is required to submit an annual budget to the Town of Hilton Head Island's Accommodations Tax Advisory Committee prior to April 1 of each calendar year. The accommodations tax advisory committee will review and make recommendations to the Town Council by May 15 of each calendar year. Funds are distributed to the designated organization on a quarterly basis no later than thirty (30) days after the end of the quarter.
- ***Reserve fund*** - The Town sets aside, in a separate account, five (5) percent of the one (1) percent local accommodations tax, as a reserve fund for disaster management communications-oriented programs. These funds are used to provide for post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds are distributed upon authorization by the Town Manager.

Transfer In - Accommodation (State)

The State accommodations tax equal to two (2) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting 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 for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients."

It is anticipated that this line item will provide \$1.1 million in funds to the General Fund. This represents a 13% increase over the Fiscal Year 2006 budget. This line item includes the 5% of State Accommodations Tax designated by law to the General Fund.

Transfer In - Hospitality Tax

A uniform tax equal to two (2) percent is imposed by the Town on the gross sales 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.

Transfer In - Hospitality Tax (continued)

These funds will be used to support the Public Safety function of Town Government. It is anticipated that this line item will provide approximately \$2.3 million in funds to the General Fund. This is the same amount that was funded last fiscal year.

Transfer In - Beach Preservation Fee

A uniform fee of two (2) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting 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 for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days are not considered "proceeds from transients."

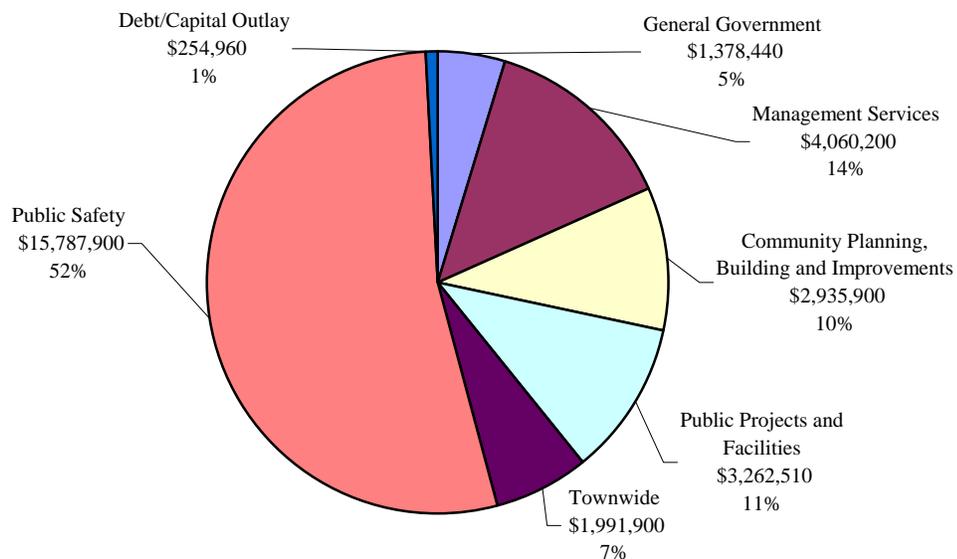
It is anticipated that this line item will provide \$855,360 in funds to the General Fund. This represents a 10% increase over the Fiscal Year 2006 budget. The increase in funds is necessary to offset the cost of project coordinators funded in the General Fund that are responsible for managing capital projects being funded by Beach Preservation Fees.

EMS - Funds received through Fire and Rescue for medical services rendered. (**\$870,000**)

General Fund Expenditures

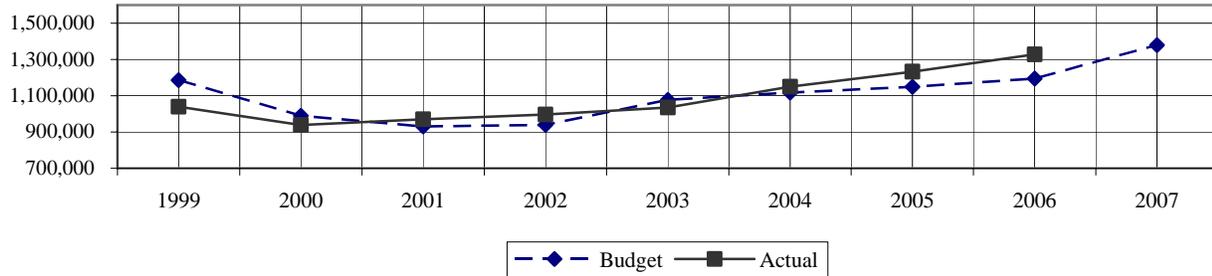
The Fiscal Year 2007 budgeted expenditures are programmed at **\$29,671,810**.

General Fund Expenditures by Program

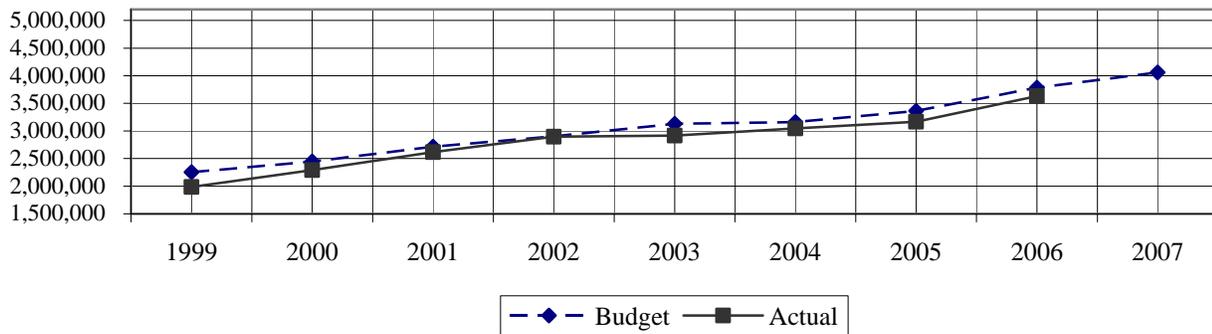


Trend Analysis - Expenditures by Program

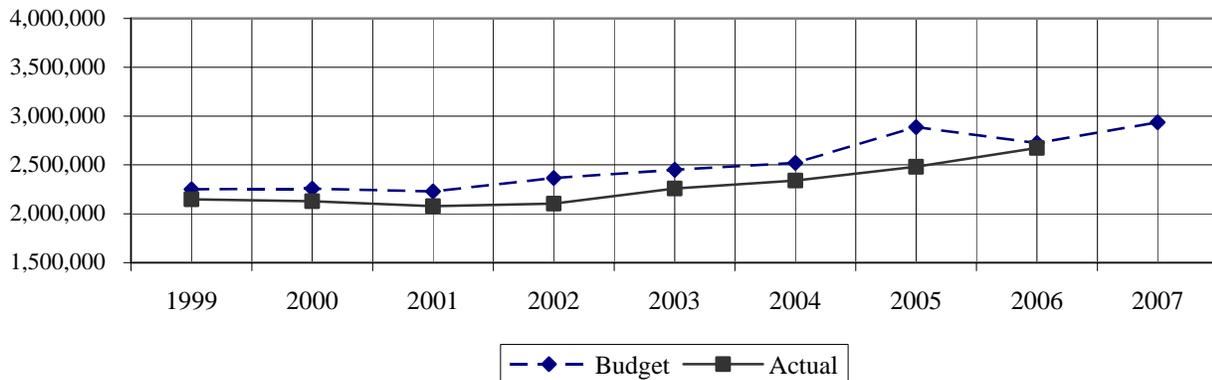
**Expenditures - General Government
(Town Council, Town Manager, Human Resources)**



**Expenditures - Management Services
(Administration, Finance)**

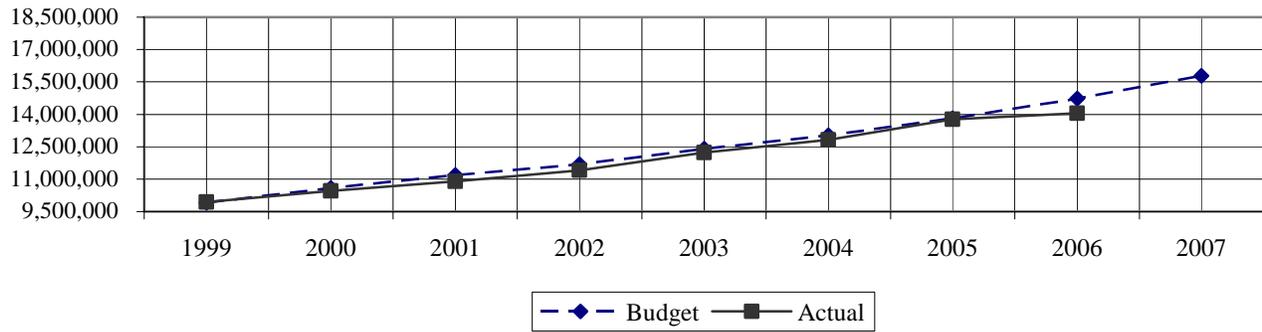


Expenditures - Community Planning, Building and Improvements

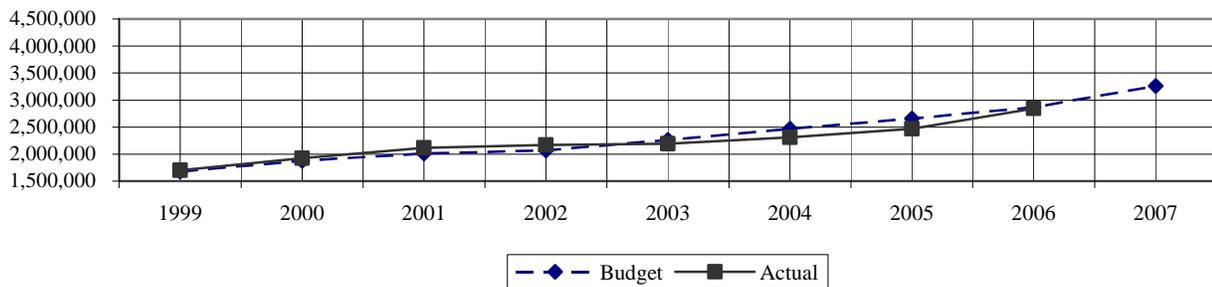


Trend Analysis - Expenditures by Program (continued)

Expenditures - Public Safety (Fire and Rescue, Police)



Expenditures - Public Projects and Facilities



Program: General Government
Department: Town Council

Mission

To provide the leadership and policy guidance to assure that Hilton Head Island is and remains a high quality community that exceeds the expectations of its residents and visitors.

Core Services

Open Town Government

Develop innovative ways to make participation in local government activities possible for all residents and foster a sense of engagement among the citizenry by effectively communicating a common identity, actively seeking insight into the needs of the community, aligning Town services with citizen expectations, and continuing to strive for excellence as a highly-effective performing municipal corporation.

Financial Stability and Economic Development

Promote services in the most cost-effective manner. Protect the high level of service quality and financial stability that the Town has become known for by encouraging redevelopment, diversifying tax and revenue sources, ensuring the long-term viability of financial strategies, and implementing “new urbanism” techniques.

Community and Environmental Vitality

Preserve the Town’s character while promoting a sense of pride for its citizens. Continue to provide support to neighborhood communities and individual homeowners and business owners in maintaining and improving aesthetics, safety, accessibility, and mobility throughout the Town. Lead by example in the stewardship of natural resources by preserving existing environmentally sensitive land sites. Minimize impacts on natural resources and protect trees, waterways, wetlands, and water quality while planning for the conservation of resources.

World-Class Leisure and Recreational Opportunities for Residents and Guests

Support renourishment and maintenance of quality beach, including access and parking. Support maintenance and development of quality parks and recreational facilities. Support events that attract people to the Town while influencing quality accommodations and facilities of high standard and quality.

Promoting Unity while Supporting Diversity in the Community

Honor the strength of diversity in our community through open dialogue and gathering together to communicate, understand, and celebrate our differences and similarities.

Program: General Government
Department: Town Council

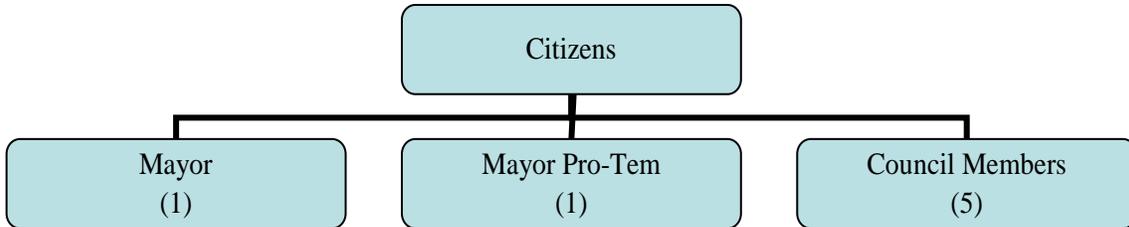
2006 Accomplishments

- Beach Renourishment Design and Permitting
- Sewer and Water Master Plan
- Recreation and Open Space Plan Update
- Coastal Discovery Museum Direction
- Fire and Rescue Master Plan Adoption
- Land Management Ordinance (L.M.O.) Revisions for Disaster Recovery
- Land Acquisition
- Leadership on Local, Regional, and State Issues

2007 Objectives

- Dunnagan's Alley-Arrow Area Revitalization
- Matthew's Drive Corridor Road and Pathway Improvements
- Coastal Discovery Museum Development
- Land Management Ordinance (L.M.O.) Revisions for Redevelopment
- Sewer Plan Policy on Assistance and Projects
- Stoney-Island Entrance Area Improvements
- Coligny Beach Area Redevelopment
- Visitor's Center Relocation Direction
- Cultural Arts Umbrella Organization
- Bond Referenda/Sales Tax Referenda Participation
- Fire Station Location, Direction, and Funding
- Stormwater Utility Management Plan for Beaufort County/Cost Allocation
- Aesthetic Quality of Town Projects Policy Direction
- Police Safety Strategy for "Smash and Grab" and Community Safety
- Annexation Policy and Actions (Bridge Control)
- Groin Maintenance Policy and Funding
- Community Events; Active Town Support and Funding

Program: General Government
 Department: Town Council



Expenditures by Program/Category

Town Council	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 79,610	\$ 76,650	\$ 77,260	\$ 85,180	\$ 77,930	\$ 84,930	\$ (250)	-0.29%
Operating	163,460	186,800	264,870	173,300	296,840	299,000	125,700	72.53%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 243,070	\$ 263,450	\$ 342,130	\$ 258,480	\$ 374,770	\$ 383,930	\$ 125,450	48.53%
Positions	7.0	7.0	7.0	7.0	7.0	7.0	-	0.00%

Program: General Government
Department: Town Manager

Mission

To provide professional leadership for the implementation of all policies and objectives set by Town Council and coordinate all municipal operations to provide effective and efficient delivery of services to Hilton Head Island's residents and visitors.

Core Services

Hilton Head Island has a Council-Manager form of government. In this form of government, Council hires a "Manager." The Manager has executive powers, while Council has legislative (policy setting) powers.

The Town Manager is the chief executive officer and head of the administrative branch of the municipal government. He is responsible to the council for the proper administration of all affairs of the municipality.

The Town Manager provides overall management of Town departments in a way that empowers employees to exceed citizen/ customer expectations.

The Town Manager provides support and recommendations to Mayor and Town Council; provides effective communication between Town Council, staff, residents, and other customers; and meets with Department Heads to ensure implementation of Town Council's goals and objectives.

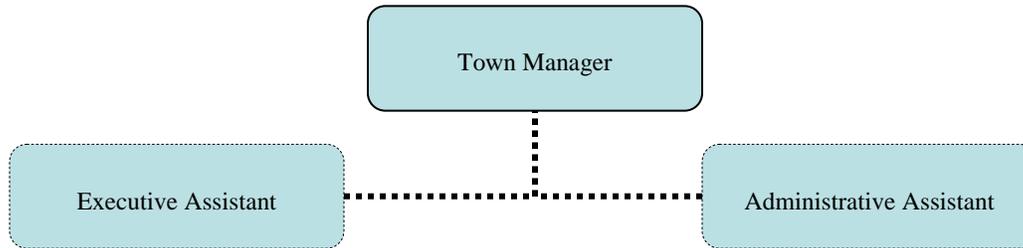
2006 Accomplishments

- Successfully implemented many of the Targets and Policies for calendar year 2005 and made significant progress on the others.
- Conducted an effective three-day strategic planning workshop in late November and established Targets and Policy Agenda for calendar year 2006. Began planning and implementation of those targets and policies.

2007 Goals

- Provide support to Town Council to ensure the Policy, Management, Intergovernmental, and CIP Agendas for calendar year 2006 are met. Begin work on calendar year 2007 Agendas when adopted.
- Implement Town Council approved Management Agenda for calendar year 2006 and begin working on the calendar year 2007 Agenda.
- Ensure that each Department meets their stated goals and objectives.
- Ensure employees are well-trained, enthusiastic, and committed to providing excellent customer service.
- Management of the fiscal process to ensure fiscal viability.
- Ensure that Town Council is aware of events/issues in a timely manner.

Program: General Government
 Department: Town Manager



Note: The two assistants are budgeted in the Town Manager’s division; however, they are direct reports to the Administration Department’s Legal Administrative Manager.

Expenditures by Program/Category

Town Manager	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 255,980	\$ 265,970	\$ 286,650	\$ 291,920	\$ 300,290	\$ 305,610	13,690	4.69%
Operating	81,150	87,560	82,420	90,800	90,870	32,450	(58,350)	-64.26%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 337,130	\$ 353,530	\$ 369,070	\$ 382,720	\$ 391,160	\$ 338,060	(44,660)	-11.67%
Positions	3.0	3.0	3.0	3.0	3.0	3.0	-	0.00%

Program: General Government
Department: Human Resources

Mission

To provide high quality and cost-effective human resource programs and services designed to attract, retain and develop diverse employees committed to the achievement of the Town's strategic objectives.

Core Services

Recruitment and Selection

Develop, implement and administer recruitment and selection activities including advertising, screening, interviewing, assessment and selection processes designed to attract qualified employees.

Total Rewards Management

Develop, implement and administer classification, compensation and benefit programs that support the organization's strategic objectives and values.

Talent Management

Develop, implement and administer activities and programs to facilitate succession planning and management, performance management, employee training, leadership development, and organization design to ensure that workforce performance meets current and future organization needs.

Employee Relations

Develop, implement and administer human resource policies, processes, and technology and work life initiatives to enhance organization effectiveness.

2006 Accomplishments

- Developed succession planning and management trial process; supported redesigns in several departments to more effectively address Town objectives; created Senior Human Resources Administrator position to facilitate staff retention and career development.
- Facilitated redesign of Fire & Rescue performance evaluation processes and forms to improve effectiveness in performance management.
- Implemented enhanced on-line benefits open enrollment process; coordinated extensive ICMA group presentations and individual counseling sessions to support financial and retirement planning.
- Completed performance review of employee information management and jointly implemented action plans with Finance to address recommendations.
- Issued RFP and selected providers to deliver expanded employee medical and wellness services.
- Managed initiative resulting in implementation of changes in core business hours and employee work schedules to improve customer service and facilitate employee commutes.

Program: General Government
 Department: Human Resources

2007 Goals, Objectives, and Performance Measures

Goal: To attract and retain high quality staff capable of achieving Town goals.

Objective: Effectively manage recruitment process.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
# external hires	19	30	28
Average days to fill all positions (Requisition approval to hire approval)	44	47	50
% external offers accepted	86	91	87
Cost per hire (exc. Staff/HR time)	\$1,135	\$1,200	\$1,265

Objective: Maintain competitive compensation and benefit programs.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Benefits as % of total compensation	25	26	27
Merit budget within 1% of national avg.	Yes	Yes	Yes
Turnover primarily due to salary	0	0	2
FY 2007 Initiative: Compensation Study			

Objective: Retain employees capable of achieving Town goals.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Overall turnover rate	7.5%	10.8%	10.0%
Voluntary turnover rate	5.8%	9.6%	8.5%
Involuntary turnover rate	1.7%	1.2%	1.5%
% employees who met or exceeded job performance expectations	93	90	90
# performance bonuses given	11	20	24

Program: General Government
 Department: Human Resources

2007 Goals, Objectives, and Performance Measures (continued)

Goal: To support development and maintenance of organizational productivity and employee effectiveness

Objective: Implement effective succession planning and management process.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
# promotions and transfers	18	11	10
Internal hire rate	49%	27%	26%
# positions created/re-evaluated	10	16	20
# organization redesigns supported	2	5	3
FY 2007 Initiative: Succession planning trial for Department Head positions			

Objective: Provide effective interdepartmental talent development initiatives.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
# interdepartmental training hours	2,546	2,082	1,130
# tuition reimbursements processed	4	8	10
FY 2007 Initiative: Design leadership development program			

Objective: Expand employee wellness initiatives.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Non-FMLA sick leave use (% work hrs)	2.5	2.2	2.0
# reported employee injuries	24	21	19
# lost work days due to injury	82	113	98
% using medical preventive care benefit	14	21	30
% using dental preventive care benefit	20	42	60

Goal: To effectively facilitate planning, projects, processes or activities that support supervisors and employees in achieving Town goals.

Objective: Maintain positive employee relations.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
# grievances filed	1	1	1
# EEO charges lost by Town	0	0	0
# employment lawsuits lost by Town	0	0	0

Program: General Government
 Department: Human Resources

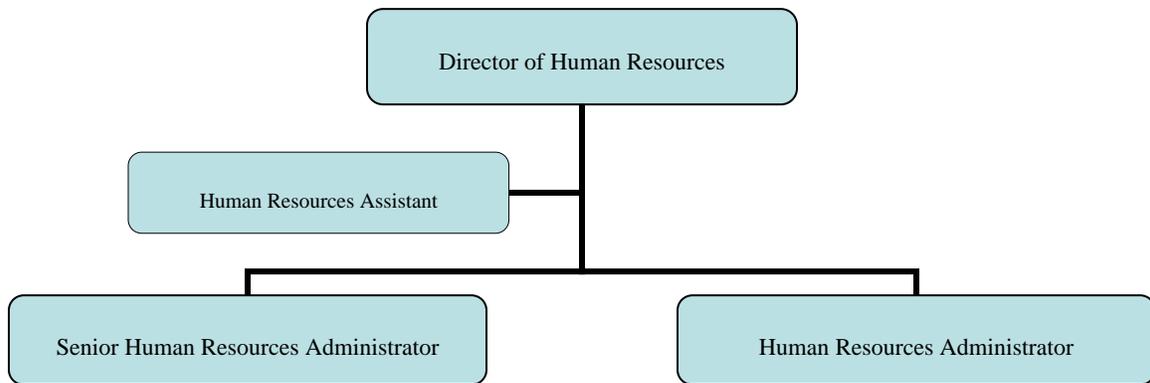
2007 Goals, Objectives, and Performance Measures (continued)

Objective: Deliver cost-effective, high quality support.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Ratio of HR FTE's to total FTE's	1:60.75	1:61.50	1:63.90

Employee satisfaction with 2006 benefits enrollment process:

- 97% felt written information was adequate
- 92% felt group meetings provided useful information
- 94% felt HR staff was available for individual meetings when needed
- 93% were confident they had made the right decisions



Expenditures by Program/Category

Human Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$330,055	\$356,630	\$309,105	\$418,829	\$420,900	\$446,380	\$27,551	6.58%
Operating	125,035	174,810	212,910	143,855	140,900	210,070	66,215	46.03%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$455,090	\$531,440	\$522,015	\$562,684	\$561,800	\$656,450	\$93,766	16.66%
Positions	4.00	4.00	4.00	4.00	4.00	4.00	-	0.00%

Program: Management Services
Department: Administration

Mission

To provide sound legal advice and services to the Town Manager, Town Staff, Town Council, and Boards and Commissions of the Town of Hilton Head Island. Prosecute misdemeanor offenses in Municipal Court. Provide support and assist with the Town's Community Information Initiatives. Promote Town news and publish Town-related articles in various Island publications. Provide support and assist with the Town's State Legislative Agenda. Provide voter registration and absentee ballot services; provide support for the election process; and administer records management program. Provide administrative leadership, supervision, support and direction to the Administrative Support Division, Code Enforcement, the Operations Division, Legal Division, and Municipal Court.

Core Services

Administration

Assist Town Manager with Department Head oversight. Manage Community Information Program to include Mayor/Town Manager correspondence; media relations; promotion of Town news; newsletter publication; magazine articles; speech writing; liaison with Beaufort County Sheriff's Office and Latin Community. Provide assistance with the Town's State Legislative Agenda. Manage Legal Division, Operations Division, Town Clerk/Administrative Support Division, and Municipal Court.

Legal Services

Provide effective legal representation for the Town, providing continuing legal updates to Town Staff, draft and review contracts, draft and review ordinances and resolutions, review and process Freedom of Information Act requests, update Town Codes, and manage overall Code Enforcement Program. Prosecute misdemeanor offenses of criminal domestic violence, simple possession of illegal drugs, and driving under the influence in Municipal Court when defendants request a jury trial. Represent the Town in all appeals of Municipal Court cases. Advise BCSO deputies and Code Enforcement Officers as needed regarding criminal offenses committed on Hilton Head Island.

Administrative Support (Town Clerk)

Manage Town Library, Voter Registration and Absentee Ballot Office, and coordinate elections with Beaufort County. Administer Records Management Program and provide Town receptionist services.

Operations

Manage Town's Wide Area Network to include all required hardware and software that support basic connectivity/services. Oversee all aspects of contracting and purchasing. Manage risk management, fixed assets and logistics for emergency management. Design and maintain the Town's Website/Intranet to include all associated electronic online government services. Provide technical support for all enterprise level software to include the design and maintenance of the Town's Geographic Information System. Provide computer training and support for audio visual systems to include those that support Council Chambers and the Municipal Court.

Municipal Court

Adjudicate and process dispositions for criminal offenses, traffic and ordinance violations on Hilton Head Island, issue arrest and search warrants and hold preliminary hearings and bond hearings.

Program: Management Services
 Department: Administration

2006 Accomplishments

- Drafted over 20 letters of opposition or support regarding priority legislation. Sent over 400 copies to the SC General Assembly members, MASC staff members and other local officials. Testified before Senate Judiciary Subcommittee. The Town was able to impact several bills, i.e. Hog Bill, Billboard Bill, Automated Traffic Tickets Bill, etc.
- Supported numerous Town Council, Management and Intergovernmental Agenda items, i.e. guidelines for commercial use of parks, land acquisition, recycling public education and encouragement, State Legislative Agenda, etc.
- Lead efforts to get State Code changed to accommodate the use of computers for automating the issuance of traffic tickets. Worked with the Department of Safety and are awaiting final approval of the electronic ticket format to proceed.
- Completed the scanning pilot project in Human Resources with all objectives successfully accomplished.

2007 Goals, Objectives, and Performance Measures

Goal: To provide competent legal advice and counsel in a timely manner to Town officials and administration.

Objective: To review, draft and negotiate contracts and agreements between the Town and other entities or persons in a timely manner.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Average review of contracts within 3 days	58	60	60
Workers compensation compliance	98%	98%	98%

Goal: To oversee the State Legislative Agenda and strategies and provide assistance to support the Town's positions on 2006-2007 State Legislation.

Objective: (1) To monitor Town's priority legislation, (2) to support Town Council Intergovernmental Relations Committee; and (3) to draft letters of support or opposition to legislators.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Review and Distribute MASC Legislative Alerts	30	30	30
Draft Committee Agendas and attend meetings	8	8	10
Letters of support or opposition	15	20	25

Program: Management Services
 Department: Administration

2007 Goals, Objectives, and Performance Measures (continued)

Goal: To coordinate activities leading up to the November 2006 General Election to ensure compliance with South Carolina election laws, provide assistance to voters, and efficiently operate Voter Registration Office and Absentee Ballot Precinct.

Objective: (1) To efficiently process absentee voters both in the office and by mail. (2) To operate a fail-safe precinct on November 7, 2006.

	FY 2005 <u>Actual</u> (2004 - Presidential)	FY 2006 <u>Actual</u> (2005 - Municipal)	FY 2007 <u>Budget</u> (2006 - General)
Receive request for absentee ballots, mail applications and ballots	748	55	400
Process voters who come to office to vote absentee	3,400	109	2,000
Process voters who come to office to Vote fail safe	210	11	100

Goal:

To provide for cost-effective state of the art management information systems and support services to enhance employee productivity throughout the Town.

Objective: To maintain the host system back-up and recovery process to ensure recovery media is available in the event of a system failure or disaster.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Daily full system backups performed	275	272	272
Number of system failures	2	0	0
System failure recovered within 24 hours	2	0	0

Objective: To respond to critical Munis, microcomputer and LAN calls within 1 hour and to complete all departmental Help Desk requests in a timely manner.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Respond to critical calls in 1 hour.	90%	95%	95%
Help Desk (DP) requests completed:			
Within 30 days	5	3	3
Within 60 days	0	0	0

Program: Management Services
Department: Administration

2007 Goals, Objectives, and Performance Measures (continued)

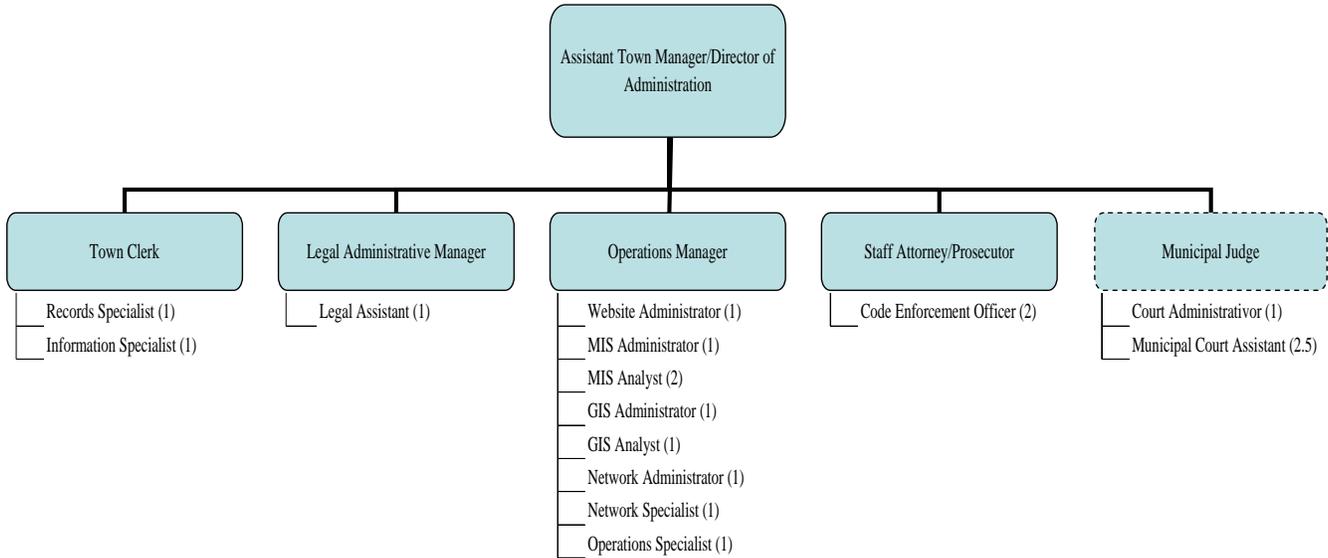
Goal:

To administer effective and impartial justice for citizens in order to provide due process and enhance public safety.

Objective: To review probable cause affidavits, issue arrest/search/bench warrants, issue orders, research case law, hold trials and hearings, set dockets, review case load for dockets and completed State mandated training. This activity is comprised of Judiciary and support staff involved mainly with judicial processes related to misdemeanors, including traffic and non-traffic offenses as well as non-compliant parking violations.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Number of cases docketed	8,340	9,038	9,838
Number of cases disposed	7,120	7,818	8,618
Number of search warrants issued	24	27	30
Number of arrest warrants issued	547	600	600
Number of bench warrants issued	1,333	1,400	1,480

Program: Management Services
 Department: Administration



Note 1: The Municipal Judge is contracted by Town Council

Note 2: The Executive Assistant and Administrative Assisted budgeted in the Town Manager's section are direct reports to the Legal Administrative Manager.

Expenditures by Program/Category

Administration	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Program Summary								
Legal	\$ 365,130	\$ 382,690	\$ 382,090	\$ 428,470	\$ 488,240	\$ 562,500	\$ 134,030	31.28%
Municipal Court	364,640	378,860	380,790	444,690	337,250	384,200	(60,490)	-13.60%
Administrative Support	142,720	165,340	155,460	208,610	225,250	194,900	(13,710)	-6.57%
Operations	1,198,850	1,239,650	1,339,440	1,743,616	1,682,200	1,683,400	(60,216)	-3.45%
Total	\$ 2,071,340	\$ 2,166,540	\$ 2,257,780	\$ 2,825,386	\$ 2,732,940	\$ 2,825,000	\$ (386)	-0.01%
Summary By Category								
Personnel	\$ 1,393,930	\$ 1,445,270	\$ 1,522,190	\$ 1,682,650	\$ 1,612,280	\$ 1,808,550	\$ 125,900	7.48%
Other	545,160	585,270	574,510	854,773	835,320	899,990	45,217	5.29%
Capital Outlay	132,250	136,000	161,080	287,963	285,340	116,460	(171,503)	-59.56%
Total	\$ 2,071,340	\$ 2,166,540	\$ 2,257,780	\$ 2,825,386	\$ 2,732,940	\$ 2,825,000	\$ (386)	-0.01%
Positions	23.0	23.0	23.0	23.5	23.5	23.5	-	0.00%

Program: Management Services
Department: Finance

Mission

To provide sound financial management resulting in effective preservation of the Town and its fiscal assets; to comply with all governmental policies and procedures relative to accounting, auditing, financial reporting, asset management, debt administration, business licensing and associated revenue collections; and to provide accurate financial information and courteous and professional support to Town staff and its citizens to ensure a high level of customer satisfaction is maintained.

Core Services

Financial Administration

Provide strong financial leadership in all areas of activity undertaken by the Town. Promote the use of technology to ensure the efficient use of the Town's resources. Develop and manage the Town's financial policies and exercise budgetary controls over all expenditures. Provide effective cash and debt management for the Town ensuring strong bond ratings are maintained. Compile accurate comprehensive annual financial reports and budgets in compliance with governmental standards, practices and recommendations. Ensure the department is committed to providing the highest quality customer services.

Accounting Services

Provide administration of the Town's general ledger, payroll, accounts payable, EMS billing and collections, financial audits, State reporting and grants. Provide accounting functions for the Island Recreation Association. Responsible for maintaining the following funds: General, Tax Increment Financing District (TIF), Debt Service, Capital Improvements Program (CIP), Accommodations Tax, Beach Preservation Fee, Real Estate Transfer Fee (Land Bank), and Electric Franchise Fee. Provide effective accounting support to staff and committees.

Revenue and Collections

Collection of Town-wide funds including business license fees, hospitality taxes, accommodations taxes, beach preservation fees, franchise fees, and beach passes. Assist Accounting Services with the setoff debt collection program. Maintain the Town's business license database, and ensure compliance with the business license ordinance through on-site inspections and audits. Perform audits of County tax records to ensure the accuracy of the Town's assessed property valuations. Perform audits of the Town's building permits to ensure that contractors are appropriately licensed with the Town.

Program: Management Services
 Department: Finance

2006 Accomplishments

- Awarded a Certificate of Achievement for Excellence in Financial Reporting for the sixteenth consecutive year.
- Awarded the Distinguished Budget Presentation Award for the FY 2006 Budget. This is the first year the Town has received this award.
- Implemented electronic transfer of time and attendance for the payroll process improvement and completed action plans resulting from the Human Resource and Payroll Performance Audit.
- Conducted a process audit of the Revenue and Collection Division and developed an implementation plan.
- Implemented Phase I of the electronic archiving project in the department. The scanning of accounts payable documents eliminates retention of hard copy documents while providing desktop access to records in an effective and timelier manner.
- “Check 21” electronic check imaging was implemented allowing for checks to be batched and electronically real-time posted to the bank eliminating hand delivered checks for deposit and increasing interest earned.
- Hired a Revenue and Collections Administrative Manager to oversee the day to day operations of the Revenue and Collections Division and to enhance and improve the division’s organizational effectiveness.
- Property tax verification process improvement was accomplished by the assignment of an appraiser to the Town. Office space, access to Pictometry, and access to Town records is provided.

2007 Goals, Objectives, and Performance Measures

Goal: Maintain strong credit rating of the Town.

Objective: To effectively manage the fiscal planning process for the bond issuance and funding of the ten-year Capital Improvement Program.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Standard & Poor’s Bond Rating	AA	AA	AA
Moody’s Investors Bond Rating	Aa2	Aa2	Aa2
Fitch Bond Rating	AA	AA	AA
Debt percent of Legal Debt Margin without a Referendum	26.7%	26.0%	26.0%
Adequate funds available to fund CIP Projects	100%	100%	100%

Program: Management Services
 Department: Finance

2007 Goals, Objectives, and Performance Measures (continued)

Goal: Ensure compliance with finance-related legal requirements and provide reporting in conformance with generally accepted accounting principles (GAAP).

Objective: To provide timely development of accurate, effective and informative financial reports and operating and capital budgets.

	<u>FY 2005 Actual</u>	<u>FY 2006 Projected</u>	<u>FY 2007 Budget</u>
GFOA Certificate of Achievement for Excellence in Financial Reporting (CAFR) received	Yes	Yes	Yes
GFOA Distinguished Budget Presentation Award received	No	Yes	Yes

Objective: To finalize the recording of monthly accounting transactions within ten (10) business days after the end of the month to ensure on-line access of current financial reports by the divisions.

	<u>FY 2005 Actual</u>	<u>FY 2006 Projected</u>	<u>FY 2007 Budget</u>
Monthly financial reports available within established time frames	10 of 12 months	10 of 12 months	10 of 12 months

Goal: Provide effective management of funds received by the Town.

Objective: To process cash receipts in a timely and accurate manner.

	<u>FY 2005 Actual*</u>	<u>FY 2006 Projected</u>	<u>FY 2007 Budget</u>
Business license renewals processed	N/A	5,000	5,100
Hospitality Tax receipts processed	N/A	780	800
Bed tax (ATAX/Beach Preservation Fees) receipts processed	N/A	990	1,100
Beach passes issued	N/A	440	450
Miscellaneous receipts processed	N/A	1,330	1,500

*FY 2005 information not available. We did not begin breaking the categories down until 09/2005.

Program: Management Services
 Department: Finance

2007 Goals, Objectives, and Performance Measures (continued)

Goal: Provide a high level of customer service.

Objective: To process the issuance of new business licenses in a timely and accurate manner.

	FY 2005 <u>Actual*</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
New OOC/OOS business licenses issued within one (1) business day	N/A	90%	99%
New home-based business licenses issued within five (5) days	N/A	90%	99%
Store front business licenses issued within 15 days	N/A	90%	99%

*FY 2005 information not available.

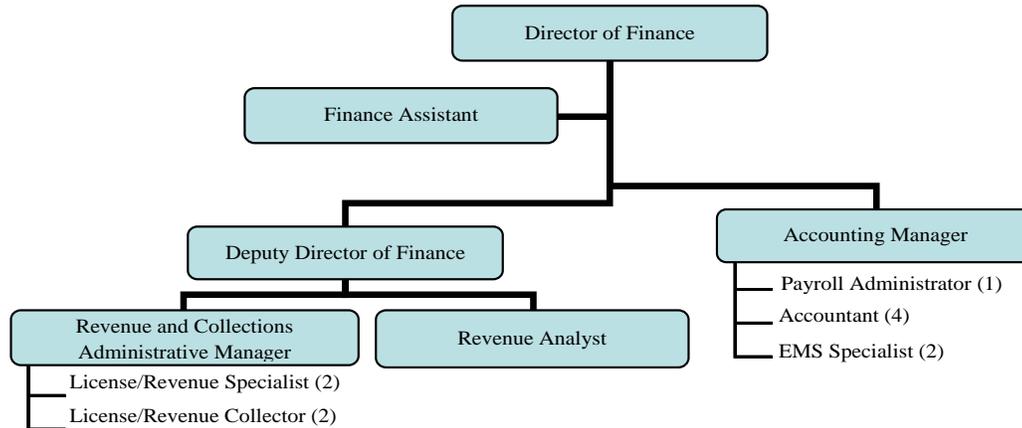
Goal: Ensure business license compliance and enforcement of Town Code.

Objective: Conduct business license gross receipt reporting audits and site visits.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Business license audits conducted	50	25	200
Business license field inspections conducted*	20	50	1,000

*This measure is being changed from number of field visits to number of contacts with businesses in the community.

Program: Management Services
 Department: Finance



Expenditures by Program/Category

Finance	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 157,825	\$ 184,466	\$ 180,627	\$ 202,110	\$ 200,350	\$ 211,920	\$ 9,810	4.85%
Accounting	504,720	532,204	513,226	554,840	539,600	585,010	30,170	5.44%
Revenue and Collections	313,635	315,970	376,407	489,090	444,770	554,730	65,640	13.42%
Total	\$ 976,180	\$ 1,032,640	\$ 1,070,260	\$ 1,246,040	\$ 1,184,720	\$ 1,351,660	\$ 105,620	8.48%
Summary By Category								
Personnel	\$ 846,225	\$ 891,689	\$ 974,271	\$ 1,104,670	\$ 1,058,740	\$ 1,206,440	\$ 101,770	9.21%
Operating	129,955	140,951	95,989	141,370	125,980	145,220	3,850	2.72%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 976,180	\$ 1,032,640	\$ 1,070,260	\$ 1,246,040	\$ 1,184,720	\$ 1,351,660	\$ 105,620	8.48%
Positions	16.0	16.0	16.0	17.0	17.0	17.0	-	0.00%

Program: Community Planning, Building and Improvements
Department: Building and Fire Codes

Mission

To provide for the health, safety and general welfare of the public by monitoring compliance with federal, state and Town-adopted codes pertaining to the demolition, construction, repair and renovation of structures; to minimize public and private losses due to flood conditions in flood hazard areas; and to promote understanding of code requirements by providing opportunities for training of internal staff and the construction industry at large.

Core Services

Building Permits

Deliver prompt, efficient and courteous service in the management and coordination of the building permitting process. Receive and review applications, documentation and plans for compliance with current building code regulations as they apply to both single family and commercial structures. Collect permit fees and impact fees for both the Town and the County. Issue building permits and certificates of occupancy.

Flood Damage Controls

- Provide flood hazard determination to homeowners, insurance, legal and banking representative.
- Maintain public records of flood elevation information.
- Manage the Community Rating System assuring that construction within the Town is in compliance with FEMA regulations thereby providing savings on flood insurance premiums for the residents and businesses on the Island.

Public Information

- Maintain accurate records and statistics of construction on Hilton Head Island. Respond to Freedom of Information requests in addition to requests for statistical reports.
- Conduct seminars for the public pertaining to building code regulations.
- Communicate with the construction community through a quarterly publication which addresses code issues, inspection issues and procedures for permitting and inspection.

Program: Community Planning, Building and Improvements
Department: Building and Fire Codes

2006 Accomplishments

- Department Web Site Improvements:
 1. Increased web permits from 45 during the first six months of 2004 to 526 during the first six months of 2005 by eliminating faxed permits and making on-line permits more convenient.
 2. Added a new section to include information regarding regulation for substantial improvement.
 3. Added a new section providing information regarding federal, state, and local requirements for manufactured homes.
 4. Updated adopted codes section and included links to other pertinent code information.
- Continued publication of “Under Construction” as a means of providing information relevant to the local construction industry. Articles included damage assessment procedures, frequently asked questions, permit requirements and procedures, information regarding code compliance, observations from field inspections, contractor licensing and quarterly building statistics.
- Improvements in transfer of permit information to and from the Assessor’s office:
 1. Worked closely with Assessor’s office to facilitate the electronic exchange of permit information.
 2. Improved communication and strengthened cooperation with Assessor’s office to resolve questions regarding property valuations and their inclusion on tax rolls.
 3. Introduced the use of our on-line permit program to the Assessor’s staff to provide a means of checking permit records from the Beaufort location.
 4. Improved electronic permit reports emailed to the Assessor’s office.
- Worked with GIS staff to create maps to be used for damage assessment depicting parcel information and flood zone information including OCRM setbacks and buffer lines.

2007 Goals and Objectives

Goal: To provide for the safety and welfare of the public through compliance with construction codes by continuing to improve communication and provide information regarding the administration of construction codes and the permitting and inspection processes.

Objective: Attend meetings of architects, engineers and builders to inform them of code changes and code interpretations and to answer their questions regarding the administration of construction codes. Publish “Under Construction” quarterly and expand the number of topics covered on the building department web pages.

Program: Community Planning, Building and Improvements
Department: Building and Fire Codes

2007 Goals and Objectives (continued)

Goal: To increase cooperation between the Assessor's office and the building department.

Objective: Establish bi-monthly meetings between relevant town staff and county staff to resolve property tax issues on an on-going basis and develop more effective processes for the sharing and exchange of property information.

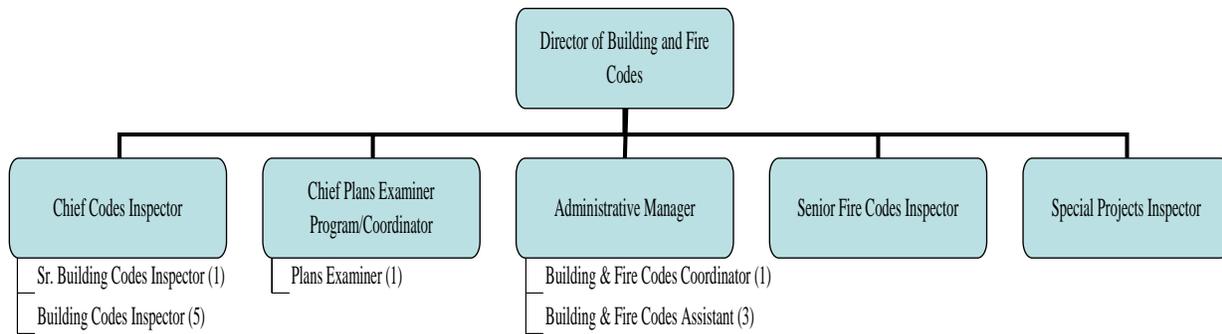
Goal: To improve the process for monitoring construction in accordance with floodplain management requirements.

Objective:

- Develop a floodplain permitting procedure
- Specialized designated staff reviews of plans for construction in flood zones including on site inspections.
- Provide staff time for additional documentation required to maintain the highest CSR rating possible.

Goal: To provide opportunities for staff training to assure the highest level of certification for inspectors to perform plan review and construction inspections.

Program: Community Planning, Building and Improvements
 Department: Building and Fire Codes



Expenditures by Program/Category

Building & Fire Codes	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 933,825	\$ 975,185	\$ 1,040,550	\$ 1,124,870	\$ 1,107,480	\$ 1,223,870	99,000	8.80%
Operating	44,685	72,225	69,600	88,207	111,090	113,590	25,383	28.78%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 978,510	\$ 1,047,410	\$ 1,110,150	\$ 1,213,077	\$ 1,218,570	\$ 1,337,460	\$ 124,383	10.25%
Positions	16.0	16.0	16.0	17.0	17.0	17.0	-	0.00%

Program: Community Planning, Building and Improvements
Department: Planning

Mission

To provide the highest quality planning services for both internal and external customers by: a) insuring the Comprehensive Plan is in accordance with state law and is being implemented; b) providing creative, flexible, fair and consistent administration of codes and ordinances; c) insuring a comprehensive and professional direction for the Island's environmental protection and preservation; and d) preserving and enhancing the Island's long-term sustainability.

Core Services

Administration

- Oversees the revision and implementation of the Comprehensive Plan and Land Management Ordinance to improve their effectiveness and ensure development and redevelopment activities are in compliance with both documents.
- Oversees natural resource protection of the Island including tree and wetland regulations and water quality preservation.
- Selectively participates in regional issues with Beaufort County, the Town of Bluffton and other agencies regarding growth management, development regulations, transportation planning, recreation planning, natural resource protection, and other issues with regional impacts.
- Participates in Town Council's Targets and Actions involving special projects dealing with land management, development and managing growth.

Development, Review and Rezoning

- Manage and coordinate efforts to implement the Land Management Ordinance by the review of all applications for Development Plans, Subdivisions, Variances, Special Exceptions, Appeals, Zoning Map Amendments, Public Project Reviews and Master Plan Amendments ensuring all applications are in compliance with the Comprehensive Plan.
- Provide for periodic review and update of the Land Management Ordinance.

Comprehensive Planning

Guide the revision and implementation of the Comprehensive Plan focusing on redevelopment strategies, Capital Improvement Program projects, Land Management Ordinance amendments and grants and other revenue sources.

Natural Resources

Continue environmental monitoring for water quality and created wetlands, and Land Management Ordinance effectiveness for tree protection.

Program: Community Planning, Building and Improvements
Department: Planning

2006 Accomplishments

- Recreation element of the Comprehensive Plan was drafted, reviewed by various boards, and adopted by Town Council.
- Amendments to Land Management Ordinance (L.M.O.) were adopted for Disaster Recovery, second set of bi-annual amendments, and a new neighborhood zoning district. Other amendments under board review are for redevelopment and will be adopted early 2006.
- Parking research and surveys were conducted.
- Conceptual designs were completed for Dunnagan's Alley and started for Coligny area.
- Staff participated in numerous Southern Beaufort County Highway Improvement Team meetings and a few regional meetings regarding metropolitan statistical areas.
- Four background reports, three implementation reports, and Draft Regional Plan were developed in coordination with Beaufort County and Town of Bluffton. All reports were presented to Joint Steering Committee and the Town of Hilton Head Island's Planning Commission and Planning and Development Standards Committee. Draft Regional Plan was accepted by Joint Steering Committee and is under review by Town Council and Planning Commission.

2007 Goals and Objectives

Goal: Continuously review and implement the elements of the Comprehensive Plan on an annual basis and Land Management Ordinance on a bi-annual basis to improve their effectiveness.

Objective: Determine which Comprehensive Plan element should be revised and devise a strategy for draft, review and adoption.

Goal: Selectively participate in regional issues with Beaufort County, the Town of Bluffton and other agencies regarding growth management, development regulations, transportation planning, recreation planning, land acquisition, natural resource protection with regional impacts.

Objective: Assist Beaufort County with the adoption and implementation of the Regional Plan.

Goal: Manage and coordinate efforts to implement the Redevelopment Strategies, coordinate identified Capital Improvement Program projects, and seek various funding sources to implement these strategies and to guide disaster recovery.

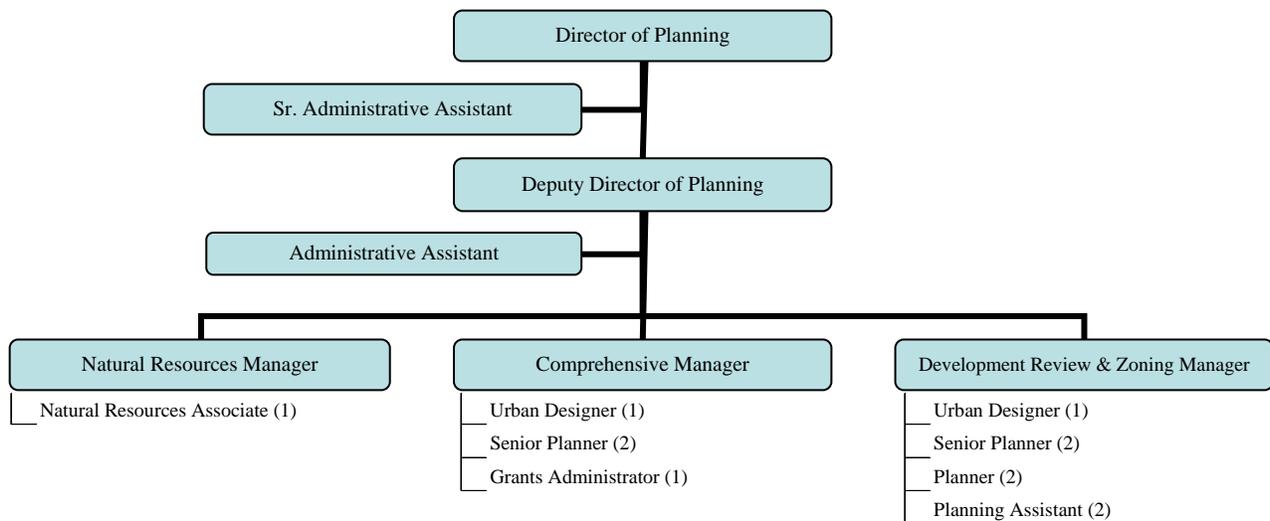
Objective: Continue planning and design for the Coligny area and Dunnagan's Alley area and determine schedule for construction.

Program: Community Planning, Building and Improvements
 Department: Planning

2007 Goals and Objectives (continued)

Goal: Efficiently coordinate the development review of all applications for Development Plans, Subdivisions, Variances, Special Exceptions, Appeals, Zoning Map Amendments, Natural Resources and Public Project Reviews ensuring all applications are in compliance with the LMO and the Comprehensive Plan.

Objective: Complete review of all applications in a timely manner and monitor their progress on a monthly basis until they are complete.



Expenditures by Program/Category

Planning	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 174,085	\$ 366,380	\$ 403,460	\$ 419,580	\$ 374,870	\$ 387,340	\$ (32,240)	-7.68%
Comprehensive	427,690	429,130	468,590	409,230	388,680	423,680	14,450	3.53%
Development, Review & Zoning	514,090	333,950	398,670	489,521	511,210	596,720	107,199	21.90%
Natural Resources	165,110	164,480	100,500	192,640	180,200	190,700	(1,940)	-1.01%
Total	\$ 1,280,975	\$ 1,293,940	\$ 1,371,220	\$ 1,510,971	\$ 1,454,960	\$ 1,598,440	\$ 87,469	5.79%
Summary By Category								
Personnel	\$ 1,171,030	\$ 1,127,290	\$ 1,242,310	\$ 1,384,510	\$ 1,334,520	\$ 1,459,660	\$ 75,150	5.43%
Operating	109,945	166,650	128,910	126,461	120,440	138,780	12,319	9.74%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 1,280,975	\$ 1,293,940	\$ 1,371,220	\$ 1,510,971	\$ 1,454,960	\$ 1,598,440	\$ 87,469	5.79%
Positions	19.0	19.0	19.0	19.0	19.0	19.0	-	0.00%

Program: Public Safety
Department: Fire and Rescue

Mission

To provide fire, rescue, emergency medical and emergency services to our community and our visitors through a cost effective and efficient delivery system designed to enhance a safe environment for the public.

Core Services

- Respond to emergencies such as fire, medical, hazardous material, a wide variety of rescues and natural disasters. Provide a wide variety of services to the public such as water clean up and lock-out service; assisting the elderly when no one else will provide assistance...Fire and Rescue is truly the community "Safety Net."
- Operate seven fire stations, a dispatch center and headquarters located near the Airport. Manage enhanced 911 emergency communications for Hilton Head Island, Hilton Head Island Airport and Daufuskie Island in addition to serving as backup communication center for Beaufort and Jasper County.
- Conduct fire safety inspections of multi-family dwellings and commercial buildings; provide public educational programs for all ages (i.e., CPR for the public, fire safety for the young and elderly, fire extinguisher use, First Aid, AED use and child car seat inspections, etc.).
- Administer Town-wide Safety Program including safety inspections for Town-owned facilities; conduct required fire and EMS employee training; administer the Town's Comprehensive Emergency Management Program; provide maintenance for all Town-owned vehicles and building maintenance for all Fire and Rescue facilities.

2006 Accomplishments

- A total of 336 addresses were corrected to enhance response and enforce a standard addressing system.
- The second Annual Household Hazardous Waste Round-Up was hosted during the Spring of 2006. The event was a great success.
- To reduce response time, the Fire and Rescue department has designed and constructed the Long Cove emergency access point. Six (6) additional radio controlled gate openers were installed on existing gates.
- A new communications tower was constructed and placed in service improving communication abilities.
- A Townwide Emergency Notification System was implemented along with a new community bulletin board phone number to improve citizen notification in the event of a disaster.

Program: Public Safety
 Department: Fire and Rescue

2007 Goals, Objectives, and Performance Measures

BUREAU OF FIRE PREVENTION

Goal: To increase sponsorship and participation in various community education programs; increase technical fire/life safety inspections for both existing & new structures; and intensify investigations of fires with suspicious or undetermined origins.

Objective: Reduction of preventable deaths, injuries and property loss through public education programs, increased fire inspections enforcing compliance with adopted fire codes for all commercial buildings and reduction of preventable and/or intentional fires.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Public Education Presentations	223	235	250
CPR/AED/First Aid Students	484	432	480
Risk Watch Programs	104	104	112
File of Life Recipients	2,645	2,660	2,680
Fire safety inspections and re-inspections	2,486	2,490	2,490
Self inspections	306	350	400
Planning project reviews & inspections	253	255	255
Fire cause/origin investigations	40	38	35

COMMUNICATIONS

Goal: Provide our community with an emergency answering point for reporting emergency and non-emergency events requiring police, fire, disaster, or EMS assistance.

Objective: To receive and process requests for services received by telephone.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Total telephone requests received:			
7-digit call for service line	4,512	5,512	5,557
911 calls for service line	20,643	22,883	23,089
Dispatch other business	45,878	53,615	54,076

Program: Public Safety
 Department: Fire and Rescue

2007 Goals, Objectives, and Performance Measures (continued)

EMERGENCY MANAGEMENT

Goal: Prepare Town employees and community members to meet future challenges and issues pertaining to disaster and emergency management through planning, education and exercises.

Objective: Provide training to Town employees/officials with EM responsibilities; provide information/disaster preparedness training to HHI community; and conduct annual exercises for emergency readiness.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Course Hurricane Program attendees	2	16	20
HazMat Training Hours	451	600	675
Other Disaster Training attendees	900	2,400	2,500
Annual exercise	2	5	5

OPERATIONS

Goal: Protect the lives and property of the community through timely emergency response.

Objective: To respond and effectively mitigate 100% of the daily calls for emergency medical, fire and special operation incidents while maintaining an average response time of 5 minutes 90% of the time for the first arriving fire truck or ambulance.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Emergency medical service responses	3,900	4,000	4,200
EMS patient transports	2,714	2,800	2,950
Fire suppression and other responses	2,138	2,200	2,400
Actual number of fires	151	150	160
Incident response time (Percent < or = 5min)	83.5%	90%	90%
Minimum daily staffing level	29	29	32

Program: Public Safety
 Department: Fire and Rescue

2007 Goals, Objectives, and Performance Measures (continued)

SUPPORT SERVICES

Goal: Maintain accurate and up-to-date EMS records; provide accurate address data for the 911 dispatching system; and provide a means for reducing environmental damage due to the uncontrolled release of hazardous materials.

Objective: Implement an electronic EMS data collection system; correct existing and issue new addresses; and conduct an annual Household Hazardous Waste Round-Up.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
EMS form completed	2,068	2,171	2,280
New addresses created	300	200	250
Existing addresses corrected	345	410	470
Pounds of hazardous waste collected	50,192	52,701	51,647

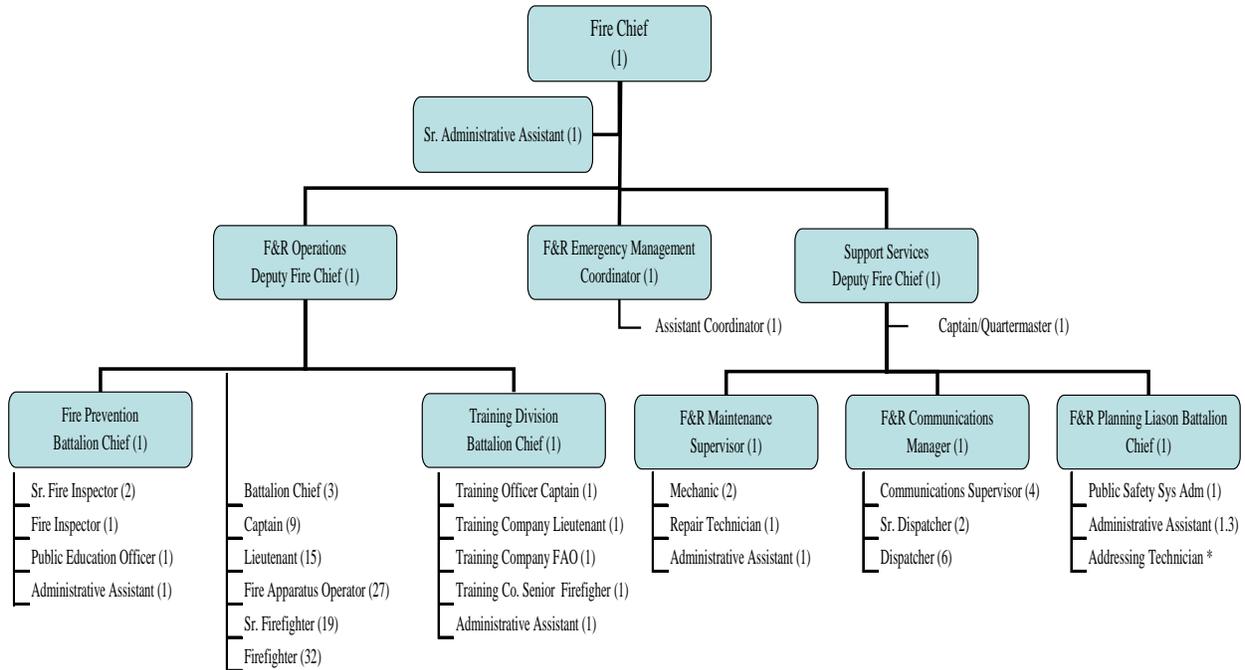
TRAINING

Goal: Strengthen management and line personnel ability to improve department operations and service quality, and meet future challenges and issues.

Objective: Provide development programs for managers and supervisors at least once per year; and a minimum of 20 hours of in-service training per month for all employees while on duty.

	FY 2005 <u>Actual</u>	FY 2006 <u>Projected</u>	FY 2007 <u>Budget</u>
Total hours of Management/Leadership Programs	482	1,547	1,615
Total hours of in-service and technical training	25,614	26,385	27,105

Program: Public Safety
 Department: Fire and Rescue



*This position is contracted through Beaufort County.

Expenditures by Program/Category

Fire and Rescue	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 714,295	\$ 667,240	\$ 922,040	\$ 972,450	\$ 849,500	\$ 771,850	(200,600)	-20.63%
Support Services	1,650,105	1,854,370	2,043,370	2,131,390	2,039,030	2,694,760	563,370	26.43%
Operations	8,056,230	8,160,510	8,613,940	9,312,440	8,887,260	9,598,800	286,360	3.08%
Total	\$ 10,420,630	\$ 10,682,120	\$ 11,579,350	\$ 12,416,280	\$ 11,775,790	\$ 13,065,410	\$ 649,130	5.23%
Summary By Category								
Personnel	\$ 8,843,530	\$ 9,294,160	\$ 9,756,230	\$ 10,609,500	\$ 9,962,385	\$ 11,068,640	459,140	4.33%
Operating	1,194,940	1,198,720	1,517,390	1,650,430	1,654,745	1,858,270	207,840	12.59%
Capital Outlay	382,160	249,240	305,730	156,350	158,660	138,500	(17,850)	-11.42%
Total	\$ 10,420,630	\$ 10,742,120	\$ 11,579,350	\$ 12,416,280	\$ 11,775,790	\$ 13,065,410	\$ 649,130	5.23%
Positions	143.0	143.0	144.0	144.5	144.5	145.3	0.8	0.55%

Program: Public Safety
Department: Police

Mission

To provide professional, effective and high quality police protection and law enforcement services for the Town of Hilton Head Island.

Core Services

To provide a safe and secure Town environment for the benefit of the citizenry of Hilton Head Island as contracted with Beaufort County and the Sheriff's Office. These services are provided in conjunction and harmony with the Town's fiscal policies of sound, economical management.

Ancillary Services

- Lab Services
- K-9 Support
- Special Response Team (SWAT)
- Crisis Negotiations
- Animal control
- Civil Service
- Warrant Service
- Records Management
- Command

Basic Law Enforcement Services

In addition to a Command Officer who meets and confers with the Town Manager or his designee as needed, for the purpose of maintaining the viability and vitality of the contractual agreement for police services, basic law enforcement services are as follows:

- Sheriff's patrol provided 24 hours a day, seven days a week to patrol Town boundaries.
- Traffic enforcement team to work traffic within Town boundaries.
- Marine/Beach patrol to provide specialized enforcement on the beaches and waterways within Town Boundaries.
- Criminal Investigators to investigate major criminal incidents occurring within Town boundaries.
- Evidence Technicians primarily to provide with the collection, cataloging, custody and preservation of evidence collected at crime scenes with Town boundaries.
- Drug Investigators to enforce narcotics laws within Town boundaries.
- Victim's Advocate to work with victims of crimes occurring with Town boundaries in compliance with state statutes.

Program: Public Safety
 Department: Police

Basic Law Enforcement Services (continued)

Police services are contracted through an agreement with Beaufort County. The basic law enforcement service personnel provided to the Town of Hilton Head Island as per the terms of the contract agreement follow.

- One (1) Command Officer
- One (1) Patrol Unit Supervisor (per unit)
- Four (4) staffed patrol units on duty 24 hours a day, seven days a week
- Four (4) person, two (2) unit traffic enforcement team
- Two (2) person marine/beach patrol team
- One (1) Evidence Technician
- Three (3) Criminal Investigators
- Two (2) Drug Investigators
- Three (3) Clerks
- One (1) Victim’s Advocate

Expenditures by Program/Category

Police	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Operating	2,178,340	2,322,800	2,349,355	2,463,690	2,431,220	2,860,990	397,300	16.13%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 2,178,340	\$ 2,322,800	\$ 2,349,355	\$ 2,463,690	\$ 2,431,220	\$ 2,860,990	\$ 397,300	16.13%
Expenditure Detail								
Police Service Contract	\$ 1,899,425	\$ 2,016,652	\$ 2,028,082	\$ 2,144,460	\$ 2,111,990	\$ 2,511,880	\$ 367,420	17.13%
Shore Enterprises	123,537	141,766	120,721	146,690	146,690	146,690	-	0.00%
Victims' Services	49,534	42,232	48,600	46,540	46,540	51,220	4,680	10.06%
Stipend	105,844	122,150	151,952	126,000	126,000	151,200	25,200	20.00%
Total	\$ 2,178,340	\$ 2,322,800	\$ 2,349,355	\$ 2,463,690	\$ 2,431,220	\$ 2,860,990	\$ 397,300	16.13%
Positions*	-	-	-	-	-	-	-	N/A

*Positions are part of contractual agreement with the Beaufort County Sheriff's Department.

Program: Public Projects and Facilities

Mission

Lead, manage and supervise the operations of the Engineering and Facilities Management Divisions. Provide oversight of the Capital Improvements Program (CIP). Provide departmental support and assistance to the Town Manager, Staff and other Boards and Commissions as required. Provide services to the general public in a courteous and professional manner. Exceed their expectations.

Core Services

Administration

Provide overall administration of the Facilities Management and Engineering Division. Manage the Town's Capital Improvement Program for roads, parks, pathways, beach facilities, beach renourishment, and drainage.

Engineering Services

Provide general oversight and project management for design and construction of secondary road and drainage improvements, Review and approve all plans for development to ensure compliance with the Stormwater Management Standards of the Land Management Ordinance. Conduct field inspections of completed projects and issue certificates of compliance for same. Maintain Town roads, street signs and mile markers.

Facilities Services

Operate and maintain Town beach parks. Manage parking permits, boat permits; maintain beach accesses, pathways, highway medians, transfer stations, buildings and grounds, and cleaning service bids. Provide parking enforcement and act as liaison for Town Beautification Committee and Recycling Association. Maintain Fire and Rescue buildings and grounds to include distribution of cleaning supplies.

2006 Accomplishments

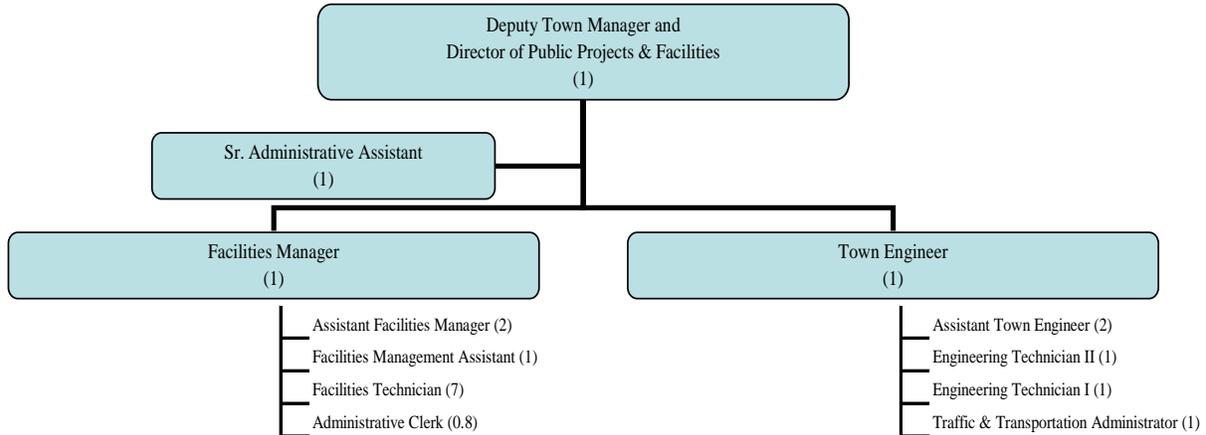
- Staff is serving on numerous project teams involved with implementing master plan elements. Topics such as lighting, crosswalks, pedestrian handrails, boardwalks, and Coligny area parking are all being addressed.
- Successfully managed and completed the construction of King Bird Lane/Bobwhite Road Rehabilitation, Coligny Circle Rehabilitation, Marshland and Spanish Wells Pathway, Folly Field Mast Arm installation and numerous pedestrian refuge projects. Secure all requisite permits for the 2006 Beach Renourishment Project and completed the first element of the Shoreline Management Plan. Private marina dredging project was not pursued by Council.
- A comprehensive, prioritized list of stormwater maintenance projects was developed in coordination with the Beaufort County Stormwater Utility. Additionally, the Town is pursuing a multi-year indefinite quantities contract for stormwater maintenance.

Program: Public Projects and Facilities

2007 Objectives

- Ensure plan development, engineering design and construction management of the Capital Improvements Program (CIP). Provide technical assistance to all CIP project managers. Explore the feasibility of construction management contracts and night time construction of suitable projects. Priorities are: Construction of the 2006 Beach Renourishment Project, construction of the Mathews Drive and Office Park Road Corridor Improvements, and development and implementation of the Shoreline Management Plan and policies.
- Ensure effective and environmentally sensitive design of stormwater management using “best management practices.” Refine and implement the long-term maintenance program for the Town’s stormwater management infrastructure including cost allocation and fee structure.
- Execute a comprehensive in-house inspection and maintenance program for Town owned properties and facilities utilizing the VFA and DPSI automated maintenance programs.
- Provide staff support for the implementation of Initiative Area Master Plans including the Coligny Beach Redevelopment, the Dunnagan’s Alley Revitalization, implementation of the Sewer Plan, and Disaster Recovery Strategies.

Program: Public Projects and Facilities



Expenditures by Program/Category

Public Projects & Facilities	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Program Summary								
Administration	\$ 183,535	\$ 192,870	\$ 207,375	\$ 220,260	\$ 223,220	\$ 236,480	\$ 16,220	7.36%
Engineering	552,360	548,330	603,065	661,077	657,390	675,230	14,153	2.14%
Facilities Management	1,455,650	1,566,525	1,657,000	1,988,990	1,965,710	2,350,800	361,810	18.19%
Total	\$ 2,191,545	\$ 2,307,725	\$ 2,467,440	\$ 2,870,327	\$ 2,846,320	\$ 3,262,510	\$ 392,183	13.66%
Summary By Category								
Personnel	\$ 1,141,575	\$ 1,241,613	\$ 1,309,600	\$ 1,414,760	\$ 1,392,220	\$ 1,536,990	\$ 122,230	8.64%
Operating	1,049,970	1,066,112	1,157,840	1,455,567	1,454,100	1,725,520	269,953	18.55%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 2,191,545	\$ 2,307,725	\$ 2,467,440	\$ 2,870,327	\$ 2,846,320	\$ 3,262,510	\$ 392,183	13.66%
Positions	18.0	19.0	19.0	19.0	19.0	19.5	0.5	2.63%

Townwide

Expenditures by Program/Category

Non-Departmental (Townwide)	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Budget	FY 2006 Estimate	FY 2007 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Summary By Category								
Operating								
Post Employment	\$ 9,030	\$ 10,170	\$ 14,600	\$ 6,000	\$ 6,000	\$ 15,000	\$ 9,000	150.00%
Retiree Medical	160	190	310	300	300	300	-	0.00%
COBRA	190	160	100	300	300	300	-	0.00%
Photocopying	8,100	9,010	8,480	9,000	9,000	9,000	-	0.00%
Courier	12,900	15,020	14,610	15,000	15,000	15,000	-	0.00%
Insurance	186,850	188,040	228,180	251,960	256,960	266,400	14,440	5.73%
Telephone	132,350	141,380	139,040	145,000	145,000	151,000	6,000	4.14%
Cell Phones	29,150	32,570	27,450	35,000	35,000	35,000	-	0.00%
Electricity	65,380	75,850	82,820	75,000	75,000	77,250	2,250	3.00%
Utilities	16,490	13,270	13,050	15,000	28,000	30,000	15,000	100.00%
Postage	32,640	24,260	31,760	40,000	42,000	43,000	3,000	7.50%
Equipment Maintenance	4,380	24,810	39,710	4,800	4,800	4,800	-	0.00%
Lease Payments	-	-	3,530	47,450	10,000	10,000	(37,450)	-78.93%
Furniture/Fixtures < \$5,000	-	-	-	10,000	47,450	44,600	34,600	346.00%
General Contingency	79,720	51,900	114,780	54,400	50,910	64,290	9,890	18.18%
Total Operating	\$ 577,340	\$ 586,630	\$ 718,420	\$ 709,210	\$ 725,720	\$ 765,940	\$ 56,730	8.00%
Capital Outlay								
Furniture/Fixtures ≥ \$5,000	\$ 11,390	\$ 1,260	\$ 6,780	\$ -	\$ -	\$ -	\$ -	N/A
Total Capital Outlay	\$ 11,390	\$ 1,260	\$ 6,780	\$ -	\$ -	\$ -	\$ -	N/A
Grants								
Recreation Center	\$ 456,750	\$ 485,520	\$ 570,240	\$ 570,240	\$ 570,240	\$ 597,740	\$ 27,500	4.82%
Recreation Center - Capital	66,620	106,870	46,185	107,450	107,450	98,000	(9,450)	-8.79%
Low Country Recycling	92,000	111,000	990	-	-	-	-	N/A
Low Country (Truck Expense)	8,910	3,800	325	-	-	-	-	N/A
Disaster Advertising Reserve	13,440	-	13,855	195,890	-	198,660	2,770	1.41%
Hospitality Promotion	96,370	92,470	90,020	93,000	93,000	93,000	-	0.00%
Beaufort HAZMAT	4,950	9,490	37,940	5,000	5,000	5,000	-	0.00%
DEHC Grant	8,110	6,990	-	-	-	-	-	N/A
LRTA Grant	125,000	100,000	151,690	125,000	125,000	175,000	50,000	40.00%
Community Development Corp.	5,000	-	-	-	-	-	-	N/A
Drug Court	35,000	33,500	38,430	43,560	43,560	43,560	-	0.00%
Yout Court Program	-	-	-	-	-	15,000	15,000	N/A
E911 Beaufort County	136,370	126,640	-	-	-	-	-	N/A
Low Country Reimbursement	67,780	52,020	-	-	-	-	-	N/A
Transfer to Capital Projects	43,690	-	-	-	-	-	-	N/A
LEPC/BC	-	-	-	-	21,887	-	-	N/A
Total Grants	\$ 1,159,990	\$ 1,128,300	\$ 949,675	\$ 1,140,140	\$ 966,137	\$ 1,225,960	\$ 85,820	7.53%
Total	\$ 1,748,720	\$ 1,716,190	\$ 1,674,875	\$ 1,849,350	\$ 1,691,857	\$ 1,991,900	\$ 113,460	7.71%

General Fund Debt

On December 16, 1997, the Town entered into a lease agreement with LaSalle National Bank concerning purchase of two 1998 custom fire trucks. The purchase price of the new trucks was \$793,314 of which \$417,000 was a trade-in on an older fire truck. The total amount incurred on the lease was \$539,495 which included the remaining balance of the lease on the fire truck traded in. The lease bears an interest rate of 5.23% and is payable in annual installments of principal and interest of \$70,649 through December 2007. Funding for the debt service cost is provided through a transfer in from the Hospitality Tax Fund. This debt service expenditure is budgeted in the Fire Department budget in the General Fund. A schedule of the amount due for this lease follows:

For the Year Ended June 30	Governmental Activities		
	Interest	Principal	Total
2005	\$ 13,032	\$ 57,617	\$ 70,649
2006	10,019	60,630	70,649
2007	6,848	63,801	70,649
2008	3,511	67,138	70,649
	<u>\$ 33,410</u>	<u>\$ 249,186</u>	<u>\$ 282,596</u>

General Fund Five-Year Plan

One of the most significant tools employed by the Town for strategic planning is the long-range financial plan (forecast). All revenues and expenditures in the General Fund are analyzed and forecast five years into the future. The model provides a picture of revenue surpluses or shortfalls the Town would experience if no action were taken, including tax increases or changes in service.

The forecasts are based on a combination of general assumptions and specific program changes of which the Town has knowledge. These general assumptions include economic considerations, commercial and residential development, service loads, and incremental growth in the compensation system. The five-year forecast provides the baseline for next year's budget.

The next few years continue to pose funding challenges for the Town. By using the five-year forecast the Town hopes to more proactively plan for upcoming changes in service level demands as well as identifying potential revenue shortfalls and identifying solutions.

Revenue Assumptions

- Property taxes - growth in assessed value of 5.5% per year with an additional 2.5% in Fiscal Year 2009 for reassessment
- Local ATAX public safety - increased by 1.5% per year
- Business license fees - growth rate of 1.5% per year
- Franchise fees - budgeted/estimated the same revenue per year for Fiscal Years 2007-2012
- Permit fees - estimated decrease in revenues of 1.5% per year for Fiscal Years 2008-2012
- Intergovernmental - growth rate of 1.0% per year
- Grants - budgeted/estimated the same revenue per year for Fiscal Years 2007-2012
- Miscellaneous - growth rate of 1.0% per year
- Transfers in - growth rate of 6.0% per year
- Investments - budgeted/estimated the same revenue per year for Fiscal Years 2007-2012

Expenditure Assumptions

Personnel Expenditures

- Increase in salaries - 4.75% increase per year
- Salary range adjustments - 3.00% per year
- VantageCare - 10% increase year over year
- MedFlex - \$500 per position per year
- Preventive dental care - \$400 per position
- Preventive health care - \$200 per position

Personnel Expenditures (continued)

- Medical, life and disability insurance - 5.00% increase per year
- Workers' Compensation -15% increase per year
- All positions other than Firefighters will be hired at 10% above the minimum
- Firefighters will be hired at the minimum
- Currently established positions will retain the same salary grade in future years
- Staffing additions are as follows:

<u>Year</u>	<u>Title/Number</u>	<u>Number</u>	<u>Department</u>
FY 2008	Assistant CRS Coordinator	1	Building and Fire Codes
	Construction Code Enforcement Officer	1	Building and Fire Codes
	Permit Records Coordinator	1	Building and Fire Codes
	Compliance Officer	1	Planning
	Revenue Collector	1	Finance
	License and Revenue Specialist	1	Finance
	Engineering Technician I	1	Public Facilities
	Facilities Technician	1	Public Facilities
	Assistant Communications Manager	1	Fire and Rescue
	Captain	2	Fire and Rescue
	Lieutenant	1	Fire and Rescue
	FAO	3	Fire and Rescue
	FY 2009	Firefighter	3
Dispatcher		1	Fire and Rescue
FY 2010	Captain	1	Fire and Rescue
	FAO	1	Fire and Rescue
	Firefighter	1	Fire and Rescue

Operating Expenditures

- Operating supplies and consulting services projected to increase by 3% per year or as projected by the department
- Capital outlay - as projected by the department

Revenue & Expenditure Analysis - General Fund; Historical Summary and Five-Year Plan (In Thousands of Dollars)

	Fiscal Year Ending June 30											
	Actual					2006	2007	Projected				
	2001	2002	2003	2004	2005	Est. Actual	Budget	2008	2009	2010	2011	2012
REVENUES												
Property Taxes	\$ 8,528	\$ 8,684	\$ 9,266	\$ 10,366	\$ 11,834	\$ 9,977	\$ 10,135	\$ 10,692	\$ 11,547	\$ 12,182	\$ 12,852	\$ 13,559
Local ATAX	1,805	1,803	1,729	1,861	1,991	2,100	2,140	2,172	2,205	2,238	2,271	2,305
Business Licenses	5,823	5,532	5,679	6,218	6,690	6,850	7,000	7,105	7,212	7,320	7,430	7,541
Franchise Fees	336	379	535	504	572	510	513	513	513	513	513	513
Permit Fees	1,434	1,425	1,115	1,257	1,663	1,791	1,736	1,710	1,684	1,659	1,634	1,610
Intergovern. Revenue	852	893	873	880	917	921	995	1,004	1,014	1,025	1,035	1,045
Grants	61	143	226	186	155	145	145	145	145	145	145	145
Miscellaneous Revenue	1,734	1,592	1,741	1,909	1,855	1,958	1,920	1,939	1,959	1,978	1,998	2,018
Transfers In	1,504	1,543	2,000	1,884	3,161	4,101	4,722	5,006	5,306	5,624	5,962	6,319
Investments	305	207	101	92	136	366	366	366	366	366	366	366
TOTAL REVENUES	\$ 22,380	\$ 22,200	\$ 23,265	\$ 25,157	\$ 28,973	\$ 28,719	\$ 29,672	\$ 30,652	\$ 31,951	\$ 33,050	\$ 34,206	\$ 35,421
EXPENDITURES												
General Government	\$ 971	\$ 997	\$ 1,035	\$ 1,151	\$ 1,233	\$ 1,328	\$ 1,378	\$ 1,375	\$ 1,408	\$ 1,518	\$ 1,494	\$ 1,541
Management Services	2,617	2,896	2,915	3,046	3,167	3,632	4,060	4,341	4,450	4,643	4,855	5,066
Planning	1,126	1,164	1,281	1,294	1,371	1,455	1,598	1,736	1,817	1,902	1,991	2,084
Building and Fire Codes	952	940	979	1,047	1,110	1,219	1,337	1,581	1,656	1,734	1,816	1,902
Public Safety	10,897	11,406	12,237	12,812	13,767	14,048	15,789	16,572	17,426	18,303	19,079	19,830
Public Projects/Facilities	2,117	2,168	2,192	2,308	2,467	2,846	3,263	3,490	3,601	3,716	3,849	3,964
Townwide	1,525	1,557	1,737	2,775	1,668	1,692	1,992	2,033	2,000	1,995	2,015	2,037
Capital Outlay	511	576	412	316	376	373	184	181	201	196	202	207
Debt Service	98	98	98	98	98	71	71	71	-	-	-	-
TOTAL EXPENDITURES	\$ 20,813	\$ 21,802	\$ 22,886	\$ 24,847	\$ 25,258	\$ 26,664	\$ 29,672	\$ 31,380	\$ 32,559	\$ 34,007	\$ 35,301	\$ 36,631
EXCESS OF REVENUES OVER EXPENDITURES	\$ 1,567	\$ 399	\$ 379	\$ 310	\$ 3,716	\$ 2,055	\$ -	\$ (728)	\$ (608)	\$ (957)	\$ (1,095)	\$ (1,210)
Fund Balance July 1	\$ 4,949	\$ 6,516	\$ 6,914	\$ 7,294	\$ 7,604	\$ 11,319	\$ 13,375	\$ 13,375	\$ 12,647	\$ 12,039	\$ 11,082	\$ 9,987
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Fund Balance June 30	\$ 6,516	\$ 6,914	\$ 7,294	\$ 7,604	\$ 11,319	\$ 13,375	\$ 13,375	\$ 12,647	\$ 12,039	\$ 11,082	\$ 9,987	\$ 8,777

Capital Projects Fund (CIP)

Capital improvements are broken into two segments; one segment is integrated into the General Fund operating budget and the other segment is the CIP budget. Located in the General Fund and to be funded with current operating funds are capital equipment purchases costing \$5,000 or more and software purchases which cost more than \$50,000. All other items meeting the same criteria, but not being funded by General Fund operating funds (including vehicles), are included in the Capital Projects Fund.

In accordance with State law, the proposed Capital Improvements Program (CIP) for Fiscal Year (FY) 2007 was developed by staff for review and recommendation of the full Planning Commission. The pathways and parks section was also reviewed by the Parks & Recreation Commission. The Planning Commission recommended the proposed CIP to Town Council for adoption during their CIP Budget Workshop in May.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. In addition, a ten-year capital plan is included that identifies anticipated capital expenditures with funding sources to be determined. The CIP is based on a variety of sources. Sources are Town Council's Policy and Management Agendas 2006 which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2004 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Town-Wide Drainage Plan; the Fire & Rescue Master Plan, the recently approved Recreation Element; the adopted County-wide All Hazard Mitigation Plan, the Comprehensive Emergency Management Plan which will be updated as a part of the Disaster Recovery Commission's work program; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and a recently initiated Space Needs Study of all Town facilities and properties to include Town Hall, all parks, Fire and Rescue stations and town-wide infrastructure.

Revenues

Previously, Town Council directed that we "minimize reliance on property tax while expanding alternative revenue sources." The CIP continues to be an excellent example of that approach. It consistently reduces reliance on ad valorem property taxes and shares the costs of infrastructure requirements with the beneficiaries. The proposed CIP incorporates over 20 different funding sources; a brief description of those sources are provided below.

- 1) ***Impact Fees*** are assessed against new developments to finance capital improvements necessary to support the growth in population.
 - a. ***Traffic Impact Fees*** that are derived from development and applied to roads, pathways and additional traffic signals. Pathways may only be funded up to fifty percent with Traffic Impact Fees. Traffic Impact Fees generate about \$500,000 per year.
 - b. ***Parks Impact Fees*** that were enacted Countywide to provide funding for emerging park needs. Park Impact Fees generate about \$60,000 per year.

Revenues (continued)

- 2) **Fund Balance** which is un-obligated and obligated monies that are rolled over from previously approved, but incomplete, projects.
- 3) **New Fiscal Year Taxes** are ad valorem property taxes collected during the next fiscal year. The amount dedicated to the CIP is .85 mils and will generate approximately \$725,000 during this fiscal year.
- 4) **Sunday Liquor Sales Permit Fees** that are derived from the sale of permits to sell alcohol on Sunday. These fees are rebates from the State and are expected to generate approximately \$225,000.
- 5) **Storm Water Utility (SWU) Fees** that are derived from the Storm Water Utility. The Utility collects approximately \$1.4 million from the Town. The Town also provides 5% (\$70,000) to the Utility for administrative overhead. The Utility returns the entire \$1.4 million of fees (minus the administrative over-head), which the Town uses for drainage infrastructure maintenance and debt service of a \$17 million SWU Revenue Bond.
- 6) **County Contributions** such as their bond issue for CIP projects. Within the County bond issue, \$200,000 was programmed for Town parks during last year.
- 7) **Developer Funding** such as the \$50,000 that was required from the Long Cove Property Owners Association for entrance improvements and an acceleration lane on US 278.
- 8) **Donations** such as the \$70,000 from People for Parks (Tennis Group) for two additional tennis courts at Chaplin Community Park.
- 9) **General Obligation (GO) Bonds** are issued and secured by the full faith and credit (taxing powers) of the Town. The Town actively pursues the highest achievable rating. The Town's current bond rating is as follows: Moody's Aa², Standard & Poor's AA, and Fitch AA.
- 10) **Revenue Bonds** are supported by fees or special assessments and differ from General Obligation Bonds in that they do not pledge the full faith and credit of the Town. Likewise, they do not count against the Town's debt limit cap of 8% of assessed value. Sufficient rates must be maintained to support the bond debt service requirements. Council authorized issuance of a \$17 million Revenue Bond for Island-wide drainage projects and a \$10 million Revenue Bond for Public Safety projects. Debt service will be paid with revenues from Storm Water Utility Fees and Hospitality Tax Fees respectively.
- 11) **Grants** such as the State Budget and Control Board grant totaling \$400,000 for the Coastal Discovery Museum. Land Water Conservation Fund (LWCF) and FEMA grants are also competed for at the State level, but include Federal funds.
- 12) **Accommodation Tax (ATAX)** grants that are derived from a State mandated two-percent tax on short-term rentals, hotels and motel accommodations. After the State applies a "Robin Hood" provision, they return approximately \$3.1 million per year to the Town. The CIP has been awarded \$127,000 for tourist-related projects.

Revenues (continued)

- 13) **Beach Fees** are derived from an additional two percent (2%) Local Accommodations Tax levied by Town Council. This source provides approximately \$4 million each year that is dedicated to beach renourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities.
- 14) **Hospitality Tax** which is a two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses for on-premise consumption of alcoholic beverages, beer or wine. This source generates approximately \$4.6 million annually. Some of which is used to pay debt service on a \$10 million bond for public safety projects.
- 15) **Tax Increment Financing (TIF)** in which funds derive from increased assessed value above the baseline assessment when the TIF District was established. These funds may be used for public projects within the District. TIF generates approximately \$3.9 million annually.
- 16) **Palmetto Electric Franchise Fee** in which funds derive from the Town's negotiated franchise fee with Palmetto Electric Coop. These funds are committed to power line burials and hook ups which are estimated to cost approximately \$30 million over 15 years. The fee generates approximately \$2 million annually.
- 17) **Real Estate Transfer Fee** which is .25 of 1% on each real estate transaction in the Town. It generates approximately \$6 million each year that is dedicated to the Land Acquisition Program and its debt service.
- 18) **C-Funds** are derived from State taxes on gasoline which may be obtained via the County Transportation Committee (CTC) for special projects.
- 19) **SCDOT State Matching Funds** are derived from the Department of Transportation's "State Matching Program" which entails the resurfacing of state roads via a local one-for-one match. This source will provide \$340,000 during the next year.
- 20) **Lease Fund** is derived from lease payments on Town-owned property. As the Town has acquired properties, some have existing leases that the Town chooses to honor until their expiration. Approximately \$70,000 derived from those leases has been assigned to pay for maintenance and clean up of Town property.
- 21) **In Lieu of Open Space** is derived from developers in accordance with the LMO open space requirements. This source provided \$4,300 last year.

Implementation of the Fiscal Year 2007 CIP will require about \$34.7 million during the fiscal year. Approximately \$387,000 will be rolled over from the prior year fund balance; \$726,000 from ad valorem taxes; about \$70,000 from Traffic Impact Fees; about \$8.3 million from Hospitality Tax Fees and Bond; \$1.1 million from SWU Fees and Bond; approximately \$19 million is recommended for Tax Increment Financing funding; \$127,000 from an ATAX grant; \$400,000 from a State grant; \$225,000 from prior and current year Sunday Liquor Sales permits; about \$3.3 million from Beach Fees; \$70,000 from Leases; \$213,000 from Donations, and \$340,000 from the SCDOT matching funds program. Funding for power line burial throughout the Town is being absorbed by a recently enacted 3% franchise fee which generates about \$2 million annually.

Expenditures

In the Pathways category, there are 22 projects programmed during the next ten years. Of those 22 projects, 6 are funded for about \$4.6 million for the Fiscal Year 2007. Funded projects may involve land acquisition, legal work, design, concept and survey, and/or construction. All 6 projects funded involve construction or repairs.

In the Drainage Improvements category, there are 5 projects including a drainage study update programmed during the next ten years; 4 projects are funded for about \$1.7 million for the Fiscal Year 2007; and 3 involve construction or repairs.

In the category of Roadway Improvements, there are 21 projects programmed during the next ten years; 14 of them are funded for about \$9.8 million in Fiscal Year 2007; and all involve construction.

In the category of Park Development, 21 projects are programmed during the next ten years, 3 projects are funded for about \$2.1 million during Fiscal Year 2007.

In the Existing Facilities/Infrastructure category, there are 9 projects programmed during the next ten years; all of them are partially funded during the next fiscal for about \$6.3 million. This year we will develop a ten-year capital expense projection for “Rehabilitation and Renovation of Fixed Capital Assets” using appropriate funding sources for maintenance of Town owned buildings and property.

In the New Facilities/Infrastructure category, there are 10 projects programmed during the next ten years. Of this, 9 projects including the ongoing lease-purchase of dispatch equipment and upgrade of computer systems are funded for about \$7.0 million during Fiscal Year 2007, and all projects involve construction.

In the Beach Maintenance category, we will renourish the beach during the next year. Two additional sub-projects involving construction or repairs are funded at approximately \$2.6 million. The beach renourishment project is already under contract for \$17 million.

In the category of Land Acquisition, using Council’s guidance, staff will continue to research and recommend pertinent acquisitions at no extra cost to the taxpayers.

In total, there are 93 projects programmed over the next ten years. Of those 93 projects, 50 will be funded and managed during the next fiscal year. The 10-year projection for the CIP will require over \$109 million for implementation. Approximately \$34.7 million is proposed for funding next fiscal year projects.

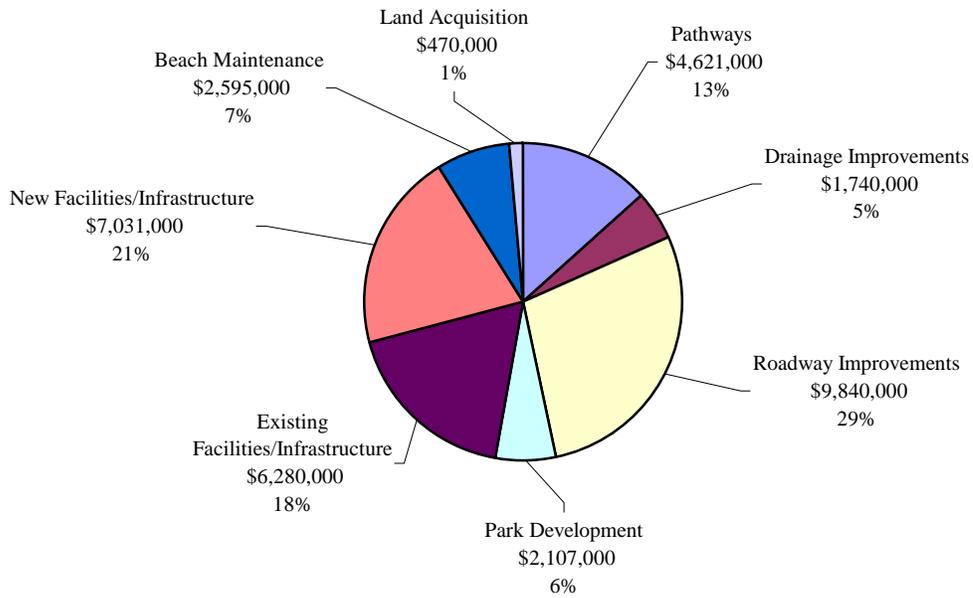
The operating impact of these capital projects are calculated utilizing the following assumptions:

Pathway maintenance per mile	\$ 6,500/year
Park litter and landscape (passive/beach)	\$25,000/year
Park janitorial (restrooms and supplies)	\$12,500/year
Roadways	dedded to the County

Fiscal Year 2007 CIP

The CIP element for Fiscal Year 2007 totals **\$34,684,000** and consists of the following program funding levels:

Capital Projects Fund Expenditures by Program



Capital Projects Fund (CIP) Two-Year Comparison

	Revised Budget	Est. Actual	Budget	FY 2006	FY 2006
<u>Revenues</u>					
Property Taxes	\$ 697,000	\$ 713,902	\$ 725,180	4.04%	1.58%
Grants	1,190,000	200,000	763,000	-35.88%	0.00%
Contributions	213,000	26,000	213,000	0.00%	719.23%
State Taxes - Sunday Permit Fee	304,000	277,800	225,000	-25.99%	-19.01%
Hospitality Tax	904,811	4,468,850	2,626,000	190.23%	-41.24%
Impact Fees	1,497,281	666,862	70,000	-95.32%	-89.50%
County - Impact Fees - Parks/Misc.	-	365,000	250,000	0.00%	-31.51%
County - Stormwater	414,371	1,357,750	300,000	-27.60%	-77.90%
Miscellaneous	410,199	(888)	140,000	-65.87%	100.00%
Lease	110,000	71,880	70,000	100.00%	-2.62%
Investment Income	-	1,012,653	-	100.00%	-100.00%
Bond Proceeds	8,029,254	-	6,522,000	-18.77%	0.00%
Funds from Prior Years	1,280,441	-	387,820	-69.71%	100.00%
Transfers	28,995,773	5,006,759	22,392,000	-22.77%	347.24%
Total Revenues	\$ 44,046,130	\$ 14,166,568	\$ 34,684,000	-21.26%	144.83%
<u>Expenditures</u>					
Pathways	\$ 3,168,532	\$ 1,124,026	\$ 4,621,000	45.84%	311.11%
Drainage Improvements	2,282,226	1,051,164	1,740,000	-23.76%	65.53%
Road Improvements	10,551,621	2,126,008	9,840,000	-6.74%	362.84%
Park Development	3,486,306	1,086,299	2,107,000	-39.56%	93.96%
Existing Facilities/Infrastructure	5,851,460	883,064	6,280,000	7.32%	611.16%
New Facilities/Infrastructure	2,380,418	672,584	7,031,000	195.37%	945.37%
Beach Maintenance	15,855,567	463,169	2,595,000	-83.63%	460.27%
Land Acquisition	470,000	6,026,380	470,000	0.00%	-92.20%
Total Expenditures	\$ 44,046,130	\$ 13,432,694	\$ 34,684,000	-21.26%	158.21%
Excess/Deficiency of Revenues Over Expenditures	\$ -	\$ 733,874	\$ -		
Transfers Out		4,270,740	4,602,110		
Beginning Fund Balance		\$ 31,004,346	\$ 27,467,480		
Ending Fund Balance		\$ 27,467,480	\$ 15,955,550		

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Summary												
CARRY-OVER PROJECTS												
Pathways	4,621						4,561					60
Drainage Improvements	1,740					700	740					300
Roadway Improvements	6,400	70	25	65			4,902	235		340		763
Park Development	2,107		20	433		142	1,150		225			137
Existing Facilities	6,130		12	228			2,900	2,720				270
New Facilities	2,406							1,825				581
Beach Maintenance	2,595				2,572							23
Land Acquisition	470		330									140
SUBTOTAL	26,469	70	387	726	2,572	842	14,253	4,780	225	340	-	2,274
NEW PROJECTS												
Pathways	-											
Drainage Improvements	-											
Roadway Improvements	3,440						3,040					400
Park Development	-											
Existing Facilities	150							150				
New Facilities	4,625				750		1,650	750				1,475
Beach Maintenance	-											
SUBTOTAL	8,215	-	-	-	750	-	4,690	900	-	-	-	1,875
TOTAL	34,684	70	387	726	3,322	842	18,943	5,680	225	340	-	4,149

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				2007 Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Pathways												
CARRY-OVER PROJECTS												
Pathway Rehabilitation	60											60
Mathews Drive (Islanders Drive North to US 278)	710						710					
Pope Avenue (Off Road)	2,354						2,354					
Palmetto Bay Road	1,299						1,299					
Mathews Drive (US 278 North to Beach City Road)	130						130					
Target Road	68						68					
SUBTOTAL	4,621	-	-	-	-	-	4,561	-	-	-	-	60
NEW PROJECTS												
	-											
	-											
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	4,621	-	-	-	-	-	4,561	-	-	-	-	60

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007			TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond						
Drainage Improvements												
CARRY-OVER PROJECTS												
Drainage System Rehabilitation	300											300
Drainage Study Updates	400					400						
Club Course Outfall	300					300						
Squire Pope Road	740						740					
SUBTOTAL	1,740	-	-	-	-	700	740	-	-	-	-	300
NEW PROJECTS												
-												
-												
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1,740	-	-	-	-	700	740	-	-	-	-	300

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Roadway Improvements												
CARRY-OVER PROJECTS												
Widen Mathews Drive (Marshland Road North to US 278)	2,291						2,291					
Widen Mathews Drive (US 278 to Beach City Road)	237						237					
Horseshoe Road Connector (Spanish Wells extension)	1,025						1,025					
SCDOT Road Resurfacing	1,066						571			340		155
Intersection Improvements	855		25	65			357	50				358
Pedestrian Crosswalks and Refuges	50						50					
Traffic Signal Mast Arms	450						200					250
F & R Emergency Access Points	185							185				
Neighborhood Directional Signage	50						50					
Roadway Safety Improvements	191	70					121					
SUBTOTAL	6,400	70	25	65	-	-	4,902	235	-	340	-	763
NEW PROJECTS												
Mathews Drive/Chaplin Area	110						110					
Mainland Transportation Improvements	400											400
Stoney Secondary Road (South)	705						705					
US 278/Squire Pope Road Intersection Area Improvements	2,225						2,225					
SUBTOTAL	3,440	-	-	-	-	-	3,040	-	-	-	-	400
TOTAL	9,840	70	25	65	-	-	7,942	235	-	340	-	1,163

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Park Development												
CARRY-OVER PROJECTS												
Park Upgrades	1,107		20	433		142	150		225			137
Compass Rose Park	500						500					
Boggy Gut Park	500						500					
SUBTOTAL	2,107	-	20	433	-	142	1,150	-	225	-	-	137
NEW PROJECTS												
	-											
	-											
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,107	-	20	433	-	142	1,150	-	225	-	-	137

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Existing Facilities & Infrastructure												
CARRY-OVER PROJECTS												
Rehabilitation and Renovation of Fixed Capital Assets	100			50								50
Clean up, maintenance of properties & demolition of structures	465			95			300					70
Apparatus and Vehicle Replacement	285		12	83				40				150
McKibben Property Wetlands Restoration	100						100					
Fire Hydrant Upgrades	30							30				
Fire Station 1 Replacement	2,500						2,500					
Fire Station 5 Replacement	2,500							2,500				
Fire Station 6 Replacement	150							150				
SUBTOTAL	6,130	-	12	228	-	-	2,900	2,720	-	-	-	270
NEW PROJECTS												
-												
Fire Station 2 Replacement	150							150				
SUBTOTAL	150	-	-	-	-	-	-	150	-	-	-	-
TOTAL	6,280	-	12	228	-	-	2,900	2,870	-	-	-	270

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
New Facilities & Infrastructure												
CARRY-OVER PROJECTS												
Dispatch Center Equipment Upgrade	221											221
Fire and Rescue Training Center	1,825							1,825				
Fire and Rescue Computer System	360											360
SUBTOTAL	2,406	-	-	-	-	-	-	1,825	-	-	-	581
NEW PROJECTS												
Dunnagan's Alley/Arrow Rd. Area Initiative	200						200					
Facilities Management Building	1,500				750			750				
Coligny/Pope Ave. Area Initiative	285						285					
Coastal Discovery Museum	1,400											1,400
Community Warning System	75											75
Sewer Projects	1,165						1,165					
SUBTOTAL	4,625	-	-	-	750	-	1,650	750	-	-	-	1,475
TOTAL	7,031	-	-	-	750	-	1,650	2,575	-	-	-	2,056

CIP Expenditures by Funding Source - 2007

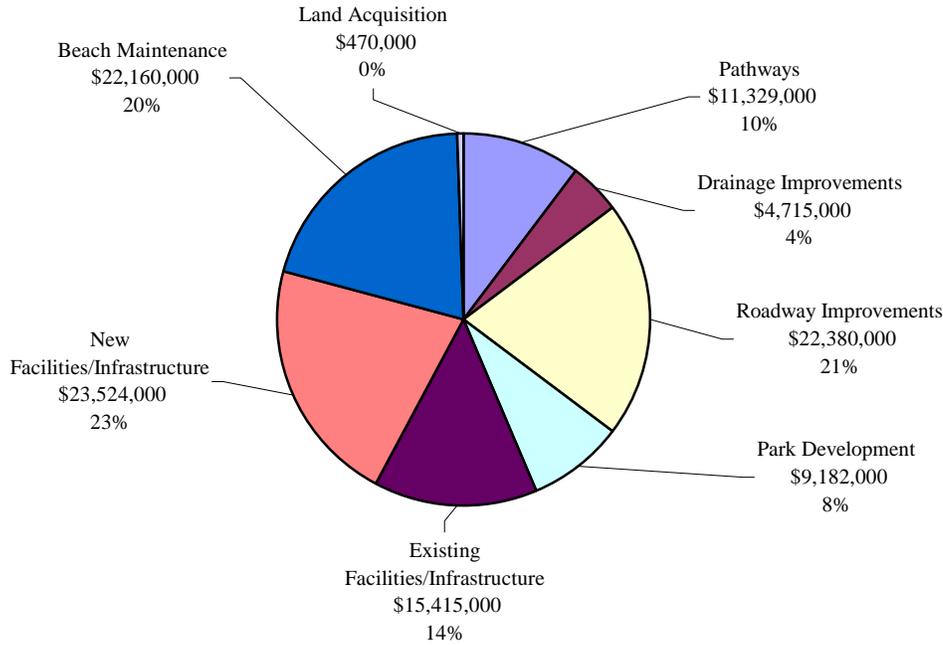
THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	Impact Fees	Fund Balance	FY 2007		SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fees							
Beach Maintenance												
CARRY-OVER PROJECTS												
Beach Management and Monitoring	185				185							
Beach Parks/Access Rehabilitation	300				300							
Dunes Refurbishment and Maintenance	100				100							
Beach Renourishment	2,010				2,010							
SUBTOTAL	2,595	-	-	-	2,595	-	-	-	-	-	-	-
NEW PROJECTS												
	-											
	-											
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,595	-	-	-	2,595	-	-	-	-	-	-	-

CIP Expenditures by Funding Source - 2007

THOUSANDS OF DOLLARS												
Category	FY 2007 Budget	FY										
		Impact Fees	Fund Balance	2007 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Land Acquisition												
CARRY-OVER PROJECTS												
Land Acquisition	470		330									140
TOTAL	470	0	330	0	0	0	0	0	0	0	0	140

Ten-Year CIP

The anticipated capital expenditures over the next ten years are anticipated to be **\$109.2 million**. The estimated expenditures by program are as follows:



THOUSANDS OF DOLLARS

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
Total Capital Improvement Program						
Pathways	4,621	489	771	1,019	852	3,577
Drainage Improvements	1,740	300	365	510	300	1,500
Roadway Improvements	9,840	4,525	1,495	1,585	1,484	3,451
Park Development	2,107	2,270	835	1,070	650	2,250
Existing Facilities & Infrastructure	6,280	5,641	783	703	679	1,329
New Facilities & Infrastructure	7,031	2,204	8,970	94	1,265	3,960
Beach Maintenance	2,595	285	285	285	285	18,425
Land Acquisition	470	-	-	-	-	-
Total	109,175	34,684	15,714	13,504	5,266	34,492

CIP Expenditures by Category 2007-2016

THOUSANDS OF DOLLARS

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
Pathways						
Pathway Rehabilitation	60	60	60	60	60	300
Mathews Drive (Islanders Drive North to US 278)	710					
Pope Avenue (Off Road)	2,354					
Palmetto Bay Road	1,299					
Mathews Drive (US 278 North to Beach City Road)	130	350				
Target Road	68					
Lagoon Road		34	144			
New Orleans Road		39	180			
US 278 (Wexford Circle to Fresh Market Shoppes)		6	302			
US 278 (Gum Tree Road to Squire Pope Road)			31	173		
Archer Road			13	40		
Dunnagann's Alley			21	360		
Greenwood to Target Road			20	265		
Singleton Beach Road				21	154	
Arrow Road				100	522	
Gardner Drive					36	156
Pembroke Drive					51	310
Leg o' Mutton					29	160
Jonesville Road						395
US 278 (Squire Pope Road to Jenkins Island)						323
US 278 (south side phased)						1,640
US 278 (Jenkins Island to Bridge)						293
Total	4,621	489	771	1,019	852	3,577

CIP Expenditures by Category 2007-2016

THOUSANDS OF DOLLARS

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
<u>Drainage Improvements</u>						
Drainage System Rehabilitation	300	300	300	300	300	1,500
Drainage Study Updates	400					
Club Course Outfall	300					
Squire Pope Road	740					
Arrow Road			65	210		
Total	1,740	300	365	510	300	1,500

CIP Expenditures by Category 2007-2016

Category	THOUSANDS OF DOLLARS					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
Roadway Improvements						
Widen Mathews Drive (Marshland Road North to US 278)	2,291			650		
Widen Mathews Drive (US 278 to Beach City Road)	237	2,100				
US 278/Squire Pope Road Intersection Area Improvements	2,225					
Horseshoe Road Connector (Spanish Wells extension)	1,025					
Mathews Drive/Chaplin Area	110	500				
Stoney Secondary Road (South)	705	600				
SCDOT Road Resurfacing	1,066					
Intersection Improvements	855	775	250			
Pedestrian Crosswalks and Refuges	50	150	200	400		
Traffic Signal Mast Arms	450	125	350	300		
Roads Safety Improvements	191	140	85	100		
F&R Emergency Access Points	185	10	60	10	10	50
Mainland Transportation Improvements	400					
Neighborhood Directional Signage	50	50	50	50	50	
Lemoyne Road Reconstruction and Extension		75	500			
Stoney Secondary Road (North)				75	1,000	
Widen Folly Field Road					127	551
Widen Squire Pope Road					149	1,000
Widen Gum Tree Road					148	1,000
Widen Pembroke Road						425
Widen Leg O' Mutton Road						425
Total	9,840	4,525	1,495	1,585	1,484	3,451

CIP Expenditures by Category 2007-2016

THOUSANDS OF DOLLARS

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
Park Development						
Park Upgrades	1,107	210	100	100	100	500
Compass Rose Park	500					
Boggy Gut Park	500					
Coligny Beach Park Park Improvements		550				
Chaplin Linear Park		750				
Driessen Tract Neighborhood Park		20	250			
Marshland Road Neighborhood Park		15	150			
Yacht Cove Community Park		25	250			
Chaplin Linear Park Boardwalk		400				
Collier Beach Park		300				
Old School House Park			25	300		
Ford Shell Ring Park			25	300		
Aranda Tract Park			10	100		
Marshland and Spanish Wells Road Neighborhood Park			15	150		
Indigo Run/Hotel site Tract Park			10	100		
Town Hall Park				20	250	
Taylor Park					10	100
Central Church Neighborhood Park					20	200
South Forest Beach Neighborhood Park					10	100
North Forest Beach Neighborhood Park					10	100
Jenkins Island Special Purpose Park					250	1,250
Total	2,107	2,270	835	1,070	650	2,250

CIP Expenditures by Category 2007-2016

THOUSANDS OF DOLLARS

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
Existing Facilities & Infrastructure						
Rehabilitaion and Renovation of Fixed Capital Assets	100	100	100	100	100	500
Clean up, maintenance of properties & demolition of structures	465	465	465	465	465	
Apparatus and Vehicle Replacement	285	1,546	218	138	114	829
McKibben Property Wetlands Restoration	100					
Fire Hydrant Upgrades	30	30				
Fire Station 1 Replacement	2,500					
Fire Station 2 Replacement	150	1,750				
Fire Station 5 Replacement	2,500					
Fire Station 6 Replacement	150	1,750				
Total	6,280	5,641	783	703	679	1,329

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
New Facilities & Infrastructure						
Dispatch Center Equipment Upgrade	221	100	50	50	50	250
F&R Training Center	1,825					
F&R Computer Systems	360		70		70	210
Facilities Management Building	1,500					
Dunnagan's Alley/Arrow Rd. Area Initiative	200		2,000			
Coligny/Pope Avenue Area Initiative	285		6,850			
Community Warning System	75	750				
Sewer Projects	1,165	1,354		44	845	100
Coastal Discovery Museum	1,400					
Law Enforcement Center					300	3,400
Total	7,031	2,204	8,970	94	1,265	3,960

CIP Expenditures by Category 2007-2016

THOUSANDS OF DOLLARS

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
<u>Beach Maintenance</u>						
Beach Management and Monitoring	185	185	185	185	185	925
Beach Parks/Access Rehabilitation	300	75	75	75	75	375
Dunes Refurbishment and Maintenance	100	25	25	25	25	125
Beach Renourishment	2,010					17,000
Total	2,595	285	285	285	285	18,425

THOUSANDS OF DOLLARS

Category	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012-2016
<u>Land Acquisition</u>						
Land Acquisition	470					
Total	470	0	0	0	0	0

Debt Service Fund

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

Revenues

Revenue sources for the debt service fund for the Fiscal Year 2006 budget include:

1. **Property taxes: \$4,783,690**
Property taxes represent a levy on the assessed value of real and personal property. These bonds are voter approved for a specific project/purchase. The debt service millage rate is calculated separately from the operating millage rate.
2. Transfer from: **Capital Projects Fund - hospitality taxes: \$800,000**
A uniform tax levied by the Town on the gross sales 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.
3. Transfer from: **Capital Projects Fund - storm water utility fees: \$1,300,000**
The hospitality taxes and storm water utility fees are funds received by the Capital Improvements Fund (CIP) to fund capital improvements. This transfer between funds is necessary to cover the debt service costs associated with bonds obtained for the purpose undertaking capital improvements.
4. Transfer from: **Real Estate Transfer Fees Fund: \$3,000,000**
Real estate transfer fees are used to (a) 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, (b) 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. This transfer between funds is necessary to cover the debt service costs associated with bonds obtained for the purpose undertaking capital improvements and the purchase of land in accordance with these guidelines..
5. **Interest income: \$263,760**
Interest income is earned from available fund balance. The amount of interest earned fluctuates with the market and bond funds on hand.

Debt Service Fund Two-Year Comparison

	FY 2006 Revised Budget	FY 2006 Est. Actual	FY 2007 Budget	Budget Diff. % FY 2006	Estimate Diff. % FY 2006
<u>Revenues</u>					
Property Taxes	\$ 4,597,800	\$ 4,709,297	\$ 4,783,690	4.04%	1.58%
Investment Income	300,000	300,000	250,000	-16.67%	-16.67%
Transfers	5,003,810	5,003,810	5,100,000	1.92%	1.92%
Funds from Prior Years	615,390	503,893	263,760	-57.14%	-47.66%
Total Revenues	\$ 10,517,000	\$ 10,517,000	\$ 10,397,450	-1.14%	-1.14%
<u>Expenditures</u>					
Debt Service					
Principal	\$ 5,270,000	\$ 5,270,000	\$ 5,640,000	7.02%	7.02%
Interest	5,232,000	5,232,000	4,740,780	-9.39%	-9.39%
	10,502,000	10,502,000	10,380,780	-1.15%	-1.15%
Administrative	15,000	15,000	16,670	11.13%	11.13%
Total Expenditures*	\$ 10,517,000	\$ 10,517,000	\$ 10,397,450	-1.14%	-1.14%
Excess/Deficiency of Revenues Over Expenditures	\$ -	\$ -	\$ -		
Beginning Fund Balance		\$ 7,824,815	\$ 7,320,922		
Ending Fund Balance		\$ 7,320,922	\$ 7,057,162		

*Excludes payment of debt service related to 2004 TIF Bond which is included in TIF Fund.

Debt Service Fund Expenditures

The Fiscal Year 2007 budgeted debt service expenditures are as follows:

Debt Service Payments

	Interest	Principal	Total
<u>Certificates of Participation</u>			
2004A - Certificates of Participation	\$ 240,443	\$ 925,000	\$ 1,165,443
2005 - Certificates of Participation	37,517	115,000	152,517
Total Certificates of Participation	\$ 277,960	\$ 1,040,000	\$ 1,317,960
<u>General Obligation Bonds</u>			
Series 1996A - General Obligation Bonds	\$ 31,185	\$ 150,000	\$ 181,185
Series 1996B - General Obligation Refunding Bonds	183,630	890,000	1,073,630
Series 1998A - General Obligation Referendum Bonds	654,332	475,000	1,129,332
Series 1998B - General Obligation Bonds (portion remaining)	8,531	375,000	383,531
Series 1999A - General Obligation Referendum Bonds (portion remaining)	90,666	335,000	425,666
Series 1999B - General Obligation Bonds	318,405	180,000	498,405
Series 2001A - General Obligation Referendum Bonds (portion remaining)	110,275	800,000	910,275
Series 2004A - General Obligation Bonds	678,750	405,000	1,083,750
Series 2004B - General Obligation Refunding Bonds	154,163	80,000	234,163
Series 2005A - General Obligation Refunding Bonds	1,047,315	90,000	1,137,315
Total General Obligation Bonds	\$ 3,277,252	\$ 3,780,000	\$ 7,057,252
<u>Revenue Bond</u>			
2002 Storm Water Bond	\$ 727,596	\$ 520,000	\$ 1,247,596
2004 Hospitality Tax	457,970	300,000	757,970
2004 TIF Bond *	326,314	675,000	1,001,314
Total Revenue Bonds	\$ 1,511,880	\$ 1,495,000	\$ 3,006,880
Grand Total	\$ 5,067,092	\$ 6,315,000	\$ 11,382,092

* Funding for and payment of debt service related to this bond is in the TIF fund.

Calculation of the Legal Debt Limit

Assessed Value as of December 2005		\$ 823,336,000 *
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval		65,866,880
Council Imposed 80% Cap		52,693,504
Amount of Debt Applicable to Debt Limit:		
General Bonded 1996A	\$ 655,000	
General Bonded 1996B	3,860,000	
General Bonded 1998B (Remaining after 2004 refunding)	375,000	
General Bonded 1999B	5,665,000	
General Bonded 2004B (Refunding of Series 1998B)	5,300,000	
Total Amount Applicable to Debt Limit		15,855,000
Legal Debt Margin without a Referendum		\$ 36,838,504

Article Ten (X), Section Fourteen (14) of the South Carolina Constitution of 1895 as amended provides that a City or Town shall incur General Obligation Debt over the eight percent (8%) limit when approved by a majority vote of qualified electors of the political subdivision voting in a referendum authorized by law. There shall be no conditions or restrictions limiting the incurring of such indebtedness except:

- a. Those restrictions and limitations imposed in the authorization to incur such indebtedness;
- b. The provisions of Article Ten (X) Section 14; and
- c. Such general obligation debt shall be issued within five years of the date of such referendum and shall mature within forty (40) years from the time such indebtedness shall be incurred.

Outstanding Debt Issues

	Issue Amt.	Outstanding
<u>Certificates of Participation</u>		
2004A - Certificates of Participation	\$ 9,060,000	\$ 8,050,000
2005 - Certificates of Participation	1,055,000	945,000
Total Certificates of Participation	\$ 10,115,000	\$ 8,995,000
<u>General Obligation Bonds</u>		
Series 1996A - General Obligation Bonds	\$ 1,425,000	\$ 655,000
Series 1996B - General Ogligation Refunding Bonds	11,180,000	3,860,000
Series 1998A - General Obligation Referendum Bonds	15,000,000	12,925,000
Series 1998B - General Obligation Bonds (Remaining after 2004 refunding)	835,000	375,000
Series 1999A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	2,050,000	1,440,000
Series 1999B - General Obligation Bonds	6,000,000	5,665,000
Series 2001A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	3,990,000	2,495,000
Series 2004A - General Obligation Bonds	15,000,000	14,285,000
Series 2004B - General Obligation Bonds (Refunded portion of Series 1998B)	5,365,000	5,300,000
Series 2005A - General Obligation Bonds (Refunded portion of Series 1999A & 2001A)	24,265,000	24,240,000
Total General Obligation Bonds	\$ 85,110,000	\$ 71,240,000
<u>Revenue Bond</u>		
2002 Storm Water Bonds	\$ 17,000,000	\$ 16,495,000
2004 Hospitality Tax	10,775,000	10,210,000
2004 T.I.F. Bonds	8,000,000	7,355,000
Total Revenue Bonds	\$ 35,775,000	\$ 34,060,000
Grand Total	\$ 131,000,000	\$ 114,295,000

1. **2004A Certificates of Participation; \$9,060,000 (Tax-Exempt), Dated March 1, 2004**

On March 1, 2004, the Hilton Head Island Public Facilities Corporation, a non-profit entity and component unit of the Town, entered into Certificates of Participation with Wells Fargo Bank, N.A. for \$9,060,000 secured by Town properties.

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated tax exempt amount of certificates; (b) maximum annual debt service on certificate for any fiscal year; or (c) 125% of average annual debt on the certificates. At June 30, 2005, \$965,338 was the fair value of the amount held in the reserve fund for the tax-exempt certificates. The Capital Projects Fund is repaying these certificates of participation.

2. **2005 Certificates of Participation; \$1,055,000 (Tax-Exempt), Dated March 3, 2005**

On March 3, 2005, the Hilton Head Island Public Facilities Corporation refunded taxable Certificates of Participation issued with Wells Fargo Bank, N.A. in 2004 with tax-exempt certificates.

During that time, the Town issued \$1,055,000 in tax-exempt Certificates of Participation bearing an interest rate of 3.97% to refund \$1,450,000 of taxable Certificates of Participation with a variable interest rate. The Town contributed approximately \$450,000 from the Town's Debt Service thereby reducing the principal by \$400,000 on this issue and the balance being used to fund the cost of

Outstanding Debt Issues (continued)

issuance. The net proceeds of \$1,002,362 (after payment of \$52,638 in issuance costs) were used to purchase United States government securities. The certificates were refunded to reduce total debt service payments over the next nine (9) years by \$519,451 and resulted in an economic loss (difference between the present values of the old and new debt service payments) of approximately \$17,760.

3. **Series 1996A General Obligation Bonds; \$1,425,000, Dated June 1, 1996**

On July 9, 1996, the Town issued \$1,425,000 general obligation bonds to fund capital projects for a water tower, fire hydrants, renovation of fire stations, and other corporate purposes.

4. **Series 1996B General Obligation Refunding Bonds: \$11,180,000, Dated June 1, 1996**

On July 9, 1996, the Town issued \$11,180,000 general obligation bonds to defease the remaining amount of the \$1,250,000 general obligation bonds dated November 1, 1987, and the remaining amount of the \$11,600,000 general obligation bonds dated August 1, 1989.

5. **Series 1998A General Obligation Referendum Bonds; \$15,000,000, Dated April 1, 1998**

On April 1, 1998, the Town issued \$15,000,000 general obligation bonds which repaid a bond anticipation note of \$10,000,000 for land acquisition and \$3,000,000 for capital projects issued during the year ended June 30, 1999, and to finance capital projects.

6. **Series 1998B General Obligation Bonds; \$835,000, Dated April 1, 1998**

On April 1, 1998, the Town issued \$6,000,000 general obligation bonds to finance capital projects. On October 1, 2004, a portion of this issue was refunded leaving a balance of \$835,000. Refer to Series 2004B, Item 11, for the refunded portion.

7. **Series 1999A General Obligation Referendum Bonds; \$2,050,000, Dated November 16, 1999**

On November 16, 1999, the Town issued \$12,000,000 general obligation bonds to finance capital projects. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$2,050,000. Refer to Series 2005A, Item 12, for the refunded portion.

8. **Series 1999B General Obligation Bonds; \$6,000,000, Dated November 16, 1999**

On November 16, 1999, the Town issued \$6,000,000 general obligation bonds to finance capital projects.

9. **Series 2001A General Obligation Referendum Bonds; \$3,990,000, Dated March 1, 2001**

On March 1, 2001, the Town issued \$20,000,000 general obligation bonds for purchasing developed and undeveloped land on Hilton Head Island, South Carolina, for the public use or uses of management of growth and development, public facilities, passive and active parkland and preservation of historic sites, and to pay the cost of issuance of bonds. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$3,990,000. Refer to Series 2005A, Item 12.

Outstanding Debt Issues (continued)

10. Series 2004A General Obligation Bonds; \$15,000,000, Dated May 1, 2004

On May 12, 2004, the Town issued \$15,000,000 general obligation bonds for general land acquisition.

11. Series 2004B General Obligation Bonds; \$5,365,000, Dated October 1, 2004

On October 26, 2004, the Town issued \$5,365,000 in general obligation bonds. The bonds were issued for the purpose of refunding the 2007 through 2011, inclusive, maturities of the \$6,000,000 General Obligation Bonds, Series 1998B, and to call the 1998B Bonds for redemption on December 1, 2006; and to pay for the cost of issuance.

12. Series 2005A General Obligation Bonds; \$24,265,000, Dated March 1, 2005

On March 15, 2005, the Town issued \$24,265,000 in general obligation bonds. The bonds are being used for the purpose of refunding the 2010 through 2024, inclusive, maturities of the \$12,000,000 General Obligation Bonds, Series 1999A, and to call the 1999A Refunded Bonds for redemption on December 1, 2009; refunding the 2010 through 2021, inclusive, maturities of the \$20,000,000 General Obligation Bonds, Series 2001A, and to call the 2001A Refunded Bonds for redemption on March 1, 2009; and to pay for the cost of issuance.

13. Stormwater Revenue Bonds; \$17,000,000, Dated December 1, 2002

On December 1, 2002, the Town issued \$17,000,000 revenue bonds to fund stormwater management projects.

14. Hospitality Tax Revenue Bonds; \$10,775,000, Dated June 1, 2004

On June 1, 2004, the Hilton Head Island Public Facilities Corporation, a non-profit entity and component unit of the Town, entered into a Certificate of Participation with Wells Fargo Bank, N.A. for \$10,775,000 secured by revenues collected from Hospitality Tax. The monies will be used for public safety capital improvement projects.

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificate for any fiscal year or (c) 125% of average annual debt on the certificates. At June 30, 2005, \$797,691 was the fair value of the amount held in the reserve fund. The Town is required to maintain a debt service pledge account on July 1 each year which is equal to the principal and interest for that year. On June 30, 2005, the amount in the pledge account was \$9,057.

15. Tax Increment Financing Bonds; \$8,000,000, Dated June 25, 2004

On June 25, 2004, the Town issued \$8,000,000 tax increment bonds for paying principal and interest on the tax increment bond anticipation note of \$4,530,000 which matured June 25, 2004, and for financing redevelopment projects.

Planned Debt Position for the Next Five Years

	2008	2009	2010	2011	2012
<u>Certificates of Participation</u>					
2004A - Certificates of Participation	\$ 1,164,718	\$ 1,168,568	\$ 1,161,855	\$ 1,162,455	\$ 1,157,155
2005 - Certificates of Participation	142,951	143,584	139,019	139,453	134,689
Total Certificates of Participation	\$ 1,307,669	\$ 1,312,152	\$ 1,300,874	\$ 1,301,908	\$ 1,291,844
<u>General Obligation Bonds</u>					
Series 1996A - General Obligation Bonds	\$ 183,045	\$ 184,215	\$ 179,812	\$ -	\$ -
Series 1996B - General Obligation Refunding Bonds	1,070,712	1,074,205	1,073,737	-	-
Series 1998A - General Obligation Referendum Bonds	1,119,808	1,113,964	1,108,892	1,107,333	1,103,987
Series 1999A - General Obligation Referendum Bonds	416,263	410,613	398,716	-	-
Series 1999B - General Obligation Bonds	490,630	488,061	486,843	486,235	489,773
Series 2001A - General Obligation Referendum Bonds	906,275	903,925	-	-	-
Series 2004A - General Obligation Bonds	1,079,575	1,075,050	1,070,175	1,061,250	1,051,500
Series 2004B - General Obligation Bonds	720,775	804,306	922,800	2,292,125	939,337
Series 2004B - General Obligation Bonds (unrefunded)	-	-	-	-	-
Series 2005A - General Obligation Bonds	1,138,615	1,139,715	2,042,215	2,437,315	2,432,415
Total General Obligation Bonds	\$ 7,125,698	\$ 7,194,054	\$ 7,283,190	\$ 7,384,258	\$ 6,017,012
<u>Revenue Bond</u>					
2002 Storm Water Bond	\$ 1,247,708	\$ 1,247,369	\$ 1,244,938	\$ 1,245,665	\$ 1,244,608
2004 Hospitality Tax	753,970	754,820	753,008	756,632	754,732
2004 TIF Bond	1,004,113	1,000,400	1,000,176	998,325	999,730
Total Revenue Bonds	\$ 3,005,791	\$ 3,002,589	\$ 2,998,122	\$ 3,000,622	\$ 2,999,070
Grand Total	\$ 11,439,158	\$ 11,508,795	\$ 11,582,186	\$ 11,686,788	\$ 10,307,926

Glossary of Terms

Account - A separate financial reporting unit. All budgetary transactions are recorded in accounts.

Accrual Basis of Accounting - A method of accounting where revenues are recorded when service is given and expenditures are recognized when the benefit is received.

Ad Valorem Tax - A tax levied on the assessed value (net of any exemptions) of real or personal property as certified by the property appraiser in each county. This is commonly referred to as property tax.

Adopted Budget - The financial plan of revenues and expenditures for a fiscal year as approved by the Town Council.

Appropriation - A specific amount of money authorized by the Town Council for the purchase of goods or services.

Assessed Property Value - A value established by the County's property appraiser for all real or personal property for use as a basis for levying ad valorem (property) taxes.

Balanced Budget - A budget in which planned funds or revenues available are equal to fund planned expenditures.

Bonds - A certificate of debt issued by an entity, guaranteeing payment of the original investment, plus interest, by a specified future date.

Budget Amendment - A change to an adopted budget that may increase or decrease a department's or fund's total budget. The Town Council must approve budget amendments.

Budget Calendar - A budget calendar is a schedule of key dates which the Town follows in preparation, adoption and administration of the budget.

Budget Transfer - A budget transfer is a change to the allocation of budget funds within a department or between departments within a fund.

Build-out - That time in the life cycle of the Town when no incorporated property remains undeveloped. All construction from this point forward is renovation, retrofitting or land cleared through the demolition of existing structures.

Capital Improvement Program (CIP) - A plan of capital expenditures to be incurred each year over a period of ten future years, setting forth each capital project, the amount to be expended in each year and the method of financing those expenditures.

Capital Equipment (Assets) - Capital equipment is defined by the government as furniture/equipment with an initial cost of \$5,000 or and an estimated useful life in excess of two years.

Capital Software (Assets) - Capital software is defined by the government as software with an initial cost of \$50,000 or and an estimated useful life in excess of two years.

Contingency - A budgetary reserve to provide for emergency or unanticipated expenditures during the fiscal year. These funds, if not used, lapse at year end. This is not the same as fund balance.

Debt Service - The payment of principal and interest on borrowed funds such as bonds.

Department - A basic organizational unit of the Town which is functionally unique in its service provided.

Depreciation - The decrease in value of physical assets due to use and the passage of time.

Division - A sub-organizational unit of a Department which is functionally unique in its service provided.

Encumbrance - The commitment of appropriated (budgeted) funds to purchase goods or services. To encumber sets aside those funds for the future when the goods and services have been legally committed.

Expenditure - The disbursement of appropriated funds to pay for goods and/or services.

Fines and Forfeitures - Consists of a variety of fees, fines and forfeitures collected by the state court system, including bail forfeitures, garnishments, legal defenders recoupment and juror/witness fees.

Fiscal Year - Any period of 12 consecutive months designated as the budget year. The fiscal year for the Town is July 1 through June 30.

Fixed Asset - Things the Town owns that cost a considerable amount and has a useful life exceeding two years.

Franchise Fee - Charges to utilities for exclusive/non-exclusive rights to operate within municipal boundaries. Examples are electricity, telephone, cable television, and solid waste.

FTE (Full-Time Equivalent) - A measurement equal to one person working a full-time schedule for one year.

Fund - A self-balancing accounting entity segregated to carry on specific activities or attain certain objectives to meet legal requirements or Generally Accepted Accounting Principals.

Fund Balance - Equals the equity in each fund.

General Fund - This is considered the Town's operating fund. This fund is used to account for all financial resources, property tax revenues (majority revenue source), as well as other general revenue sources that will be used to support services that are provided on a Town wide basis.

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

Grant - A commitment of resources from one organization to another.

Intergovernmental Revenue - Revenue received from or through the Federal, State, or County government.

Mill - A taxation unit equal to one dollar of tax obligation for every \$1,000 of assessed valuation of property.

Millage - The total tax obligation per \$1,000 of assessed valuation of property.

Mission Statement - A statement that identifies the particular purpose and function of a department.

Non-Departmental - Refers to activities, revenues and expenditures that are not assigned to a particular department.

Objective - Something to be accomplished in specific, well-defined, measurable terms and that is achievable within a specific time frame.

Operating Expenditures - Disbursements for goods and services purchased that are consumable in nature or equipment purchases that have a useful life of less than one year.

Operating Budget - A budget for general expenses as distinct from financial transactions or permanent improvements such as salaries and benefits, operating equipment/supplies, utilities, insurance, etc.

Ordinance - The formally adopted Town Council documents that provides the legal authority to levy taxes and expend funds.

Performance Measure - Data measurement used to determine how effective and/or efficient a program is in achieving its objectives.

Personnel Expenditures - Disbursements for salaries, wages, and all related fringe benefits.

Property Tax - Taxes levied on all non-exempt real and personal property located within a county. Property taxes are computed by multiplying the total of all millage rates (for each taxing authority within a county) by the assessed value of the property.

Public Hearing - A special publicly noticed meeting conducted by the Town to consider and adopt the annual budget.

Real Property - Land and the buildings or structures erected upon such land.

Revenue - Monies received from all sources (with the exception of fund balances) that are used to fund expenditures in a given fiscal year.

Revised Budget - The adopted budget as formally amended by Town Council.

Tax Increment Financing (TIF) - Is a method of funding public investments in an area slated for redevelopment by capturing for a time, all or a portion of the increased tax revenue that may result when the redevelopment stimulates private investment. As private investments add to the tax base within the redevelopment area, the increased tax revenues are placed in a special fund that can only be used for public purposes permitted by law.

Taxable Value - The assessed value of real property.

Ten-Year Capital Plan (also known as a Capital Improvement Program (CIP))- Is a plan of capital expenditures to be incurred each year over a period of ten future years, setting forth each capital project, the amount to be expended in each year and the method of financing those expenditures.

Unemployment Compensation – Amount used to make unemployment compensation payments to former employees.

Workers' Compensation – Premiums and deductible amounts paid for Workers' Compensation coverage.