

Town of Hilton Head Island, South Carolina

Consolidated Municipal Budget

Fiscal Year

July 1, 2012 through June 30, 2013



**TOWN OF HILTON HEAD ISLAND, SC
CONSOLIDATED MUNICIPAL BUDGET
FISCAL YEAR ENDED JUNE 30, 2013**

ELECTED OFFICIALS

MAYOR

The Honorable Drew A Laughlin

TOWN COUNCIL

Kenneth (Ken) S. Heitzke, Mayor Pro Tempore

Wm. Lee Edwards

Willie (Bill) Ferguson

William D. Harkins

Kimberly W. Likins

George W. Williams, Jr.

ADMINISTRATIVE STAFF

Stephen G. Riley
Gregory DeLoach
Lavarn Lucas
Susan Simmons
Charles F. Cousins
Scott Liggett

Town Manager
Assistant Town Manager Administration
Fire Chief
Director of Finance
Director of Community Development
Director of Public Projects and Facilities



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Town of Hilton Head Island
South Carolina

For the Fiscal Year Beginning

July 1, 2011

Linda C. Davison
President

Jeffrey L. Ecker
Executive Director

FY 2013 Consolidated Municipal Budget

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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, 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, major policy considerations, performance measurement policy, financial modeling tools, capital improvement program policies, debt management policies, revenue policies, reporting and analysis policies, investment policies, and 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 - Governmental Funds

This section includes an introduction, Fiscal Year 2013 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), historical overview of revenues and expenditures (schedule), budget highlights, property tax analysis, millage rate historical analysis (chart), and staffing changes.

General Fund

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

Debt Service Fund

This section includes a historical overview and two-year comparison of revenue and expenditures (schedule), calculation of legal debt limit, a list of outstanding debt issues, and the planned debt position for the next five years.

Capital Projects Fund (CIP)

This section includes an overview and summary of major revenue sources, expenditures by category, historical overview and two-year comparison of revenue and expenditures (schedule), the Town's capital improvement plan for the upcoming year as well as the ten-year plan.

Stormwater Fund (Enterprise {Proprietary} Fund)

This section includes an overview and summary of major revenue sources, expenditures by category, historical overview and two-year comparison of revenue and expenditures (schedule), the Town's stormwater capital improvement plan for the upcoming year as well as the ten-year plan.

Appendix

1. Glossary of terms; this section provides definitions of key terms used throughout this document.
2. There is a chart of all funds used by the Town to manage its financial resources. The chart reflects the anticipated revenues, expenditures, and fund balance for all Town funds.
3. Also, there is a flow of funds chart for all Town funds.

Town Manager's Letter

June 30, 2012

Dear Council Members:

I am pleased to submit to you the Fiscal Year 2013 budget. Despite the persistent economic challenges presented by the global recession, the Fiscal Year 2013 budget ensures our continued long-term financial stability – enabling us to continue to meet customer needs responsively and responsibly well into the future. The budget honors our commitment to our community by maintaining service levels while maximizing a limited resource of funds.

Budget Summary - Governmental Funds

The Fiscal Year 2013 budget represents a funding plan designed to meet the needs of the Town's citizens. The total consolidated budget amount is \$61,984,891.

The General Fund budget maintains the current level of high quality service, but overall, expenditures have been reduced due to less revenues being received by the Town because of the downturn in the economy. Expenditures in this fund are programmed at \$33.2 million for Fiscal Year 2013 compared to \$33.6 million last fiscal year. There is a \$415,062 (1%) reduction in expenditures over the previous fiscal year's budget.

The Debt Service Fund budget expenditures are programmed at \$15.9 million for Fiscal Year 2013 compared to \$38.2 million budgeted last fiscal year. There is a \$22.2 million (58%) reduction in expenditures over the previous fiscal year's budget. The reduction is mainly attributable to \$21.7 million paid in the prior year to escrow agents for two refunding bond issues.

The Capital Projects Fund (CIP) focuses on existing facilities and roadway improvements, accounting for 58% of the capital budget. The largest component of existing facilities is \$3.2 million earmarked for the replacement of Fire Station No. 6. \$1.0 million is allocated for the roundabout at Marshland Road and Mathews Drive. Expenditures in this fund are programmed at \$12.9 million for Fiscal Year 2013 compared to \$28.7 million last fiscal year. There is a \$15.8 million (55%) reduction in expenditures over the previous fiscal year's budget. The reduction is mainly attributable to the Port Royal beach fill project being completed during fiscal year 2012.

Budget Summary - Enterprise {Proprietary} Fund

The Stormwater Fund expenses are programmed at \$7.7 million for Fiscal Year 2013 compared to \$5.2 million budgeted last fiscal year. The stormwater fee will remain at \$108.70 per SFU in the upcoming fiscal year.

Millage Rate

The millage rate for Fiscal Year 2013 will not change from the prior year. The chart below reflects the unvarying millage rates by fund for Fiscal Years 2012 and 2013.

	<u>FY 2012</u>	<u>FY 2013</u>
General Fund	12.57	12.57
Debt Service Fund	6.01	6.01
Capital Projects Fund (CIP)	0.75	0.75
Total Millage Rate	<u>19.33</u>	<u>19.33</u>

The impact of the millage rate on a typical home on the Island is as follows:

	<u>FY 2012</u>	<u>FY 2013</u>
<u>Millage Rate by Fund</u>		
General Fund	12.57	12.57
Debt Service Fund	6.01	6.01
Capital Projects Fund	0.75	0.75
	<u>19.33</u>	<u>19.33</u>
value of home	350,000.00	350,000.00
taxable value	14,000.00	14,000.00
<u>Taxes Paid</u>		
General Fund	176.26	176.26
Debt Service Fund	84.14	84.14
Capital Projects Fund	10.50	10.50
	<u>270.90</u>	<u>270.90</u>
dollar change		0.00

Financial Plan

As outlined above, the Town's budget consists of three governmental funds and one proprietary fund. These funds provide the following specific activities of the Town:

GOVERNMENTAL FUNDS

- 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 Debt Service Fund accounts for the accumulation of resources and the payment of debt.
- The Capital Projects Fund accounts 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 following table shows the amount and percent of change to these three funds over last fiscal year:

Comparison of the Fiscal Year 2012 Revised Budget with the Fiscal Year 2013 Budget

	General Fund	Debt Service Fund	Capital Projects Fund	Consolidated Budget
FY 2012 Revised Budget	\$ 33,605,438	\$ 38,165,432	\$ 28,665,173	\$ 100,436,043
FY 2013 Budget	\$ 33,190,376	\$ 15,928,015	\$ 12,866,500	\$ 61,984,891
Amount of Increase/(Decrease)	\$ (415,062)	\$ (22,237,417)	\$ (15,798,673)	\$ (38,451,152)
Percent of Increase/(Decrease)	-1.24%	-58.27%	-55.11%	-38.28%

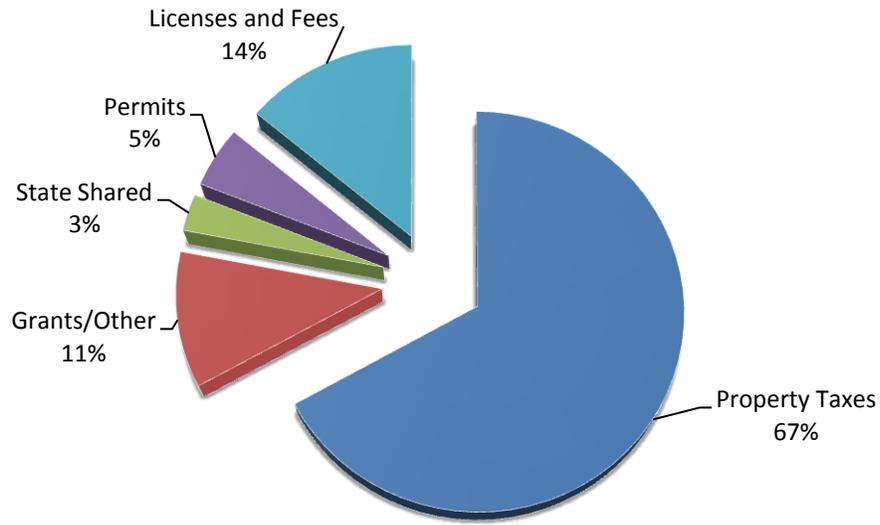
Budgets by Fund as a Percent of the Total Budget

	General Fund	Service Fund	Projects Fund	Municipal Budget
FY 2012 Revised Budget	33.46%	38.00%	28.54%	100.00%
FY 2013 Budget	53.54%	25.70%	20.76%	100.00%

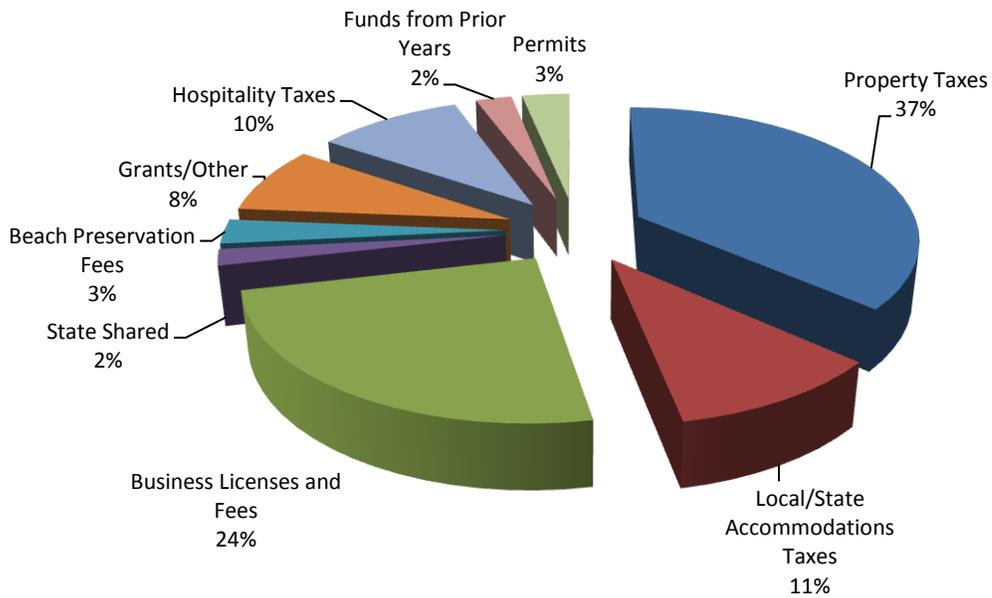
General Fund

A mix of property taxes, other fees and taxes, local accommodations tax for public safety, funds from prior years (fund balance) supports the General Fund budget of \$33,190,376. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund. The charts below provide a comparison of the actual revenues collected for Fiscal Year 1994 compared to the Fiscal Year 2013 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 37% in Fiscal Year 2013. Additional funding is provided through, licenses and fees, local 1% accommodations tax, state accommodations tax, 2% beach preservation fee, 2% hospitality tax, stormwater fee, electricity franchise fee, funds from prior years (fund balance), 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 2013 GENERAL FUND BUDGET



General Fund - Major Revenues

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

Revenue Source	2009	2010	2011	2012 Revised Budget	Estimated Actual	2013 Budget	% Change FY2012	
							FY 2012 Budget	Estimated Actual
Property Taxes	\$ 10,715,950	\$ 10,920,696	\$ 10,956,179	\$ 11,701,330	\$ 11,701,330	\$ 11,935,350	2%	2%
Business Licenses & Franchise Fees	8,067,195	7,884,950	7,634,210	8,211,500	7,952,800	8,111,850	-1%	2%
Permit Fees	853,962	886,381	954,419	874,000	1,049,850	1,070,850	23%	2%
Funds from Prior Years (Fund Balance)	412,364	97,785	877,700	1,533,428	-	817,454	-47%	0%
Local Accommodations Tax	2,150,536	2,012,520	2,416,264	2,250,000	2,340,200	2,387,000	6%	0%
Transfers In:								
State Accommodations Tax	1,266,741	1,089,096	1,083,671	1,332,950	1,083,671	1,085,736	-19%	0%
Beach Preservation Fee	1,355,973	1,315,746	978,080	969,390	969,390	981,705	1%	0%
Hospitality Tax	2,214,864	2,464,955	2,930,183	3,269,550	3,269,550	3,269,550	0%	0%

General Fund – Expenditures

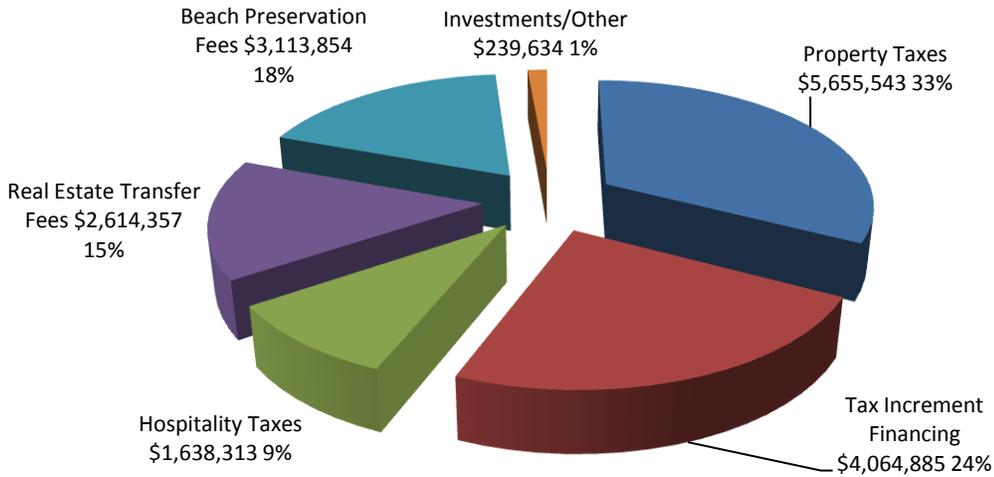
The chart below reflects the historical, estimated actual and budgeted expenditures by category:

	2009	2010	2011	2012 Revised Budget	Estimated Actual	2013 Budget	% Change FY2012	
							FY 2012 Budget	Estimated Actual
Personnel	\$ 21,015,183	\$ 20,645,095	\$ 20,366,461	\$ 20,753,090	\$ 20,239,529	\$ 20,808,445	0%	3%
Operating	5,447,763	5,295,542	5,713,594	6,930,157	6,212,940	6,570,602	-5%	6%
Public Safety	3,109,608	3,011,932	3,101,264	3,132,430	3,117,430	3,217,828	3%	3%
Grants	1,358,178	1,405,252	2,454,261	2,203,170	1,644,278	1,769,602	-20%	8%
Capital Outlay	315,219	242,183	151,704	247,221	252,920	638,600	158%	152%
Debt	70,650	-	-	339,370	-	-	-100%	0%
Total	\$ 31,316,601	\$ 30,600,004	\$ 31,787,284	\$ 33,605,438	\$ 31,467,097	\$ 33,005,077	-2%	5%

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.

Sources of funding for debt service in FY 2013 are as follows:



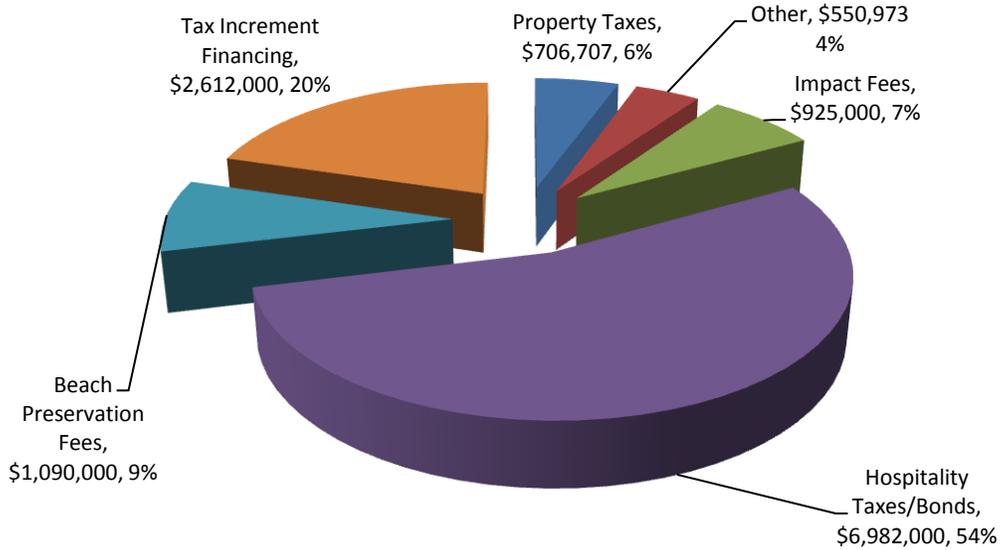
Debt service costs for Fiscal Year 2013 are as follows:

	Interest	Principal	Total
Certificates of Participation	\$ 101,030	\$ 1,185,000	\$ 1,286,030
General Obligation Bonds	2,358,144	3,460,000	5,818,144
Revenue Bonds	1,436,166	3,305,000	4,741,166
TIF Bonds	369,885	3,695,000	4,064,885
Other Charges	-	-	17,790
Grand Total	\$ 4,265,225	\$ 11,645,000	\$ 15,928,015

Capital Projects Fund

The Capital Projects Fund Budget (CIP) reflects revenues and expenditures for Fiscal Year 2013 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.

Sources of funding for the capital projects fund for FY 2013 are as follows:



Existing facility maintenance is the largest element of the FY 2013 capital improvement plan. The largest project in this category is \$3.2 million programmed for the replacement of Fire Station No. 6.

The chart below reflects the historical, estimated actual and budgeted expenditures by category:

	2009	2010	2011	2012 Revised Budget	Estimated Actual	2013 Budget	<u>% Change</u>	
							FY 2012 Budget	FY 2012 Estimated Actual
New Facilities	\$4,344,044	\$923,844	\$354,644	\$4,790,732	\$3,634,168	\$950,000	-80%	-74%
Park Development	1,447,812	724,232	257,991	1,558,455	803,160	2,008,000	29%	150%
Land Acquisition*	8,452,181	1,152,741	2,917,122	-	-	-		
Beach Maintenance	934,747	1,331,073	568,574	13,563,615	11,274,364	625,000	-95%	-94%
Existing Facilities	5,376,667	4,959,040	2,997,296	2,770,678	1,886,167	4,444,000	60%	136%
Roadway Improvements	4,797,316	916,560	1,154,476	3,055,840	1,600,491	2,977,000	-3%	86%
Pathway Improvements	985,889	934,823	548,128	1,522,553	769,882	1,825,000	20%	137%
Drainage Improvements	822,502	(192,411)	-	-	-	-		
Transfers Out	4,527,205	3,537,280	37,500	1,137,500	1,142,715	37,500	-97%	-97%
Debt Service/Issue Costs/Misc.	115,084	264,273	-	265,800	288,639	-	-100%	-100%
Total	\$31,803,447	\$14,551,455	\$8,835,731	\$28,665,173	\$21,399,586	\$12,866,500	-55%	-40%

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

ENTERPRISE {PROPRIETARY} FUND

The Stormwater Fund accounts for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs.

The Stormwater Fund expenses are programmed at \$7.7 million with the largest components being capital improvements at \$6.1 million and debt service costs at \$1.2 million. In addition, there is a transfer of \$276,130 to the General Fund for project management cost. The annual base fee per SFU will remain at \$108.70 for FY 2013.

Town Manager's Summary

We developed our budget against a backdrop of a slowly improving Island economy after several years of lower revenue sources. We are experiencing slightly higher revenues in some, but not all revenue sources and have presented a budget that reflects Town Council's adopted strategic plan. Over the last several years, we have reduced payroll expenditures by eliminating 16 positions while at the same time, we have increased our services with no millage rate increase this year. Tourism on the Island is slowly recovering and the amenities we provide to residents and tourists is expanding. As a result, our budget addresses the need to maintain our facilities reflecting the expectations of residents and visitors. Going forward, we face challenges of increasing demands for services and facilities, and expanding our local economy.

Sincerely,



TOWN OF HILTON HEAD ISLAND

Stephen G. Riley, AICP
Town Manager

Town Vision

DESTINATION 2020 GUIDING PRINCIPLES

- Living in Harmony with Nature, Protecting the Natural Beauty, and Creating a Unique Sense of Place
- Sustaining Community Prosperity through a Diversified, Strong Local Economy based upon Resort, Retirement, and Non-hospitality Businesses
- Providing Meaningful Experiences that Cherish our History, the Arts, Cultural Diversity, and Enrich the Lives of our Residents and Guests
- Striving a Serene, Safe, and Healthy Living Environment for Residents, Guests and Visitors
- Working Together and Volunteering for the Greater Good of the Hilton Head Island Community

Goals

TOWN OF HILTON HEAD ISLAND 2017 OUR GOALS

- ❖ Reinvigorate the Local Economy
- ❖ Revitalize the Built Environment
- ❖ Enrich lives of Residents and Guests
- ❖ Pre-eminence for Environmental Stewardship
- ❖ Enhance Town Government Service

Policy Agenda 2013: Targets for Action

TOP PRIORITY

- ❖ Economic Development: Assessment and Organization
- ❖ Coligny Area Redevelopment: Economic Analysis, Town's Role, and Approve a Plan
- ❖ Shelter Cove Area Redevelopment: Determine Town's Role and Develop and Approve a Plan
- ❖ Chaplin Linear Park: Develop Detailed Plans and Funding

HIGH PRIORITY

- ❖ LMO Re-Write: Complete Draft Amendments and Seek Review and Approval
- ❖ Recreation Center Expansion: Phase I
- ❖ South Island Marina Dredging: Permitting and Determine Town's Long-Term Role
- ❖ Aquatics Center: Direction, Location, and Funding

MODERATE PRIORITY

- ❖ Promotion and Marketing to Businesses and Investors: Develop program and Marketing Materials
- ❖ Commercial Recycling: Evaluation and Direction

Management Targets 2013

- ❖ RBC Heritage Golf Tournament: Identify Town's Funding Source and Assist Tournament with Securing Long-Term Commitment
- ❖ Town Local Business Retention and Growth Program: Evaluation and Direction
- ❖ Town Marketing and Public Information Plan: Evaluation, Application (Best Practices) to Town, and Direction
- ❖ Airport Masterplan: Implementation
- ❖ Island Recreation Memorandum of Understanding: Draft Renewal and Seek Review and Approval
- ❖ Fire and Rescue Masterplan: Revise Current Plan and Adopt Revisions
- ❖ Beaufort County Sheriff's Contract for Police Services: Review for Renewal and Approve
- ❖ Cell Phone E-911 Errors: Reduction

About Hilton Head Island¹

History

Hilton Head Island is a resort town (located on an island of the same name) in Beaufort County, South Carolina, United States. It is 20 miles (32 km) north of Savannah, Georgia, and 95 miles (153 km) south of Charleston. The island gets its name from Captain William Hilton. In 1663, Captain Hilton identified a headland near the entrance to Port Royal Sound, which he named "Hilton's Head" after himself. The island features 12 miles (19 km) of beachfront on the Atlantic Ocean and is a popular vacation destination. In 2004, an estimated 2.25 million visitors pumped more than \$1.5 billion into the local economy. The year-round population was 33,862 at the 2000 census, although during the peak of summer vacation season the population can swell to 275,000. Over the past decade, the island's population growth rate was 32%.

The island has a rich history that started with seasonal occupation by native Americans thousands of years ago, and continued with European exploration and the Sea Island Cotton trade. It became an important base of operations for the Union blockade of the Southern ports during the Civil War. Once the island fell to Union troops, hundreds of ex-slaves flocked to Hilton Head, which is still home to many 'native islanders', many of whom are descendants of freed slaves known as the Gullah (or Geechee) who have managed to hold onto much of their ethnic and cultural identity.

The Town of Hilton Head Island incorporated as a municipality in 1983 and is well known for its "eco-friendly" development. The town's Natural Resources Division enforces the Land Management Ordinance which minimizes the impact of development and governs the style of buildings and how they are situated amongst existing trees. As a result, Hilton Head Island enjoys an unusual amount of tree cover relative to the amount of development. Approximately 70% of the island, including most of the tourist areas, is located inside gated communities. However, the town maintains several public beach access points, including one for the exclusive use of town residents, who have approved several multi-million dollar land-buying bond referendums to control commercial growth.

Hilton Head Island offers an unusual number of cultural opportunities for a community its size, including Broadway-quality plays at the Arts Center of Coastal Carolina, the 120-member full chorus of the Hilton Head Choral Society, the highly-rated Hilton Head Symphony Orchestra, the largest annual outdoor, tented wine tasting event on the east coast, and several other annual community festivals. It also hosts the Heritage Golf Classic, a stop on the PGA Tour which is played on the Harbour Town Golf Links in Sea Pines Resort.

¹ Wikipedia

Early history

An ancient Shell Ring can be seen near the east entrance to the Sea Pines Forest Preserve. The ring, one of only 20 in existence, is 150 feet (46 m) in diameter and is believed to be over 10,000 years old. Archeologists believe that the ring was a refuse heap, created by Native Americans that lived in the interior of the ring, which was kept clear and used as a common area. Two other shell rings on Hilton Head were destroyed when the shells were removed and used to make tabby for roads and buildings. The Shell Ring is listed in the National Register of Historic Places and is protected by law.

Since the beginning of recorded history in the New World, the waters around Hilton Head Island have been known, occupied and fought for in turn by the English, Spanish, French, and Scots.

A Spanish expedition led by Francisco Cordillo explored the area in 1521, initiating European contact with local tribes.

In 1663, Captain William Hilton sailed on the *Adventure* from Barbados to explore lands granted by King Charles II of England to the eight Lords Proprietor. In his travels, he identified a headland near the entrance to Port Royal Sound. He named it "Hilton's Head" after himself. He stayed for several days, making note of the trees, crops, "sweet water" and "clear sweet air".

In 1698, Hilton Head Island was granted as part of a barony to John Bayley of Ballingclough, County of Tipperary, Kingdom of Ireland. Another John Bayley, son of the first, appointed Alexander Trench as the island's first retail agent. For a time, Hilton Head was known as Trench's Island. In 1729, Trench sold some land to John Gascoine which Gascoine named "John's Island" after himself. The land later came to be known as Jenkin's Island after another owner.

In 1788, a small Episcopal church called the Zion Chapel of Ease was constructed for plantation owners. The old cemetery, located near the corner of William Hilton Parkway and Mathews Drive (Folly Field), is all that remains. Charles Davant, a prominent island planter during the Revolutionary War, is buried there. He was shot by Captain Martinangel of Daufuskie Island in 1781. It is also home to the oldest intact structure on Hilton Head Island, the Baynard Mausoleum, which was built in 1846.

William Elliott II of Myrtle Bank Plantation grew the first crop of Sea Island Cotton in South Carolina on Hilton Head Island in 1790.

Fort Walker was a Confederate fort in what is now Port Royal Plantation. The fort was a station for Confederate troops, and its guns helped protect the 2-mile (3 km) wide entrance to Port Royal Sound, which is fed by two slow-moving and navigable rivers, the Broad River and the Beaufort River. It was vital to the Sea Island Cotton trade and the southern economy. On October 29, 1861, the largest fleet ever assembled in North America moved south to seize it. In the Battle of Port Royal, the fort came under attack by the U.S. Navy, and on November 7, 1861, it fell to over 12,000 Union troops. The fort would be renamed Fort Welles, in honor of Gideon Welles, the Secretary of the Navy.

Hilton Head Island would have tremendous significance in the Civil War, becoming an important base of operations for the Union blockade of the Southern ports, particularly Savannah and Charleston. The Union would also build a military hospital on Hilton Head Island with a 1,200-foot (370 m) frontage and a floor area of 60,000 square feet (6,000 m²).

Hundreds of ex-slaves flocked to Hilton Head Island, where they could buy land, go to school, live in government housing, and serve in what was called the First Regiment of South Carolina Volunteers (although in the beginning, many were "recruited" at the point of a bayonet). A community called Mitchelville (in honor of General Ormsby M. Mitchel) was constructed on the north end of the island to house them.

The Leamington Lighthouse was built in the 1870s on the southern edge of what is now Palmetto Dunes.

On August 27, 1893, the Sea Islands Hurricane made landfall near Savannah, Georgia, with a storm surge of 16 feet (5 m) and swept north across South Carolina, killing over a thousand and leaving tens of thousands homeless.

20th century

An experimental steam cannon guarding Port Royal Sound was built around 1900 in what is now Port Royal Plantation. The cannon was fixed but its propulsion system allowed for long range shots for the time.

In 1931, Wall Street tycoon, physicist, and patron of scientific research, Alfred Lee Loomis along with his brother-in-law and partner, Landon K. Thorne, purchased 17,000 acres (69 km²) on the island (over 63% of the total land mass) for about \$120,000 to be used as a private game reserve.

On the Atlantic coast of the island are large concrete gun platforms that were built to defend against a possible invasion by the Axis powers of World War II. Platforms like these can be found all along the eastern seaboard.

The Mounted Beach Patrol and Dog Training Center on Hilton Head Island trained U.S. Coast Guard Beach Patrol personnel to use horses and dogs to protect the southeastern coastline of the U.S.

In the early 1950s, three lumber mills contributed to the logging of 19,000 acres (77 km²) of the island. The island population was only 300 residents. Prior to 1956, access to Hilton Head was limited to private boats and a state-operated ferry. The island's economy centered on ship building, cotton, lumbering, and fishing.

The James F. Byrnes Bridge was built in 1956. It was a two-lane toll swing bridge constructed at a cost of \$1.5 million that opened the island to automobile traffic from the mainland. The swing bridge was hit by a barge in 1974 which shut down all vehicle traffic to the island until the Army Corps of Engineers built and manned a pontoon bridge while the bridge was being repaired. The swing bridge was replaced by the current four-lane bridge in 1982.

The beginning of Hilton Head as a resort started in 1956 with Charles Fraser developing Sea Pines Resort. Soon, other developments followed, such as Hilton Head Plantation, Palmetto Dunes Plantation, Shipyard Plantation, and Port Royal Plantation, imitating Sea Pines' architecture and landscape. Sea Pines however continued to stand out by creating a unique locality within the plantation called Harbour Town, anchored by a recognizable lighthouse. Fraser was a committed environmentalist who changed the whole configuration of the marina at Harbour Town to save an ancient live oak. It came to be known

as the Liberty Oak, known to generations of children who watched singer and song writer Gregg Russell perform under the tree for over 25 years. Fraser was buried next to the tree when he died in 2002.

The Heritage Golf Classic was first played in Sea Pines Resort in 1969, and has been a regular stop on the PGA Tour ever since.

Also in 1969, the Hilton Head Island Community Association successfully fought off the development of a BASF chemical complex on the shores of Victoria Bluff (now Colleton River Plantation). Soon after, the association and other concerned citizens "south of the Broad" fought the development of off-shore oil platforms by Brown & Root (a division of Halliburton) and ten-story tall liquefied natural gas shipping spheres by Chicago Bridge & Iron. These events helped to polarize the community, and the Chamber of Commerce started drumming up support for the town to incorporate as a municipality. After the Four Seasons Resort (now Hilton Head Resort) was built along William Hilton Parkway, a referendum of incorporation was passed in May 1983. Hilton Head Island had become a town.

The Town of Hilton Head Island has jurisdiction over the entire island except Mariner's Cove, Blue Heron Point, and Windmill Harbor.

The Land Management Ordinance was passed by the Town Council in 1987. Disney's Hilton Head Island Resort opened in 1996. The Cross Island Parkway opened in January 1997. An indoor smoking ban in bars, restaurants, and public places took effect on May 1, 2007.

Geography

Hilton Head Island is often referred to as the second largest barrier island on the eastern seaboard after Long Island (which is not actually a barrier island but two glacial moraines). Technically, Hilton Head Island is only half barrier island. The north end of the island is a sea island dating to the Pleistocene epoch, and the south end is a barrier island that appeared as recently as the Holocene epoch. Broad Creek, which is actually a land-locked tidal marsh, separates the two halves of the island.

The terrain of a barrier island is determined by a dynamic beach system with offshore bars, pounding surf, and shifting beaches; as well as grassy dunes behind the beach, maritime forests with wetlands in the interiors, and salt or tidal marshes on the lee side, facing the mainland. A typical barrier island has a headland, a beach and surf zone, and a sand spit.

Climate

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Average high °F	60	63	69	75	82	86	89	88	84	77	70	62	75
Average low °F	40	43	49	55	63	71	74	73	69	59	50	43	57
Precipitation inches	4.0	3.3	3.4	3.2	2.0	4.5	6.3	7.6	5.8	4.6	2.6	3.1	50.4
Average high °C	16	17	21	24	28	30	32	31	29	25	21	17	24
Average low °C	4	6	9	13	17	22	23	23	21	15	10	6	14
Precipitation cm	10	8	9	8	5	11	16	19	15	11	6	8	126

Wildlife

The Hilton Head Island area is home to a vast array of wildlife, including alligators, deer, Loggerhead Sea Turtles, manatee, hundreds of species of birds, and dolphins.

The Coastal Discovery Museum, in conjunction with the South Carolina Department of Natural Resources, patrols the beaches from May through October as part of the Sea Turtle Protection Project. The purpose of the project is to inventory and monitor nesting locations, and if necessary, move them to more suitable locations. During the summer months, the museum sponsors the Turtle Talk & Walk, which is a special tour designed to educate the public about this endangered species. To protect Loggerhead Sea Turtles, a town ordinance stipulates that artificial lighting must be shielded so that it cannot be seen from the beach, or it must be turned off by 10:00 p.m. from May 1 to October 31 each year.

The waters around Hilton Head Island are one of the few places on Earth where dolphins routinely use a technique called "strand feeding" whereby schools of fish are herded up onto mud banks, and the dolphins lie on their side while they feed before sliding back down into the water.

The salt marsh estuaries of Hilton Head Island are the feeding grounds, breeding grounds, and nurseries for many saltwater species of game fish, sport fish, and marine mammals. The dense plankton population gives the coastal water its "murky" brown-green coloration.

Plankton support marine life including oysters, shrimp and other invertebrates, and bait-fish species including Menhaden and Mullet, which in turn support larger fish and mammal species that populate the local waterways. Popular sport fish in the Hilton Head Island area include the Red Drum (or Spot Tail Bass), Spotted Sea Trout, Sheepshead, Cobia, Tarpon, and various shark species.

Where is Hilton Head Island?



Hilton Head Island at a Glance

Demographic Information

Population	
2001	34,056
2002	34,626
2003	34,599
2004	34,633
2005	34,817
2006	34,368
2007	34,140
2008	34,243
2009 (estimate)	34,249
2010 Census	37,099
2011 (estimate)	37,675
Median Age	46.0
Number of Households	16,810
Average Persons per Household	2.16
Average Family Size	2.32
Per Capita Income	\$45,195
Racial Composition	
White	82.9%
Black or African American	7.5%
American Indian, Alaskan Native	0.2%
Asian	0.9%
Other	8.5%
Hispanic Ethnicity	15.8%
Land Use	
Land Area	54 sq. miles
Miles of Beach	13
Tourism	
Monthly Peak	
Summer Population	150,000

Total Annual Visitors	2.5 million
Annual Visitor Expenditures	\$1.7 billion

General Information

Property Tax Millage Rate:

General Fund (Operating)	12.57
Voter Approved Debt	6.01
Capital Projects Fund (CIP)	.75

Total Millage Rate	19.33
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Bond Ratings:

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

FY 2013 Budget	\$61,984,891
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Total Town Staff (FTEs)	249.10
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Recreation and Culture

Public Tennis Clubs	7
Tennis Courts Public and Private	300

Public Recreation Facilities

Active Recreation	3
Beach Access/Parks	7
Pools	1

Arts Center	1
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Number of Libraries	2
Number of Museums	1
Number of Nature Preserves	3
Number of Marinas	8

Golf Course in Town Limits (non-municipal)	23
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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 5,100 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.

Property Sold Through Real Estate Agents³

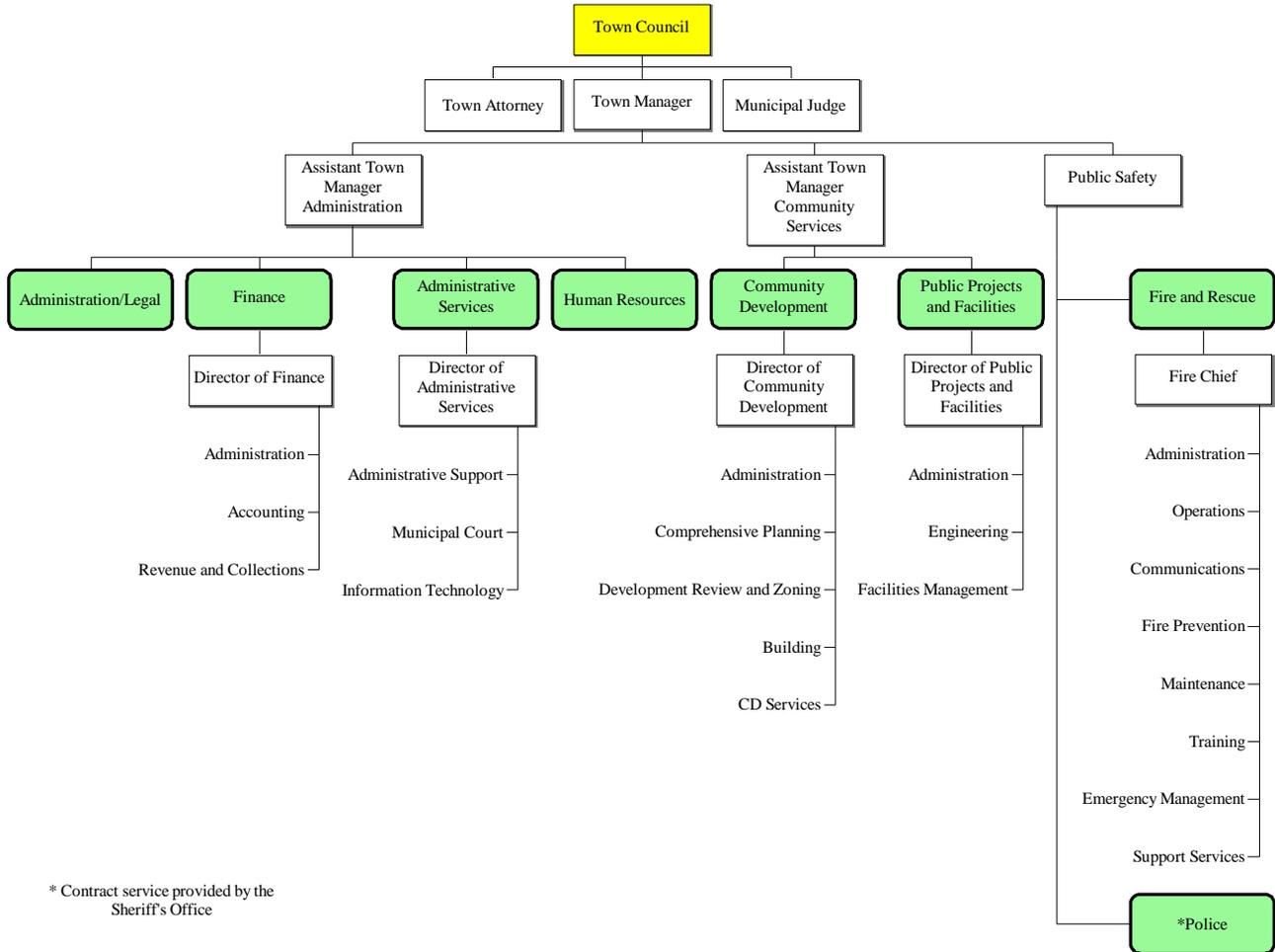
	2007	2008	% Change	2009	% Change	2010	% Change	2011	% Change
Homes Sold	694	538	-22.5%	550	2.2%	611	11.1%	671	9.8%
Average Price	\$ 1,018,686	\$ 852,501	-16.3%	\$ 725,504	-14.9%	\$ 669,689	-7.7%	\$ 654,525	-2.3%
Villas Sold	627	476	-24.1%	510	7.1%	725	42.2%	747	3.0%
Average Price	\$ 395,179	\$ 393,936	-0.3%	\$ 261,202	-33.7%	\$ 230,090	-11.9%	\$ 220,030	-4.4%
Lots Sold	73	34	-53.4%	47	38.2%	83	76.6%	103	24.1%
Average Price	\$ 515,938	\$ 438,244	-15.1%	\$ 434,755	-0.8%	\$ 204,834	-52.9%	\$ 216,698	5.8%

² Hilton Head Island Chamber of Commerce

³ hhsleinfo.com

General Information

Town Organizational Chart



* Contract service provided by the Sheriff's Office

Budget Calendar and Map

Budget Calendar

January 20, 2012	Budget kick-off departmental budget packages distributed
February 29, 2012	Department budget package due to Finance
April 9-13, 2012	Proposed budget is reviewed by the Town Manager and Department Heads
May 1, 2012	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 1–June 5, 2012	Town Council workshops
June 12, 2012	Public hearing; revised first reading of the budget ordinance by Town Council
June 19, 2012	Second and final reading of budget

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 administrative services, sheriff/other public safety, fire, community services, and public projects and facilities.

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

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

Fund Financial Statements (CAFR) (continued)

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

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

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

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

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

Real Estate Transfer Fee Fund. 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.

Fund Financial Statements (CAFR) (continued)

Real Estate Transfer Fee Fund (continued).

These funds are used (a) to acquire fee and less than fee interest in land while it is still available to be held in perpetuity as wildlife preserves or believed to be needed by the public in the future for active and passive recreation uses and scenic easements, to include the following types of land: ocean, harbor and pond frontage in the form of beaches, dunes and adjoining backlands; barrier beaches; fresh and saltwater marshes and adjoining uplands; land for bicycle paths; land protecting existing and future; public water supply, well fields, highway buffering and aquifer recharge areas; and land for wildlife preserves; and land for future public recreational facilities and (b) to acquire already developed land or development rights in order to convert its use to a public use, to restore the property to open space, or to redefine that property in accordance with the town's current comprehensive plan and dispose of it as soon as possible.

The Town reports 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.

The Town reports the following enterprise {proprietary} fund:

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

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.

Measurement Focus and Basis of Accounting (continued)

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

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

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.

Investments (continued)

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 that are set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

Capital Assets and Depreciation

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

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

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where costs cannot be determined from the available records, estimated historical costs have been used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair value at the date of acquisition. 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
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 criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee reaches retirement eligibility. In accordance with GASB no liability is recorded for non-vesting accumulative rights to receive sick pay benefits.

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

Long-Term Obligations

In the government-wide financial statements, 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 face 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. The State Accommodations Fund budget is adopted by Town Council some time after the start of the fiscal year. The FY 2013 budget also includes special revenue fund budgets as well. Special revenue funds are used to fund expenditures in the three major funds. The Town's special revenue funds are tax increment financing (TIF), beach preservation fees, hospitality tax, Palmetto Electric franchise fees, and real estate transfer fees (RETF.)

The Town Manager submits to Town Council a proposed operating budget for the General Fund, Debt Service Fund, Capital Projects Fund (CIP), and the Stormwater Utility 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, Capital Projects Fund (CIP), and the Stormwater Utility.

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 and basis of accounting. All appropriations lapse at year end; however, encumbrances and amounts specifically designated to be carried forward to the subsequent year are re-appropriated in the following year.

Financial Policies

Revenues

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

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

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

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

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

Expenditures/Expenses

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

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

Expenditures/expenses (continued)

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

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

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

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

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

Expenditure forecasts for the General Fund for the next three 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.

Capital Improvement Plan (CIP) (continued)

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:

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

Financial Reserves/Bond Ratings

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

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

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

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

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

Debt Management Policies

Market Review

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

Debt Management Policies (continued)

Debt Issuance

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

The Town may confine long-term borrowing to capital improvements and projects that have lives of 4-50 years.

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

Debt Service Levels

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

Based on the estimated total assessed value of \$918,193,000 the legal debt margin for the Town of Hilton Head Island is \$73,455,440. Town Council has imposed an 80% cap which further limits this to \$58,764,352. The Town has \$5,005,000 in bonds issued at June 30, 2012, which are applicable to this cap, leaving \$53,759,352 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. A report shall be given each year to Town Council, at the close of the fiscal year, identifying the potential excess funds that could be transferred.

Disaster Planning Reserves/Policies (continued)

Restricted for Advertising

The Town shall maintain a Restricted Advertising Account for the purpose of having ready access to funds for special advertising needs in cases of a) a near miss of a hurricane, b) for advertising in response to a declared disaster, c) for other such targeted advertising needs as determined by Council on a case-by-case basis, and d) for supplemental annual tourism advertising.

The Town shall deposit two percent (2%) of the local hospitality tax revenues and five percent (5%) of the local accommodations tax revenues collected annually into the Restricted for Advertising account. Annual interest earned shall be deposited into the account. The Town will maintain at least one million dollars in the account. Deposits into this account shall first be used to replenish the Restricted Advertising Account to a minimum of one million dollars if the account has fallen below that threshold.

Funds may be distributed as follows:

- A. The Town Manager may authorize advertising expenditures associated with responding to a near miss or declared disaster and are the only expenditures authorized to take the account below one million dollars.
- B. Following a vote of Town Council, funds may be distributed for other such targeted advertising needs as approved. In no case shall such a release of funds for such purposes take the account below one million dollars.
- C. At the end of each fiscal year, the Town Manager shall review the amounts deposited into and distributed from the account for that year. Any remaining amount above one million dollars shall be made available to the Town's designated tourism promotion agency for supplemental tourism advertising during the subsequent fiscal year.

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.

Disaster Planning Reserves/Policies (continued)

- 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:

1. Temporary non-residential occupancy of structures ordinance – This is an emergency ordinance to allow the use of manufactured modular structures as temporary replacement structures for local businesses.
2. Temporary housing ordinance – This is an emergency ordinance to allow the use of manufactured homes and travel trailers as temporary residences.
3. Declaration of local state of emergency (resolution).
4. The Town of Hilton Head Island succession list in the event of a disaster (resolution).
5. If necessary, the Town will adopt an emergency reimbursement resolution to provide immediate access to funds in the event of a disaster.
6. In an effort to expedite disaster recovery efforts, the Town currently has a contract in place 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 establish departmental goals, objectives and performance measures corresponding to the goals, objectives and specific actions established by Town Council.

Format of Department Budgets

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

Mission Statement

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

Core Services

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

Current Fiscal Year Accomplishments

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

Format of Department Budgets (continued)

Goals

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

Objectives

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

Performance Measures (not all departments report this information)

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

2. Department Expenditures by Division and Category

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

Categories of expenditures are as follows:

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

Operating – contract 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.

Approach to the Budget Review Process (continued)

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

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

The Director of Finance, in conjunction with the Deputy Director of Finance and Department Directors, develops the revenue budget.

The Debt Service Budget is developed in accordance with legal bond requirements.

The Stormwater (Proprietary) Fund budget is developed in conjunction with two of the Town's major governmental funds (General Fund, Capital Projects Fund). Revenue projections are developed along with any proposed rate increase necessary to support the funding of capital improvements, debt service costs, and project management costs charged by the General Fund.

The Finance Department staff consolidates the operating budgets for the Town's three major governmental funds: General Fund, Debt Service Fund, and Capital Projects Fund/CIP; as well as the Stormwater (Proprietary) Fund budget into the Town's upcoming fiscal year business plan. In addition, a three-year financial forecast is created for the General Fund and incorporated into its upcoming fiscal year business plan.

Budget Approval Process

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

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

Monitoring the Budget

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

Budget Transfers, Amending the Budget and Encumbrances

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

- a. Make any budget line item transfer within a department in the General Fund.
- b. Transfer up to One Hundred Thousand Dollars (\$100,000) between departments in the General Fund.
- c. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Capital Projects Fund.
- d. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the 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.

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 – Governmental Funds

Introduction

The Fiscal Year 2013 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.

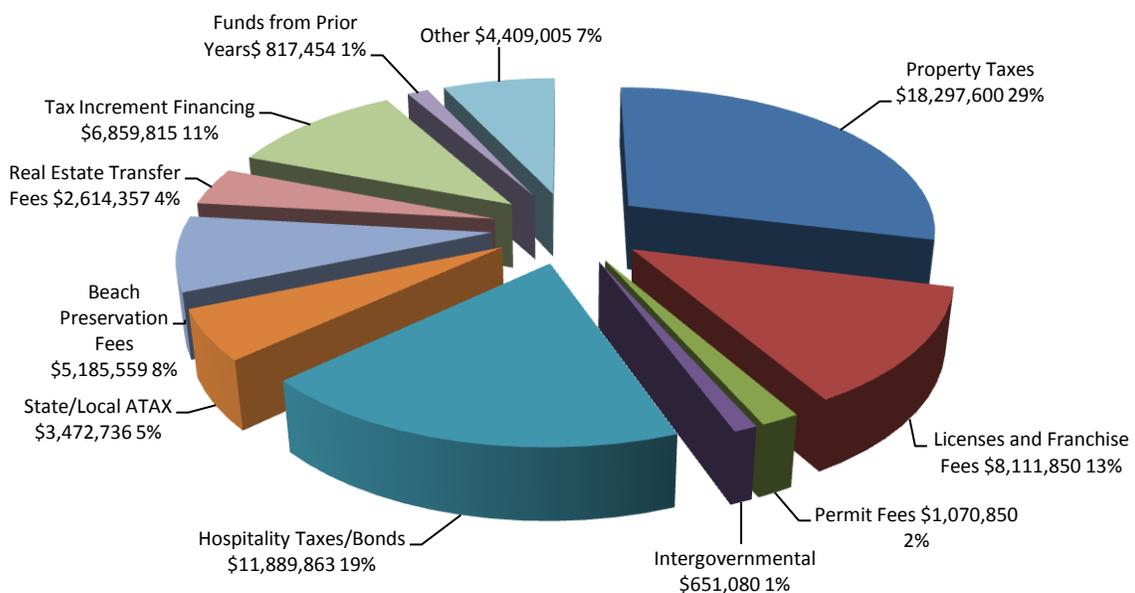
Fiscal Year 2013 Combined Budget Governmental Funds

The combined Fiscal Year 2013 budgeted expenditures for the three major funds is \$61,984,891. This represents a decrease of \$38.5 million or 38.0% compared to the Fiscal Year 2012 budget. The General Fund budget decreased by \$415,062 or 1.2%, the Debt Service Fund budget decreased by \$22.2 million or 58.3%, and the Capital Projects Fund (CIP) budget decreased by \$15.8 million or 55.1%.

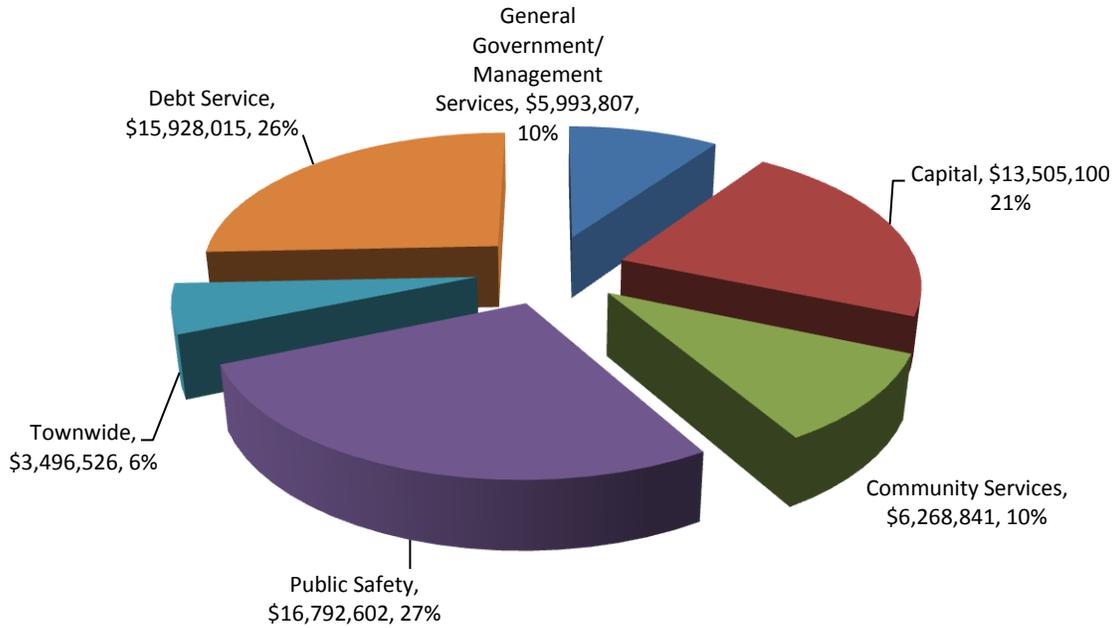
The Fiscal Year 2013 budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures. In the General Fund the Town will use \$817,454 in reserve funds (fund balance) to balance the budget. Sufficient funds exist in the General Fund reserves for this purpose.

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.

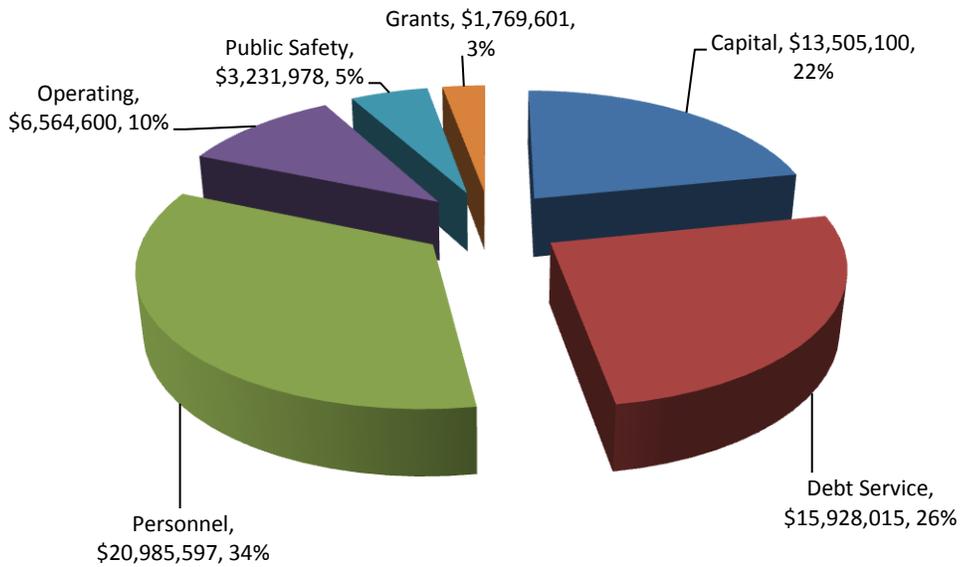
ALL FUNDS - WHERE THE MONEY COMES FROM



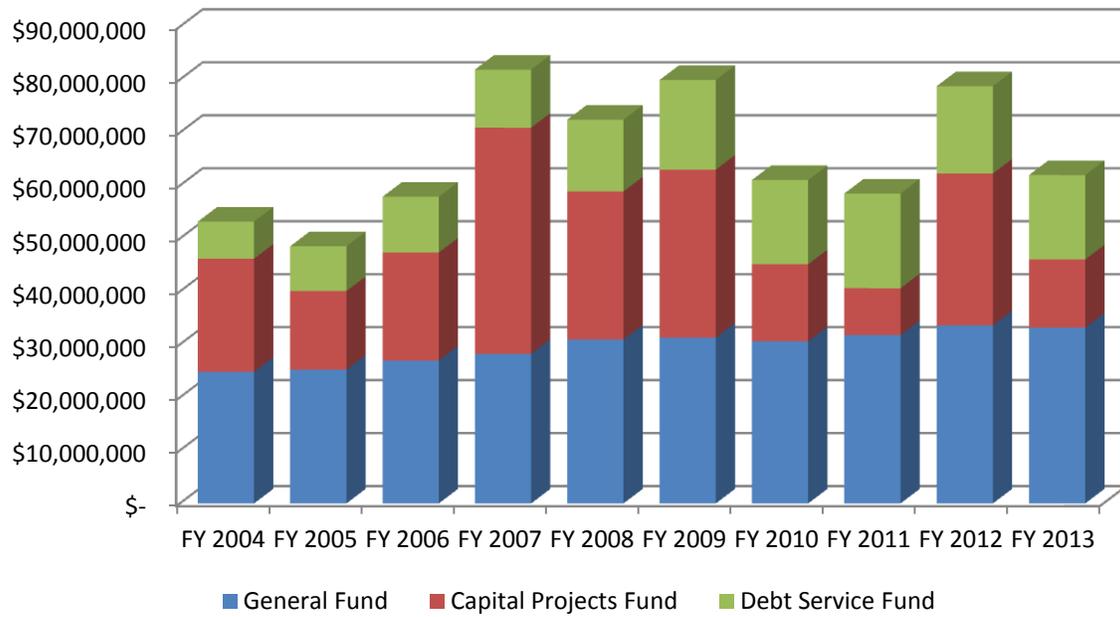
ALL FUNDS - WHERE THE MONEY GOES BY PROGRAM



ALL FUNDS - WHERE THE MONEY GOES BY CATEGORY



Trend Analysis of Expenditures by Fund



Note: FY 2004 through FY 2011 are actual, and FY 2012 and FY 2013 are budget figures. Also, excludes debt refunding.

Revenues and Expenditures - General Fund, Debt Service Fund, and Capital Projects Fund (CIP) Analysis - Historical, Estimated Actual, and Budget

Revenues					
Property Taxes	\$ 16,189,800	\$ 17,145,943	\$ 17,236,337	\$ 17,938,830	\$ 18,297,600
Other Taxes/Fees	8,592,108	6,777,170	2,878,752	3,189,525	3,807,500
Business Licenses and Franchise Fees	8,067,195	7,884,950	7,634,210	8,211,500	8,111,850
Permits	853,962	886,381	954,419	874,000	1,070,850
Intergovernmental	1,309,391	1,199,622	752,988	651,080	651,080
Investment Income	506,991	185,361	147,886	60,688	60,000
Miscellaneous	3,684,239	4,743,976	3,229,350	3,344,345	2,533,084
Total	\$ 39,203,686	\$ 38,823,403	\$ 32,833,942	\$ 34,269,968	\$ 34,531,964
Expenditures					
General Government	\$ 1,100,621	\$ 1,044,477	\$ 1,119,830	\$ 1,207,252	\$ 1,055,696
Management Services	4,563,007	4,497,250	4,998,553	5,123,645	5,502,211
Community Services	6,157,872	6,004,546	5,740,199	6,291,223	6,268,841
Public Safety	16,836,081	16,161,922	16,174,377	16,671,451	16,867,102
Townwide	2,397,182	2,662,133	4,072,930	4,311,867	3,496,526
Capital	27,422,994	11,243,851	8,479,627	27,261,873	12,866,500
Debt Service	16,922,725	15,895,040	16,873,656	16,037,742	15,928,015
Total	\$ 75,400,482	\$ 57,509,219	\$ 57,459,172	\$ 76,905,053	\$ 61,984,891
Sub-Total Excess/(Deficiency) of Revenues Over Expenditures	\$ (36,196,796)	\$ (18,685,816)	\$ (24,625,230)	\$ (42,635,085)	\$ (27,452,927)
Other Financing Sources (Uses)					
Bond Issue/Other	(50,000)	11,912,148	-	12,703,035	4,947,000
Operating Transfers In	22,593,584	13,734,996	18,231,094	26,938,367	23,083,750
Total Other Financing Sources (Uses)	22,543,584	25,647,144	18,231,094	39,641,402	28,030,750
Total Excess/(Deficiency) of Revenues Over Expenditures	\$ (13,653,212)	\$ 6,961,328	\$ (6,394,136)	\$ (2,993,683)	\$ 577,823

Budget Highlights

Some of factors impacting the budget are:

Revenues:

- Property tax revenue for all three funds will increase by \$358,770 primarily due to improved collections at the County level.
- It is anticipated revenue from business licenses will increase by \$142,475 primarily due to an overall positive trend in business activity. (General Fund)
- Franchise fee revenue will increase slightly due to (1) an anticipated increase in cable franchise revenues of \$14,100 and (2) the franchise fee for recycling that is expected to generate an additional \$2,000 in revenue. (General Fund)

Budget Highlights (continued)

Revenues (continued):

- \$6.9 million of hospitality tax revenue will be used to fund various General Fund expenditures, debt service payments, and various capital projects.
- \$2.6 million of real estate transfer fees will be used to fund debt service payments associated with bonds issued for land acquisition.
- \$5.2 million of beach preservation fee revenue will be used to fund various General Fund expenditures, debt service payments, and various capital projects.
- \$6.9 million of TIF funds will be used to fund various project management expenditures in the General Fund, debt service payments, and various capital projects.

Expenditures:

Personnel (General Fund)

Salaries – \$130,249 less than last fiscal year (0.9% decrease)

Overtime – \$34,900 more than last fiscal year (6.2% increase)

Retirement – \$77,293 more than last fiscal year (4.6% increase)

Benefits – \$211,864 more than last fiscal year (9.8% increase)

Workers Compensation – \$21,773 more than last fiscal year (8.6% increase)

Operating (General Fund)

Legal/Professional Services – \$210,570 less than last fiscal year (29.1% reduction)

Note: included in the FY 2012 budget was a one-time funding for (1) the re-write of the Land Management Ordinance (\$200,000) and (2) a business license rate study of \$30,000

Travel/Meetings & Conferences – \$21,170 more than last fiscal year (8.1% increase)

Utilities – \$10,880 more than last fiscal year (8.8% increase)

Fuel - \$25,000 more than last fiscal year (13.9% increase)

Maintenance Contracts – \$3,626 more than last fiscal year (0.1% increase)

Other Operating – \$126,797 less than last fiscal year (7.7% decrease)

Public Safety (General Fund)

Sheriff's Office – \$101,620 more than last fiscal year (3.7% increase)

Beach Services – \$4,895 more than last fiscal year (2.4% increase); additional funding is being provided for recycling on the beach

Budget Highlights (continued)

Expenditures (continued):

Grants (General Fund)

- Recreation Association – \$629,278; \$12,338 (2.0%) increase from last fiscal year
- Heritage Classic Foundation - \$620,156; \$120,156 (24%) increase from last fiscal year
- Coastal Discovery Museum – \$75,000; same as last fiscal year
- Sea Turtle Project – \$29,900; same as last fiscal year
- Palmetto Breeze – \$175,000; same as last fiscal year
- Drug Court – \$48,500; same as last fiscal year
- Career Criminal Program – \$35,000; same as last fiscal year
- Public Art – Community Foundation – \$37,500; this grant is funded with Sunday Liquor Permit Fees

Debt Service

There is a \$109,727 decrease in debt service payments over last fiscal year.

Major Capital Projects

Fire Station No. 6 replacement – \$3.2 million

Mathews Drive/Marshland Road roundabout – \$1.1 million

Leamington/Fresh Market Shoppes roadway improvements – \$1.1 million

Rowing & Sailing Center - \$700,000

US 278 pathways (Wexford Circle to Fresh Market Shoppes) - \$660,000

Leg O’Mutton Road pathways - \$560,000

Property Taxes - All funds

Current Property taxes

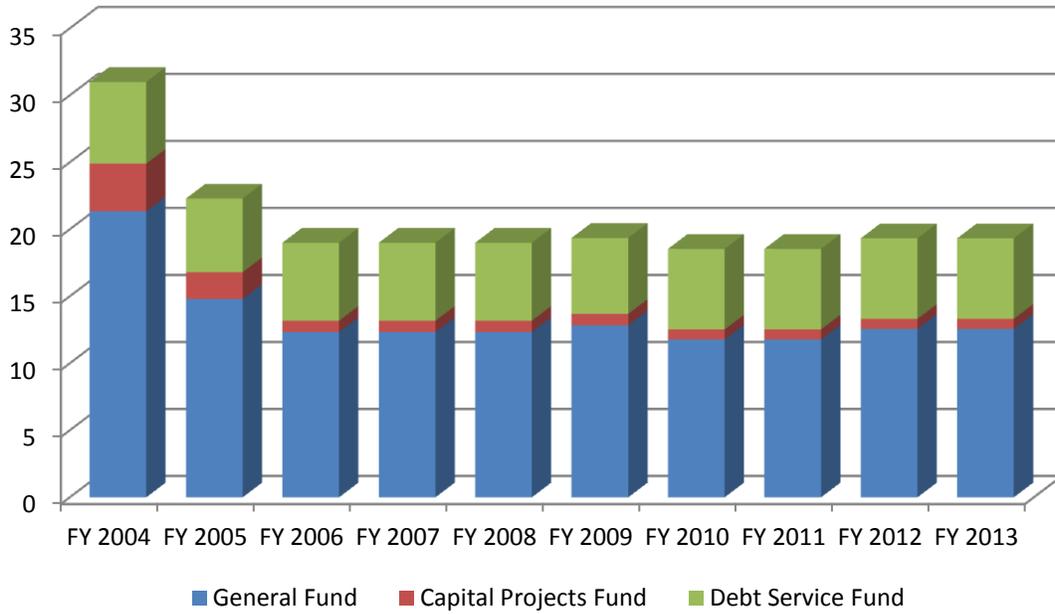
An ad valorem property tax, a tax per unit of property value, is levied upon all real property and certain classes of tangible property as that property is assessed and equalized for State and County purposes for any tax year. The property tax is authorized by the South Carolina Code of Laws (SC Code), 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 - All funds (continued)

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 2013, 12.57 mils will be paid to the General Fund (65% of levy), .75 mils to the Capital Projects Fund (4% of levy), and 6.01 mils (31% of levy) will be used for the retirement of debt. The Total Town millage rate is **19.33**.



Town Staffing

	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Variance</u>
<u>General Government</u>					
Town Council	7.00	7.00	7.00	7.00	-
Town Manager	5.00	5.00	5.00	4.00	(1.00)
<u>Management Services</u>					
Administration/Legal	26.50	26.50	26.00	26.00	-
Finance	19.00	18.00	18.00	18.00	-
<u>Community Services</u>					
Community Development	32.00	30.00	27.00	27.00	-
Public Projects and Facilities	21.00	22.00	20.00	20.00	-
PPF Stormwater Fund	-	-	2.00	2.00	-
<u>Public Safety</u>					
Fire and Rescue	147.10	147.10	147.10	145.10	(2.00)
TOTAL	<u><u>257.60</u></u>	<u><u>255.60</u></u>	<u><u>252.10</u></u>	<u><u>249.10</u></u>	<u><u>(3.00)</u></u>

Staffing Reductions

- Elimination one of the two Assistant Town Manager positions
- Elimination of the Fire & Rescue Emergency Planner and the Maintenance Supervisor

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 2013 (General Fund)

Department	Personnel	Operating	Capital/Debt	Grants	Total Expenses
Town Council	\$ 84,978	\$ 361,750			\$ 446,728
Town Manager	583,968	25,000			608,968
Administration/Legal	3,759,958	1,178,153	564,100		5,502,211
Community Development	2,463,521	195,973			2,659,494
Public Projects and Facilities	1,667,959	1,941,389			3,609,348
Fire and Rescue	12,204,833	1,361,790	68,500		13,635,123
Sheriff/Other Public Safety	-	3,225,978	6,000		3,231,978
Non-Departmental (Townwide)	220,380	1,506,545	-	1,769,601	3,496,526
Totals	\$ 20,985,597	\$ 9,796,578	\$ 638,600	\$ 1,769,601	\$ 33,190,376

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

	2009	2010	2011	2012		2013		
				Revised	Estimated	FY 2013 Budget	% change	
				Budget	Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Property Taxes	10,715,950	10,920,696	10,956,179	11,701,330	11,701,330	11,935,350	2%	2%
ATAX Local 1%	2,150,536	2,012,520	2,416,264	2,250,000	2,340,200	2,387,000	6%	2%
Business Licenses:								
Business Licenses - Town	3,426,852	3,382,398	2,833,347	3,400,000	2,975,000	3,034,500	-11%	2%
Business Licenses - MASC	4,032,206	3,721,101	4,067,077	4,000,000	4,148,400	4,231,375	6%	2%
Franchise Fees:								
Cable	586,852	760,735	691,914	690,000	705,750	719,850	4%	2%
Beach Fee	21,285	20,716	23,200	21,500	23,650	24,125	12%	2%
Recycling	-	-	18,672	100,000	100,000	102,000	2%	2%
Permit Fees:								
Construction	194,387	175,884	247,415	190,000	272,150	277,600	46%	2%
Development	10,883	4,067	5,526	4,000	6,075	6,200	55%	2%
Other	648,692	706,430	701,478	680,000	771,625	787,050	16%	2%
Intergovernmental	1,054,891	884,672	752,988	651,080	651,080	651,080	0%	0%
Grants:								
Beaufort County - Hazmat	11,677	11,677	11,677	11,680	11,677	11,680	0%	0%
Beaufort County - E911	113,563	122,828	106,760	115,000	115,000	115,000	0%	0%
DHEC	5,556	7,293	4,710	6,000	6,000	6,000	0%	0%
FEMA	-	-	25,087	-	-	-	0%	0%
Red to Green Grant	-	-	1,498	-	-	-	0%	0%
FM Global Grant	-	-	2,000	-	-	-	0%	0%
Miscellaneous Revenue:								
Beach Services	188,060	178,247	206,040	185,000	210,150	214,350	16%	2%
Donations	6,125	120	-	1,000	1,000	1,000	0%	0%
Municipal Court	407,422	423,042	361,152	390,000	360,000	367,200	-6%	2%
Other	298,663	138,603	140,560	100,000	100,000	100,000	0%	0%
Public Safety - EMS	1,210,300	1,216,699	1,352,088	1,305,000	1,375,000	1,402,500	7%	2%
Public Safety - County D/T	206,205	203,536	203,000	53,000	53,000	54,060	2%	2%
Town Codes	3,446	995	453	1,000	500	500	-50%	0%
Victim's Assistance	70,045	70,471	57,045	70,000	58,000	59,160	-15%	2%
Transfers In:								
ATAX State	1,266,741	1,089,096	1,083,671	1,332,950	1,083,671	1,085,736	-19%	0%
Beach Preservation Fee	1,355,973	1,315,746	978,080	969,390	969,390	981,705	1%	1%
Electricity Franchise Fee	85,904	77,371	78,176	80,220	80,220	81,790	2%	2%
Hospitality Taxes	2,214,864	2,464,955	2,930,183	3,269,550	3,269,550	3,269,550	0%	0%
Stormwater Utility Fee	303,830	302,763	389,730	235,330	235,330	236,130	0%	0%
Sunday Liquor Permits	-	-	37,500	37,500	37,500	37,500	0%	0%
TIF	226,260	193,790	184,330	181,480	181,480	182,930	1%	1%
Investments	87,069	95,768	41,785	40,000	10,000	10,000	-75%	0%
Total Revenues	30,904,237	30,502,219	30,909,585	32,072,010	31,852,728	32,372,921	1%	2%

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

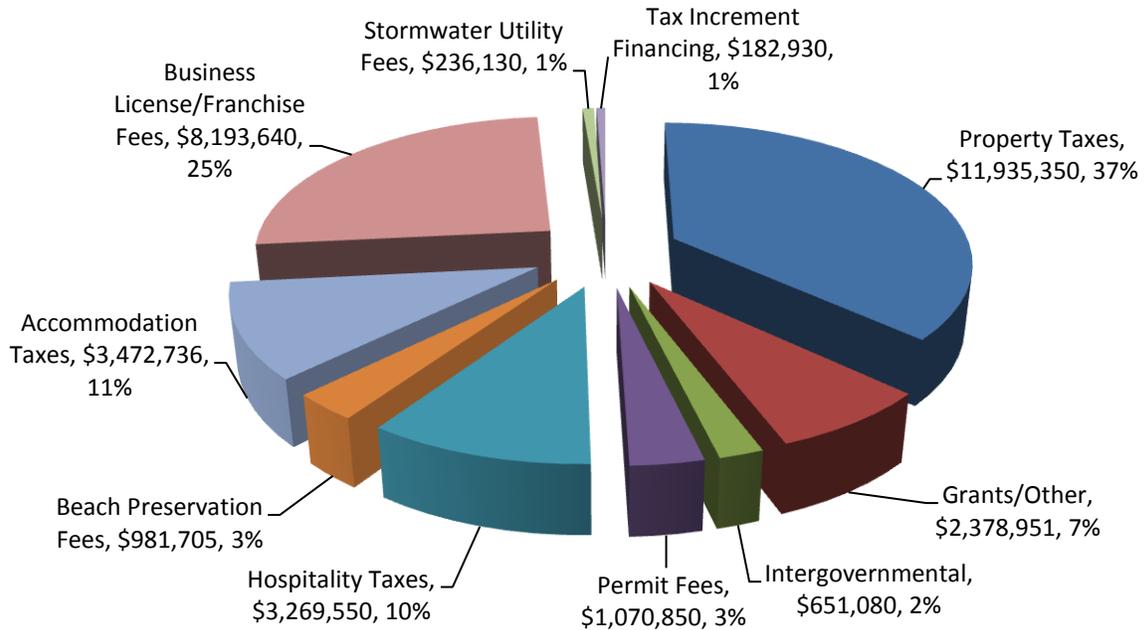
	2009	2010	2011	2012		2013		
				Revised	Estimated	FY 2013 Budget	% change	
				Budget	Actual		FY 2012 Budget	FY 2012 Est. Actual
<u>Expenditures</u>								
General Government:								
Town Council	355,705	292,601	484,500	461,279	435,829	446,728	-3%	3%
Town Manager	744,916	751,876	635,330	745,973	601,297	608,968	-18%	1%
Total General Government	1,100,621	1,044,477	1,119,830	1,207,252	1,037,126	1,055,696	-13%	2%
Management Services:								
Administration/Legal								
Legal	430,531	428,878	402,823	443,556	416,111	459,387	4%	10%
Administrative Services								
Administrative Support	215,541	193,428	219,840	220,181	211,113	240,590	9%	14%
Municipal Court	402,796	395,050	400,355	395,785	382,804	399,248	1%	4%
Information Technology	1,598,223	1,605,931	1,573,292	1,741,711	1,653,723	2,256,364	30%	36%
	2,216,560	2,194,409	2,193,487	2,357,677	2,247,640	2,896,202	23%	29%
Finance								
Administration	189,314	213,968	211,370	250,657	236,960	293,669	17%	24%
Accounting	660,880	565,988	589,794	638,177	545,946	601,147	-6%	10%
Revenue and Collections	566,623	659,308	700,325	877,044	570,664	712,643	-19%	25%
	1,416,817	1,439,264	1,501,489	1,765,878	1,353,570	1,607,459	-9%	19%
Human Resources	603,514	527,901	495,427	556,534	498,485	539,163	-3%	8%
Total Management Services	4,667,422	4,590,452	4,593,226	5,123,645	4,515,806	5,502,211	7%	22%
Community Services:								
Community Development								
Administration	545,247	541,226	548,302	682,189	606,591	698,000	2%	15%
Comprehensive Planning	379,969	356,859	367,135	351,917	352,065	367,445	4%	4%
Development, Review and Zoning	835,876	791,780	674,375	816,354	778,182	671,704	-18%	-14%
Building	759,928	667,371	603,692	616,591	614,716	640,594	4%	4%
CD Services	380,358	334,221	289,892	278,380	269,068	281,751	1%	5%
Total Community Development	2,901,378	2,691,457	2,483,396	2,745,431	2,620,622	2,659,494	-3%	1%
Public Projects and Facilities								
Administration	232,327	230,031	232,326	235,566	232,033	242,160	3%	4%
Engineering	646,190	719,746	643,071	684,936	695,327	701,813	2%	1%
Facilities Management	2,377,977	2,363,313	2,381,406	2,625,290	2,457,258	2,665,374	2%	8%
Total Public Projects and Facilities	3,256,494	3,313,090	3,256,803	3,545,792	3,384,618	3,609,347	2%	7%
Total Community Services	6,157,872	6,004,547	5,740,199	6,291,223	6,005,240	6,268,841	0%	4%

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

				2012		2013		
	2009	2010	2011	Revised	Estimated	FY 2013 Budget	% change	
				Budget	Actual		FY 2012 Budget	FY 2012 Est. Actual
Public Safety:								
Fire								
Administration	494,930	285,385	285,916	357,808	350,338	368,372	3%	5%
Operations	9,296,805	8,834,581	8,964,000	8,935,331	8,960,066	9,114,381	2%	2%
Fire Prevention	509,256	498,575	521,577	531,120	519,399	521,103	-2%	0%
Logistics/Maintenance	749,216	665,746	530,085	597,823	584,163	530,450	-11%	-9%
Communications	1,085,246	1,117,858	1,047,752	1,177,313	1,164,203	1,190,535	1%	2%
Training	605,888	586,398	625,232	667,754	668,516	698,246	5%	4%
Emergency Management	219,496	206,415	218,785	223,931	192,011	141,507	-37%	-26%
E911 Communications	199,145	229,093	232,346	253,321	254,389	270,277	7%	6%
Support Services	723,914	849,905	716,225	788,620	792,403	800,253	1%	1%
Total Fire & Rescue	13,883,896	13,273,956	13,141,918	13,533,021	13,485,488	13,635,124	1%	1%
Sheriff/Other Public Safety								
Police Services Contract	2,743,135	2,661,045	2,731,804	2,753,860	2,754,040	2,855,660	4%	4%
Beach Services	184,394	184,192	212,568	196,930	196,930	201,825	2%	2%
Stipend	124,950	124,950	121,800	130,000	115,000	115,000	-12%	0%
Victims' Rights	57,130	54,253	53,010	57,640	57,460	59,493	3%	4%
Total Sheriff/Other Public Safety	3,109,609	3,024,440	3,119,182	3,138,430	3,123,430	3,231,978	3%	3%
Total Public Safety	16,993,505	16,298,396	16,261,100	16,671,451	16,608,918	16,867,102	1%	2%
Townwide (non-departmental):								
Personnel	25,203	14,158	153,154	215,796	227,762	220,380	2%	-3%
Operating	1,013,801	1,242,722	1,465,515	1,553,531	1,427,646	1,506,545	-3%	6%
Grants	1,358,177	1,405,252	2,454,261	2,203,170	1,644,278	1,769,601	-20%	8%
Debt Service	-	-	-	339,370	-	-	-100%	0%
Total Townwide (non-departmental)	2,397,181	2,662,132	4,072,930	4,311,867	3,299,686	3,496,526	-19%	6%
Total Expenditures	31,316,601	30,600,004	31,787,285	33,605,438	31,466,776	33,190,376	-1%	5%
Net change in fund balances	(412,364)	(97,785)	(877,700)	(1,533,428)	385,952	(817,455)		
Fund balance - beginning	16,274,131	15,861,767	15,763,982	14,886,282	14,886,282	15,272,234		
Fund balance - ending	15,861,767	15,763,982	14,886,282	13,352,854	15,272,234	14,454,779		

General Fund Revenues

General Fund Revenues (excluding use of funds from prior years) in Fiscal Year 2013 are projected to be \$32,372,922, which is \$300,912 more than the FY 2012 revised budget.



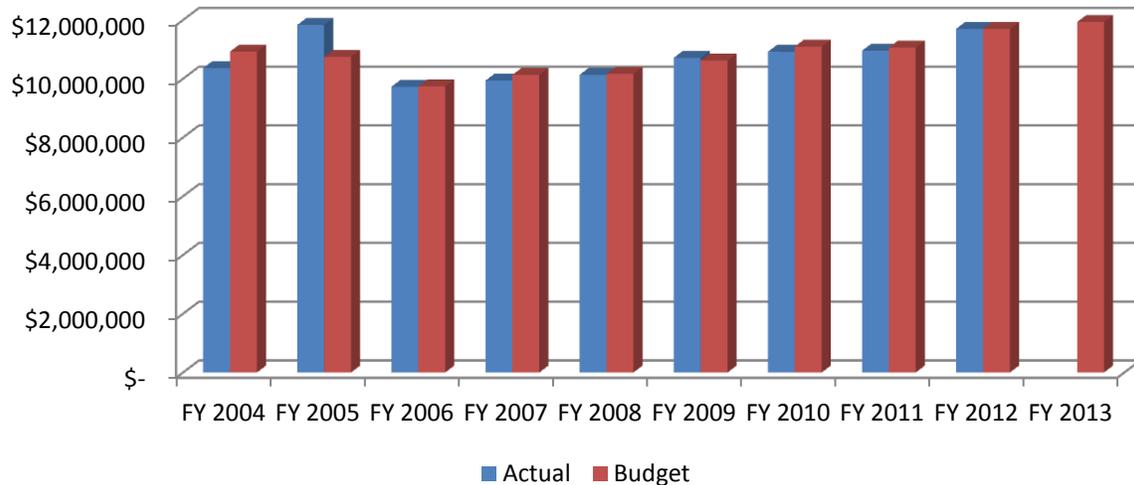
Property Taxes

Property taxes will be \$234,020 more than the FY 2012 Budget. The budget assumes collection of the majority of property tax revenues billed in FY 2013.

- Although the value of a mill is expected to decrease 1% from \$923,053 (estimated actual) to \$911,898, improved collection and distribution of taxes by Beaufort County is projected to provide the additional revenue.

General Fund Revenues (continued)

Property Taxes (continued)

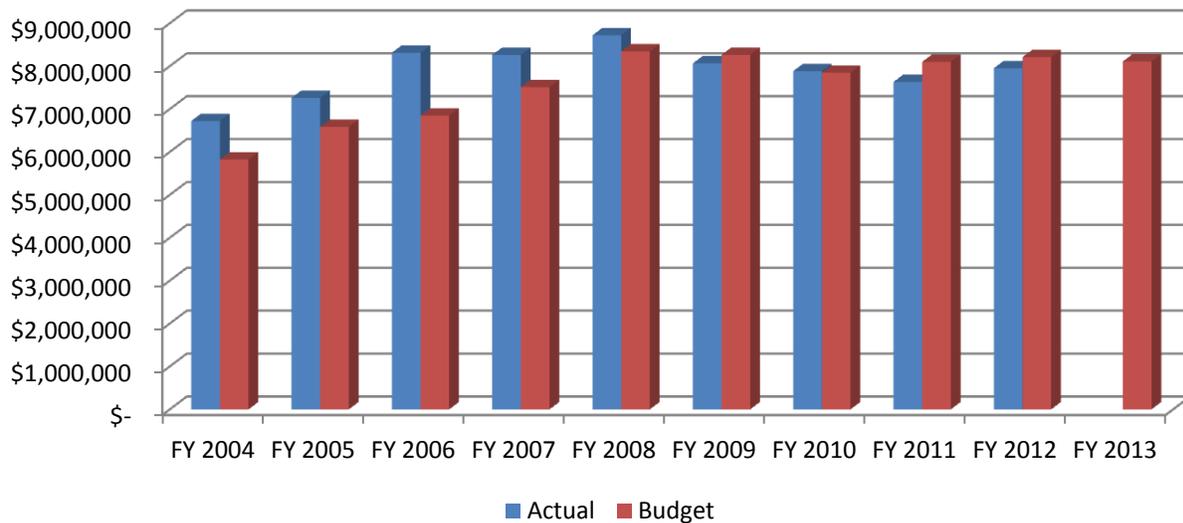


Business Licenses and Franchise Fees

Business licenses and franchise fees represent the second largest single revenue source for the General Fund.

The most significant source is the business license fee levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. The Fiscal Year 2013 budget of \$7.3 million in business license receipts is 1.8% less than the Fiscal Year 2012 budget of \$7.4 million.

Franchise fee revenue is anticipated to be \$845,975 in Fiscal Year 2013, a 4.2% increase over the Fiscal Year 2012 budget of \$811,500.



General Fund Revenues (continued)

Permit Fees

Permit Fees (new construction) – \$277,600

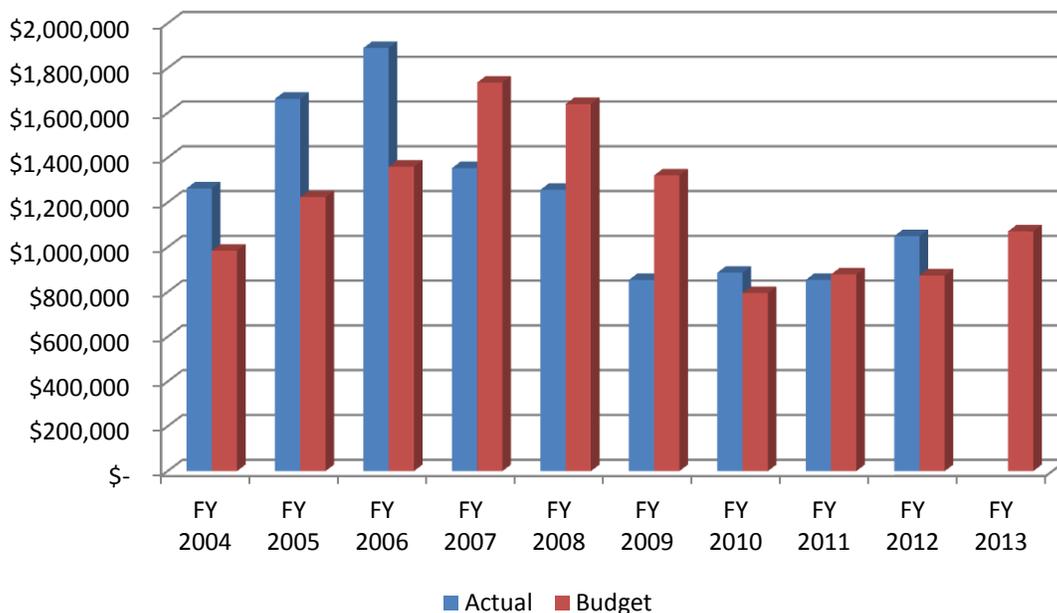
Permit fee revenue from new construction will be \$87,600 more than the FY 2012 Budget of \$190,000.

Permit Fees (development) - \$6,200

Revenue from permit fees associated with development will be \$4,200 more than the FY 2012 Budget of \$4,000.

Permit Fees (other) - \$787,050

Revenue from other permit fees will be \$107,050 more than the FY 2012 Budget of \$680,000.



Accommodation Tax Local 1%

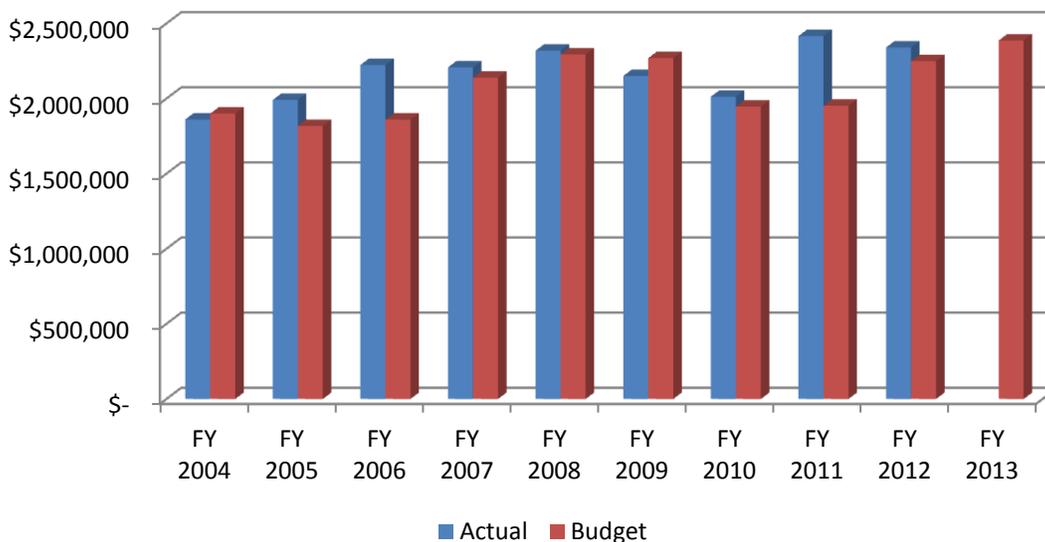
The 1% local accommodations tax will generate \$2.4 million in revenue. This figure is 6.1% higher than the prior fiscal year budget and 2.0% higher than this year's projected actual revenue. These funds may be used for tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; 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 previously enumerated, and police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

General Fund Revenues (continued)

Accommodation Tax Local 1% (continued)

The local accommodations tax is the third largest single revenue source for the General Fund. This tax 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."

- 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.



General Fund Revenues (continued)

Transfer In – Accommodation Tax (State)

The 2% State accommodations tax 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 decrease of \$247,214 or 18.5% over the Fiscal Year 2012 budget.

Transfer In – Hospitality Tax

A uniform tax equal to 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.

These funds are used to support the Public Safety function of Town Government. It is anticipated that this line item will provide approximately \$3.3 million in funds to the General Fund. This is the same as the amount budgeted in FY 2012.

Transfer In – Beach Preservation Fee

A uniform fee of 2% 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 \$981,705 in funds to the General Fund. This represents a 1.3% increase over the Fiscal Year 2012 budget.

Transfer In – Electricity Fees

A 3% fee is imposed on the total gross revenue received by Palmetto Electric Cooperative from its members for the provision of electric power and energy each franchise year. These funds are used for the undergrounding (placement underground) of all existing and future non-transmission lines owned by Palmetto Electric Cooperative.

It is anticipated that this line item will provide \$81,790 in funds to the General Fund. These funds are used to reimburse the General Fund for project management costs associated with the burial of power lines.

General Fund Revenues (continued)

Transfer In – Stormwater Fees

A fee is charged annually to property owners within Town limits to pay for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits in concert with Beaufort County and other water resource management programs.

It is anticipated that this line item will provide \$236,130 in funds to the General Fund. These funds are used to reimburse the General Fund for project management costs.

Transfer In – Sunday Liquor Permit Fees

These fees are derived from the sale of permits to sell alcohol on Sunday. Funds from this source are rebates from the State.

It is anticipated that this line item will provide \$37,500 to the General Fund to fund the Public Art – Community Foundation Grant. Funding is the same as last fiscal year.

EMS

Funds received through Fire and Rescue for medical services rendered will be approximately \$1.4 million. This represents a 7.5% increase over the Fiscal Year 2012 budget.

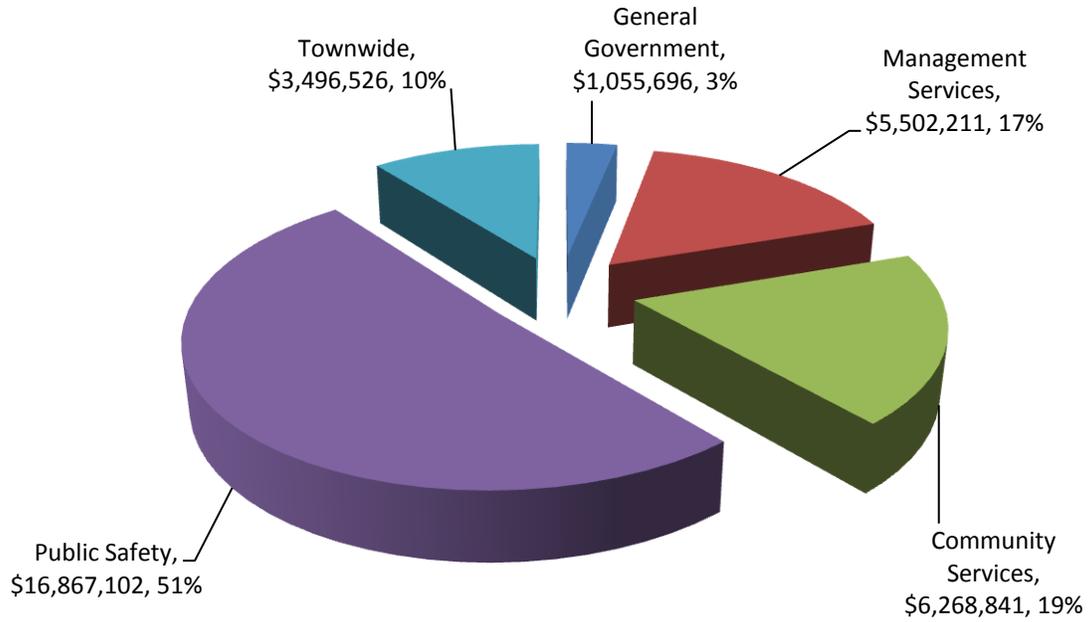
Funds from Prior Years (Fund Balance)

At the end of FY 2011 the Town had approximately \$3.4 million in unassigned fund balance. In FY 2013 the Town will use approximately \$817,454 of these funds to balance the budget.

General Fund Expenditures

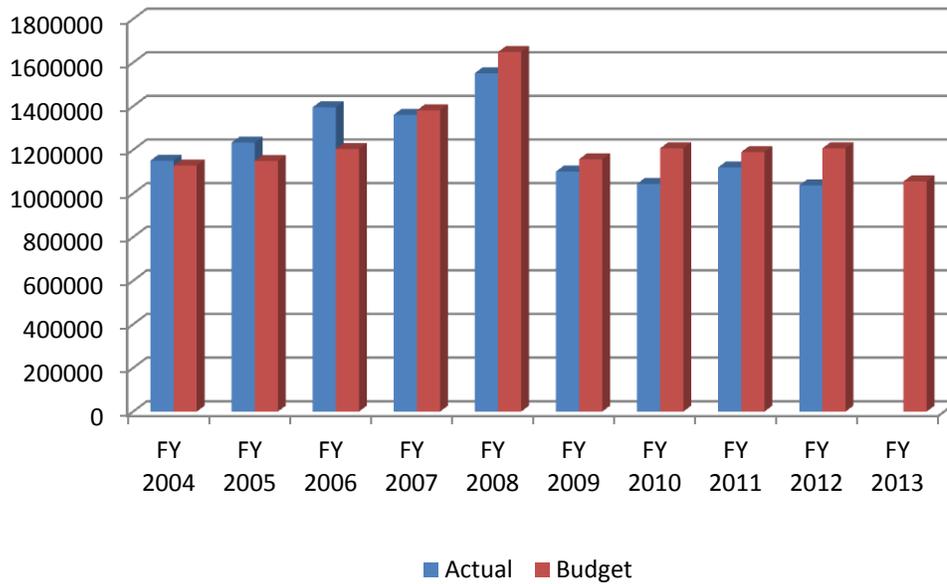
The Fiscal Year 2013 budgeted expenditures are programmed at \$33,190,376.

General Fund Expenditures by Program

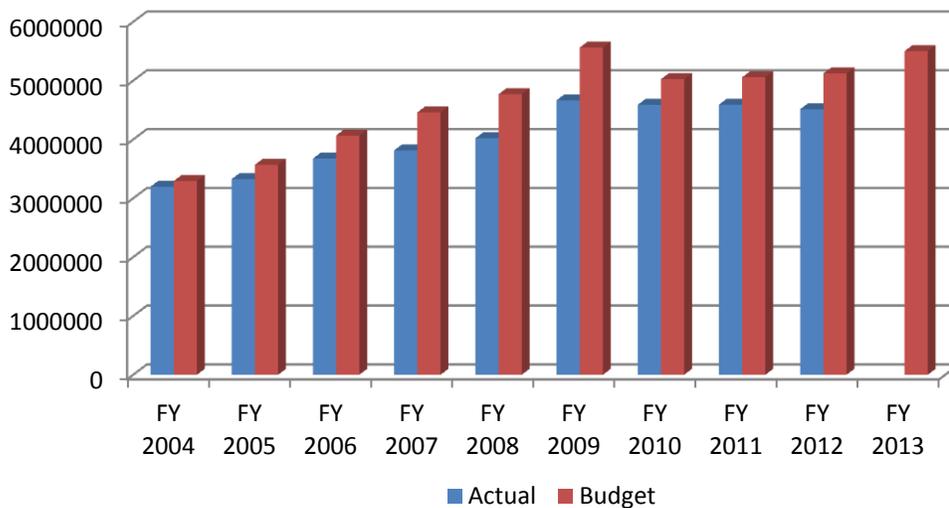


Trend Analysis - Expenditures by Program

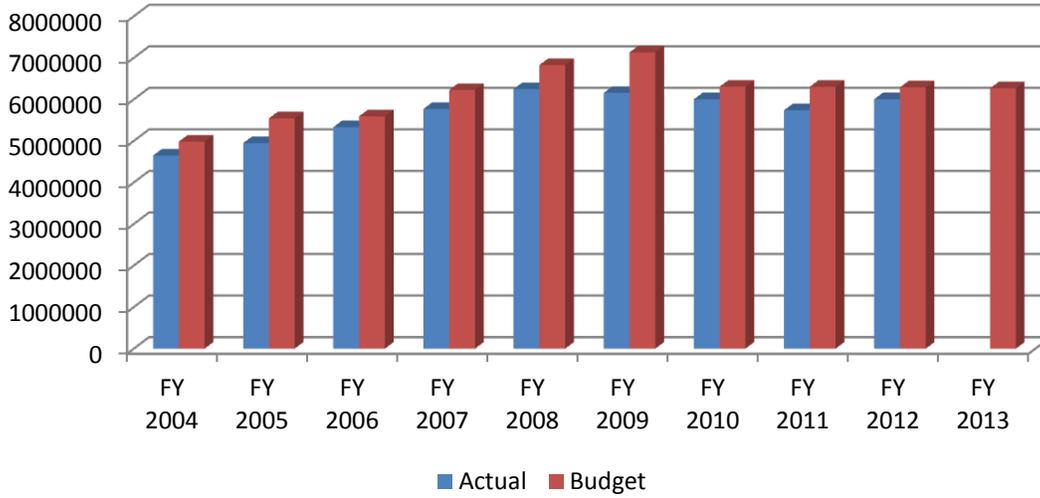
Expenditures - General Government (Town Council, Town Manager)



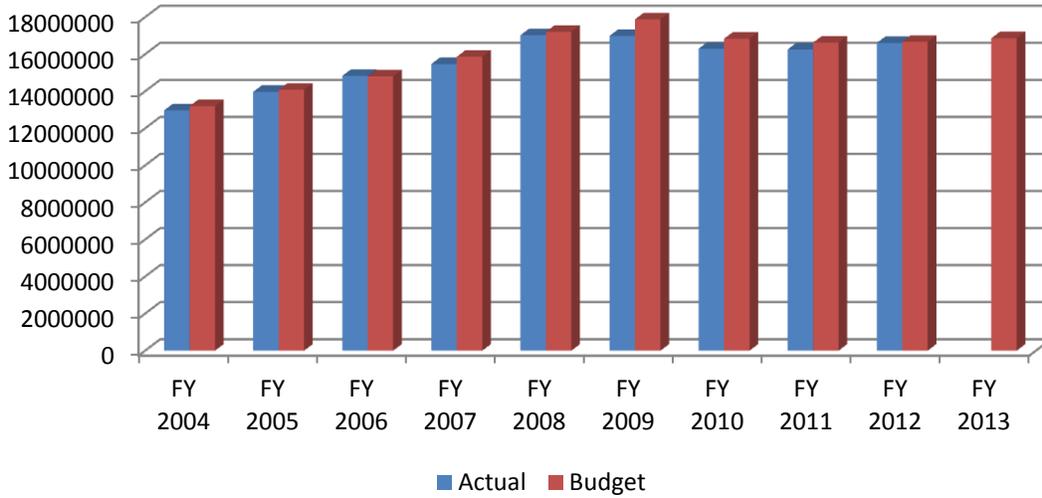
Expenditures - Management Services (Administration/Legal, Administrative Services, Finance, Human Resources)



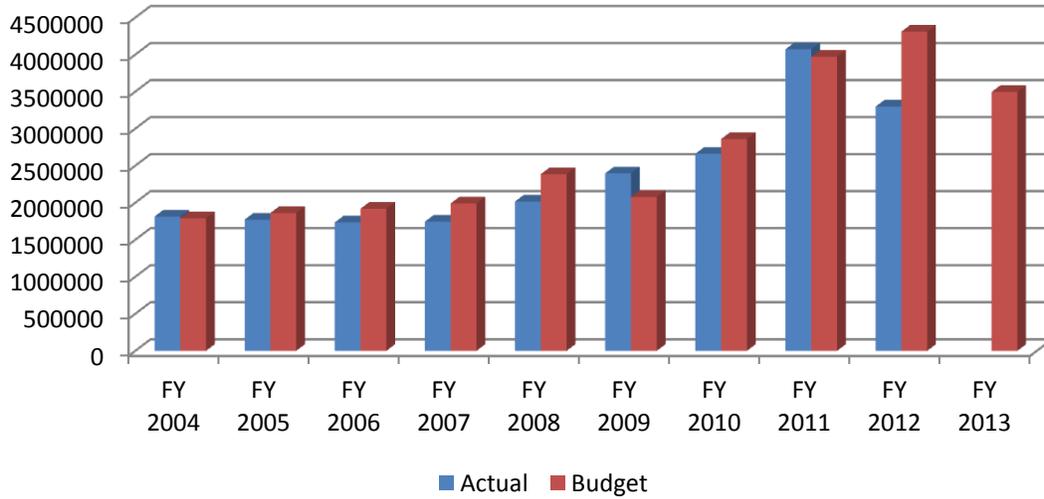
**Expenditures - Community Services
(Community Development, Public Projects and Facilities)**



**Expenditures - Public Safety
(Fire and Rescue, Sheriff, Other Public Safety)**



Expenditures - Townwide (Non-departmental)



Department Budgets

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 beaches, including access and parking. Support maintenance and development of quality parks and recreational facilities. Support events that attract people to the Town while influencing 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

Calendar Year 2011 Achievements

- Permitting Processes: Review, Streamlining
- Saving the Heritage Golf Tournament: Town's Leadership, Funding, State of South Carolina Participation
- LMO: Initiated Review Process
- New Fire Station 1: Completed Construction, Opening
- Improved Information to Residents
- Bristol Sports and Skate Park: Upgraded
- Smooth Transition to New Mayor and New Town Council
- Port Royal Beach Renourishment Project: Initiated
- Changing the Perception of Town Government: More Business Friendly
- Successful Events Showcasing Hilton Head Island: Car Show, Golf Tournament
- Successful Tourist Season
- More Bicycle Friendly Community
- Residential Recycling Program

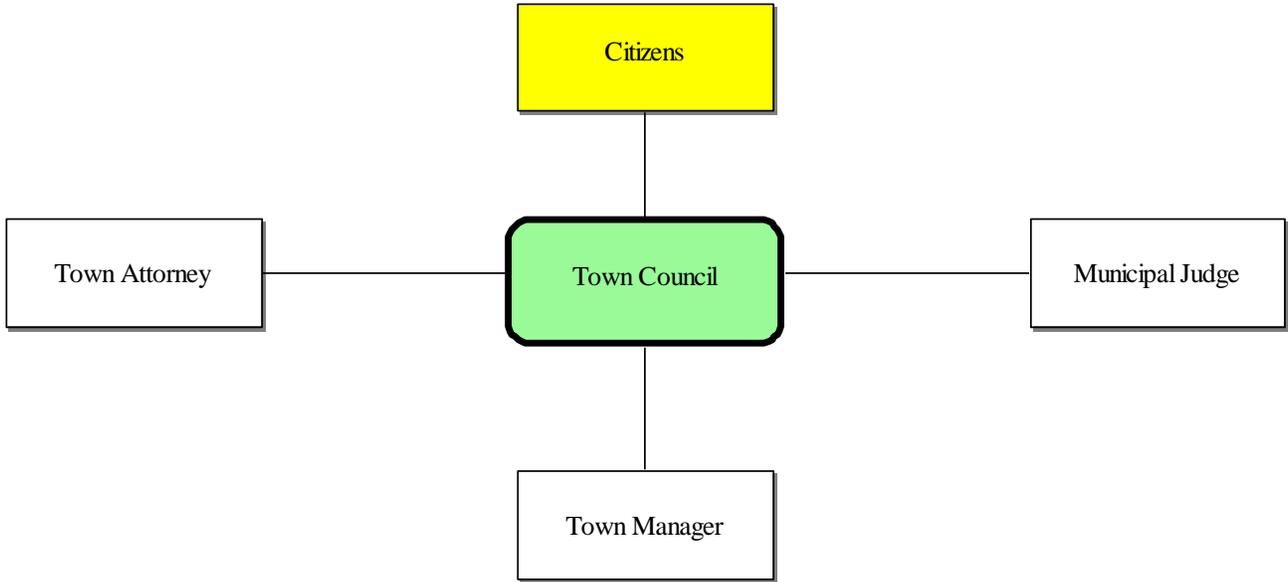
Calendar Year 2012 Top Priorities

- Economic Development: Assessment and Organization
- Coligny Area Redevelopment: Economic Analysis, Town's Role, Approve a Plan
- Shelter Cove Area Redevelopment: Determine Town's Role and Develop and Approve a Plan
- Chaplin Linear Park: Develop Detailed Plans and Funding
- South Island Marinas Dredging: Town Role and Direction
- Redevelopment Authority/Community Development Corporation: Evaluation, Direction

Calendar Year 2012 High Priorities

- LMO Rewrite: Complete Draft Amendments and Seek Review and Approval
- Recreation Center Expansion: Phase I
- South Island Marina Dredging: Permitting and Determine Town's Long-Term Role
- Aquatic Center: Direction, Location and Funding
- Promotion and Marketing to Businesses and Investors: Develop Program and Marketing Materials
- Commercial Recycling: Evaluation and Direction

Program: General Government
 Department: Town Council



Note: The salaries and benefits associated with the Town Manager and Municipal Judge are budgeted in the Town Manager's and the Municipal Court's budgets respectively.

Expenditures by Program/Category

Town Council	FY2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 72,978	\$ 70,965	\$ 74,259	\$ 85,000	\$ 75,579	\$ 84,978	\$ (22)	-0.03%
Operating	282,727	221,636	410,241	376,279	360,250	361,750	(14,529)	-3.86%
Total	\$ 355,705	\$ 292,601	\$ 484,500	\$ 461,279	\$ 435,829	\$ 446,728	\$ (14,551)	-3.15%
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.

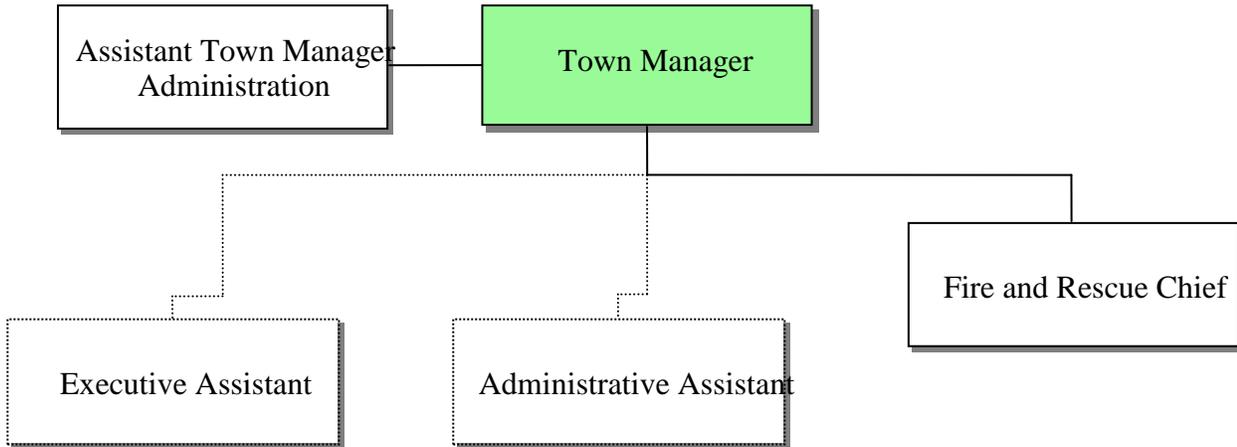
FY 2012 Accomplishments

- Worked successfully with Town Council, Departments and Divisions in setting and achieving goals.

Calendar Year 2012/FY 2013 Goals

- Assist Town Council, Departments and Divisions to achieve their goals
- RBC Heritage Golf Tournament: Identify Town's Funding Source and Assist Tournament with Securing Long-Term Commitment
- Town Local Business Retention and Growth Program: Evaluation and Direction
- Town Marketing and Public Information Plan: Evaluation, Application (Best Practices) to Town, and Direction
- Airport Masterplan: Implementation
- Island Recreation Memorandum of Understanding: Draft Renewal and Seek Review and Approval
- Fire and Rescue Masterplan: Revise Current Plan and Adopt Revisions
- Beaufort County Sheriff's Contract for Police Services: Review for Renewal and Approve
- Cell Phone E-911 Errors: Reduction

Program: General Government
 Department: Town Manager



Note: The two assistants are budgeted in the Town Manager's Department; however, they are direct reports to the Administration Department's Legal Administrative Manager. The Fire and Rescue Chief's salary is budgeted in the Fire and Rescue Department.

Expenditures by Program/Category

Town Manager	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 723,053	\$ 731,153	\$ 614,911	\$ 720,973	\$ 576,297	\$ 583,968	\$ (137,005)	-19.00%
Operating	21,862	20,723	20,419	25,000	25,000	25,000	-	0.00%
Total	\$ 744,915	\$ 751,876	\$ 635,330	\$ 745,973	\$ 601,297	\$ 608,968	\$ (137,005)	-18.37%
Positions	5.0	5.0	5.0	5.0	5.0	4.0	(1.0)	-20.00%

Program: Management Services
Division: Administration/Legal

Mission

To provide administrative leadership, supervision, support and direction to the Finance Department, Human Resources Division, Administrative Services Division, Code Enforcement, and Legal Division. 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. Provide support and assist with the Town's Special Event Process. Promote Town news and publish Town-related articles in various Island publications. Provide support and assist with the Town's State Legislative Agenda.

Core Services

Administration

Assist Town Manager with Town-wide 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. Provide assistance with the Town's State Legislative Agenda. Provide assistance with the Town's Special Event Process. Manage Finance Department, Human Resources Division, and Administrative Services and Legal Division.

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.

Program: Management Services

Division: Administration/Legal

FY 2012 Accomplishments

- Oversaw the State's Legislative Agenda and its strategies and provided assistance to support the Town's positions on 2010-2011 State Legislation.
- Assisted with the development and implementation of the Town Council Policy Agenda 2011 and Management Agenda 2011.
- Assisted with the promotion of the Heritage Golf Tournament.
- Permitted over 55 Special Events on the Island.
- Processed over 200 Freedom of Information Requests, 43 Subpoenas, and 96 Contracts.
- Assisted with providing resources, materials, information on Town policies and procedures, and applicable State laws to incoming Town Council members.
- Assisted with the recruitment and appointments of Board and Commission members.
- Assisted with Public Information Enhancement promotion for the Town.
- Assisted with drafting of a proposed ordinance to regulate nonconsensual towing within the Town.
- Assisted with an Island wide blitz to ensure that all contractors and subcontractors working in the Town have a current business license and all necessary permits for the work they are performing.
- Assisted with the development of the Mayor's Youth Community Service Award Program.
- Assisted with the dissemination of Town information in newspaper articles, magazines, and television to keep the community informed on Town issues and projects.
- Continued education of residents/guests regarding Light Ordinance and the effects of lights on sea turtles in an effort for an enhanced and successful turtle nesting season.
- Worked with deputy sheriffs to teach trial advocacy for jury trials so deputies are more experienced in jury trials.

Program: Management Services
 Division: Administration/Legal

Calendar Year 2012/ FY 2013 Goals, Objectives, and Performance Measures

Goal 1: 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 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Average review of contracts within 3 days	96	75	75
Workers compensation compliance	98.0%	98.0%	98.0%

Objective: To respond to Freedom of Information (FOIA) requests within 10 days.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Average response to FOIA Requests within 10 days	128	100	100

Goal 2: To oversee the State Legislative Agenda and strategies and provide assistance to support the Town’s positions on 2010-2011 legislative issues.

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 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Review and Distribute MASC Legislative Alerts	30	30	30
Draft Committee Agendas and attend meetings	9	9	9
Letters of support or opposition	20	20	20

Goal 3: To provide administrative support for the Town’s Special Event application process.

Objective: To review applications, advise applicants of ordinance requirements and required documentation distribute application to key staff and BCSO liaison, coordinate meetings, draft correspondence/permits, obtain necessary signatures, and notify parties of approved events.

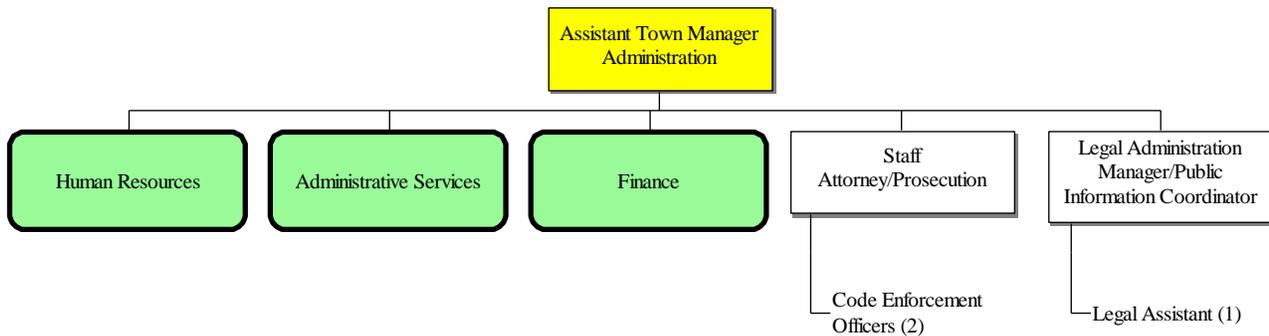
	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Number of special event applications processed	53	55	57
Number of non-special events reviewed and processed	15	20	20

Program: Management Services
Division: Administration/Legal

Goal 4: To provide competent legal presentation on behalf of the Town in prosecuting trials in Municipal Court.

Objective: To prosecute Driving Under the Influence, Criminal Domestic Violence, and SPM jury trials in Municipal Court in a timely manner.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Attorney prosecutions	72	75	75
Attorney assists Deputy with prosecution	26	25	25
Attorney assists Code Enforcement with prosecution	8	15	15



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Expenditures by Program/Category

Administration/Legal	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 408,260	\$ 400,868	\$ 381,159	\$ 409,156	383,331	\$ 422,987	\$ 13,831	3.38%
Operating	22,271	28,010	21,664	34,400	32,780	36,400	2,000	5.81%
Total	\$ 430,531	\$ 428,878	\$ 402,823	\$ 443,556	\$ 416,111	\$ 459,387	\$ 15,831	3.57%
Positions	5.0	5.0	5.0	5.0	5.0	5.0	-	0.00%

Program: Management Services
 Division: Administrative Services

Mission/Core Services

Records Administration (Town Clerk)

Administer Town Records, perform duties of Town Clerk and provide Town receptionist services.

Municipal Court

Provide administrative and clerical support for the Municipal Court to include assisting in the processing dispositions for criminal offenses, traffic and ordinance violations on Hilton Head Island.

Information Technology

Manage Town’s Wide-Area-Network (WAN) 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.

FY 2012 Accomplishments

1. Completed secondary server site at Facilities Management.
2. Continued our efforts on a multi-year project to digitize all town records and the implementation of an enterprise records management system.
3. Created WiFi hot spots for public free use at Honey Horn Park and Shelter Cove Community Park and key areas within Town Hall.
4. Completed several enhancements to the Town’s Website that improved access for citizens to information and documents.

Calendar Year 2012/FY 2013 Goals, Objectives, and Performance Measures

Goal (IT):

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.

	<u>FY 2011</u> <u>Actual</u>	<u>FY 2012</u> <u>Projected</u>	<u>FY 2013</u> <u>Budget</u>
Daily full system backups performed	272	272	272
Number of system failures	0	0	0
System failure recovered within 24 hours	0	0	0

Program: Management Services
Division: Administrative Services

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 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Respond to critical calls in 1 hour	95%	95%	98%
Help Desk (DP) requests completed:			
Within 30 days	3	3	3
Within 60 Days	0	0	0

Goal (Municipal Court):

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 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Number of cases docketed	10,100	8,016	9000
Number of cases disposed	8,700	8,363	9000
Number of search warrants issued	30	33	35
Number of arrest warrants issued	600	349	350
Number of bench warrants issued	1,400	576	600

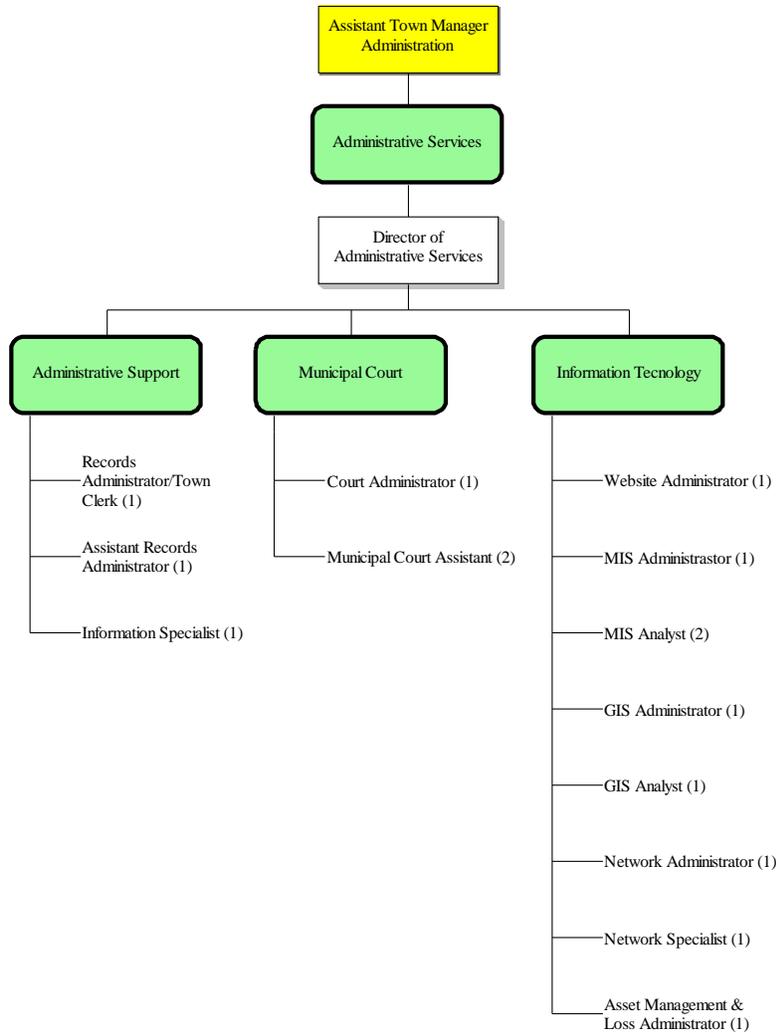
Goal (Records Administration):

To administer the Town Records Management Program:

Objective: To effectively and efficiently receive and process official town records from all Departments. To ensure that all records received for processing are converted to micro film not later than 12 months from the date received.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Number of Plans Processed	2,500	2,500	3,000

Program: Management Services
 Division: Administrative Services



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department. Also the Municipal Judge's salary and benefits are budgeted in the Municipal Court budget but the position is reflected in the Town Council's org chart.

Program: Management Services
 Division: Administrative Services

Expenditures by Program/Category

Administrative Services	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administrative Support	\$ 215,541	\$ 193,428	\$ 219,840	\$ 220,181	\$ 211,113	\$ 240,590	\$ 20,409	9.27%
Municipal Court	402,796	395,050	400,355	395,785	382,804	399,248	3,463	0.87%
Information Technology	1,598,222	1,605,931	1,573,292	1,741,711	1,653,723	2,256,364	514,653	29.55%
Total	\$ 2,216,559	\$ 2,194,409	\$ 2,193,487	\$ 2,357,677	\$ 2,247,640	\$ 2,896,202	\$ 538,525	22.84%
Summary By Category								
Personnel	\$ 1,409,484	\$ 1,391,265	\$ 1,392,927	\$ 1,417,990	\$ 1,307,958	\$ 1,468,002	\$ 50,012	3.53%
Operating	702,659	709,943	735,579	784,745	784,740	864,100	79,355	10.11%
Capital Outlay	104,416	93,201	64,981	154,942	154,942	564,100	409,158	264.07%
Total	\$ 2,216,559	\$ 2,194,409	\$ 2,193,487	\$ 2,357,677	\$ 2,247,640	\$ 2,896,202	\$ 538,525	22.84%
Positions	17.5	17.5	17.5	17.5	17.5	17.5	-	0.00%

Program: Management Services
Division: 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/testing, background checking, new hire selection, and offer determination designed to attract qualified employees.

Total Rewards Management

Develop, implement and administer compensation, benefit and work life programs to encourage employee retention and support the organization's strategic objectives and values.

Talent Management

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

Organization Effectiveness

Develop, implement and administer human resource policies, procedures, processes, and technology initiatives to enhance organization effectiveness and employee engagement.

Program: Management Services
Division: Human Resources

FY 2012 Accomplishments

- Facilitated implementation of workforce, compensation and benefit changes in response to economic conditions; reduced staff while avoiding layoffs
- Managed comprehensive retirement program evaluation, resulting in significant program enhancements to include optimized investment choice, employer/employee fee reductions, service guarantees, new plan features, and expanded financial education and counseling
- Supported key organization redesigns, succession planning and position modifications, resulting in improved performance quality, increased productivity, increased spans of control, and reduced cost
- Supported development and delivery of townwide training initiatives designed to effectively support employee business, technology, financial and wellness needs while addressing budget constraints; implemented orientation process for newly promoted supervisors
- Improved employment and onboarding processes to expedite the selection process, facilitate identification of qualified candidates, reduce cost, and support new hire success
- Improved performance management process to provide increased supervisor training/support, clarification of performance expectations, and implementation of program designed to more effectively manage ongoing employee performance deficiencies
- Maintained cost-effective Workers' Compensation premiums through effective WC program management, use of deductible program, increased discounts/credits, and continuing emphasis on employee safety
- Managed HR programs to comply with new/changing federal laws, appropriately addressed changes in federal regulations, and monitored pending legislative impact
- Continued implementation of process and form changes designed to incorporate user-friendly enhancements and support "green" initiatives, resulting in improved customer service and understanding of HR processes
- Implemented numerous employee wellness initiatives to include health fairs, health screenings, flu shots, vision exams, skin cancer screenings, EAP overviews, lunch and learn sessions, etc.

Program: Management Services
 Division: Human Resources

Calendar Year 2012/FY 2013 Goals, Objectives, and Performance Measures

Goal 1: Attract and retain high quality staff capable of achieving Town goals.

Objective: Effectively manage recruitment process.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
# of positions filled	35	37	26
# of external hires	19	24	21
% of external offers accepted	95%	92.3%	91.3%
Avg. time to fill positions (requisition approval to offer acceptance)	22 Days	25 Days	27 Days
Direct cost per hire (exc. staff time)	\$860	\$747	\$810

Objective: Retain employees capable of achieving Town goals.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Overall turnover rate	9.2%	9.8%	7.5%
Voluntary turnover rate	7.5%	8.5%	6.7%
Involuntary turnover rate	1.7%	1.3%	.8%
% of new hires retained > 12 months	100%	96%	90%
High performer loss (rating \geq 3.25)	4	12	9

Goal 2: Offer competitive total rewards program.

Objective: Maintain competitive compensation programs.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Salary budget increase % vs. public sector nat'l avg	.3% less	.3% less	.5% less
Salary budget increase % vs. private sector nat'l avg (< 500 employees)	2% less	2.1% less	2% less
% high performers paid > range mid	44.7%	47.0%	47.5%
# of resignations due to salary	0	2	2

Program: Management Services
 Division: Human Resources

Objective: Maintain competitive benefit programs.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Benefits as % of salary	33.97%	36.86%	35.57%
Avg. Town medical cost vs. nat'l avg	\$3417 less	\$3936 less	\$4226 less
Eligible employee participation rate in 401k match plan	82.6%	84.3%	86.0%
# of resignations due to benefits	0	1	0

Goal 3: Develop and administer activities and programs to optimize workforce performance

Objective: Facilitate effective succession planning and career development

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
# of promotions	9	12	4
# of transfers	7	1	1
Internal placement rate	46%	35%	27%

Objective: Provide effective interdepartmental talent development initiatives.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
# of interdepartmental participant training hours	1,923	2,706	2,040
% of employees participating in tuition reimbursement program	6.25%	5.5%	6.0%
# certification/degree bonuses given	9	6	7

Objective: Maintain effective employee job performance.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
% of employees meeting expectations	94%	94%	98%
% of employees with improved ratings	27%	24%	26%
# of Employee Recognition Awards	16	14	18

Program: Management Services
 Division: Human Resources

Goal 4: Effectively facilitate planning, projects, processes and actions that support organization productivity and employee engagement

Objective: Optimize position and organization design

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
# of positions created/re-evaluated	6	12	15
# of organization redesigns supported	4	3	2

Objective: Maintain employee productivity and engagement.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Non-FMLA sick leave (% of work hrs)	1.95%	1.75%	1.85%
Average length of service (in years)	11.62	11.37	11.5

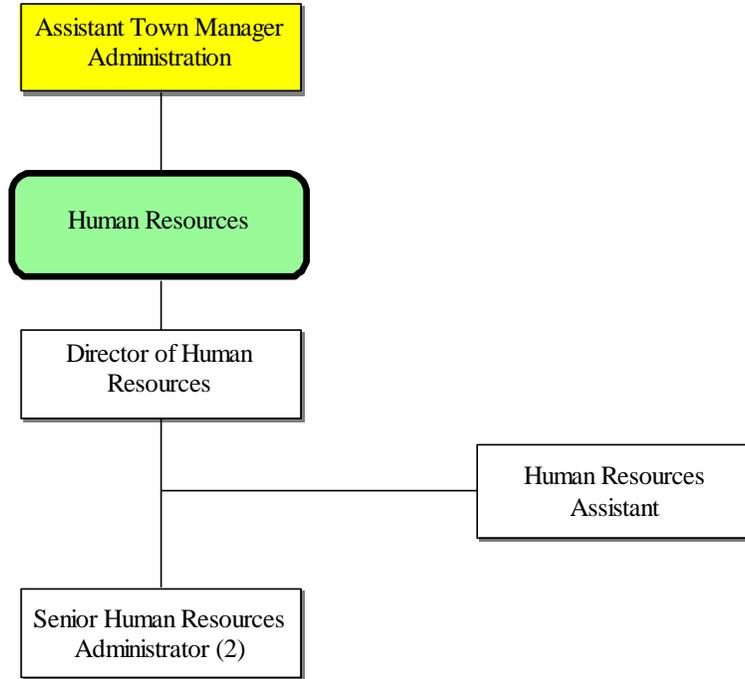
Objective: Support workplace safety

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
# of reported employee injuries	34	31	33
# of lost work days due to injury	303	156	225

Objective: Encourage participation in wellness initiatives

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
% using medical preventive care benefit	26%	28%	30%
% using dental preventive care benefit	46%	50%	55%
% eligible employees participating in Health Fairs	43%	46%	51%

Program: Management Services
 Division: Human Resources



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Expenditures by Program/Category

Human Resources	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 453,239	\$ 446,030	\$ 398,364	\$ 410,589	396,159	\$ 423,693	\$ 13,104	3.19%
Operating	150,275	81,871	97,063	145,945	102,326	115,470	(30,475)	-20.88%
Total	\$ 603,514	\$ 527,901	\$ 495,427	\$ 556,534	\$ 498,485	\$ 539,163	\$ (17,371)	-3.12%
Positions	4.0	4.0	4.0	4.0	4.0	4.0	-	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.

The Finance Department's mission incorporates the following principles:

Leadership – Strong financial leadership in all areas of activity undertaken by the Town.

Innovation – Progressive use of technology to promote the efficient use of resources.

Professionalism – Sound professional advice on all aspects of financial management.

Quality – Achievement and maintenance of a high quality service.

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. Provide oversight of technological and systems improvements within the department. 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, financial audits, State reporting and grants. Provide accounting functions for the Island Recreation Association and Coastal Discovery Museum. Responsible for maintaining the following funds: General, Tax Increment Financing District (TIF), Debt Service, Capital Projects, Accommodations Tax - State, Accommodations Tax – Local, Beach Preservation Fee, Hospitality Tax, Stormwater Fee, Real Estate Transfer Fee (Land Bank), Home Grant 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. Perform Emergency Medical Services billing and collections. Oversee the processes associated with the Town's setoff debt collection program. Maintain the Town's business license database, and ensure compliance with the business license ordinance through on-site inspections. Perform audits of County tax records to ensure the accuracy of the Town's assessed property valuations.

Program: Management Services
 Department: Finance

FY 2012 Accomplishments

- The Town was awarded the Certificate of Achievement in Financial Reporting by the Government Finance Officers Association for the twenty second consecutive year and the Distinguished Budget Presentation Award for the seventh year.
- The Town received an unqualified opinion from the independent external auditors on the financial statements and did not receive any findings related to internal controls over financial reporting.
- The paperless records retention project has allowed the Finance Department to be environmentally responsible and allows faster and more efficient access to financial information.
- Reduced bank merchant processing fees through negotiated lower discount rates, implementing Pin based debit transactions as well as reduced non conforming transaction costs by replacing non compliant equipment.
- Efforts made towards our ATAX project resulted in more than \$100,000 in collections.

Calendar Year 2012/FY 2013 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 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Standard & Poor’s Bond Rating	AA+	AA+	AA+
Moody’s Investors Bond Rating	Aaa	Aaa	Aaa
Fitch Bond Rating	AA+	AA+	AA+
Debt percent of Legal Debt			
Margin without a Referendum	11.22%	9.47%	9.22%
Adequate funds available to fund			
CIP Projects	100%	100%	100%

Program: Management Services
Department: Finance

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.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
GFOA Certificate of Achievement for Excellence in Financial	Yes	Yes	Yes
GFOA Distinguished Budget Presentation Award received	Yes	Yes	Yes

Goal: Provide a high level of customer service.

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

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Business license renewals processed	5802	5880	5900
New business licenses processed	1145	1099	1118
Hospitality tax receipts processed	1766	1770	3610
Bed tax (ATAX/Beach Preservation Fees) receipts processed	2596	3380	9804
Beach passes issued	1609	1680	1700
Miscellaneous receipts processed	3284	3422	3565
EMS # calls billed	3294	3340	3455
EMS collections (payments)	\$1,279,285	\$1,297,390	\$1,342,060
EMS charges billed	\$1,540,165	\$1,563,120	\$1,616,940

Program: Management Services
Department: Finance

Goal: Provide a high level of customer service.

Objective: Upon receipt of all required supporting documentation, to process the issuance of new business licenses in a timely and accurate manner.

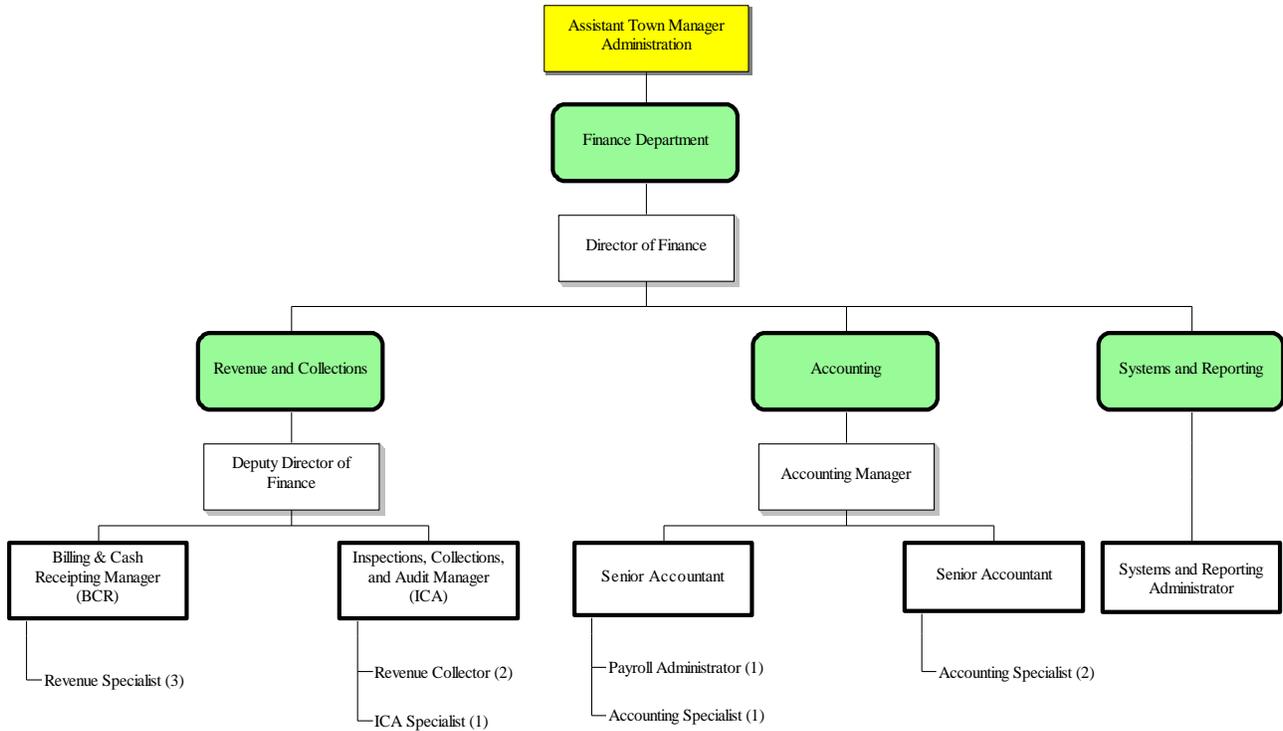
	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
New OOC/OOS business licenses issued within one (1) business day	99%	99%	99%
New home-based business licenses issued within five (5) days	99%	99%	99%
Store front business licenses issued within 15 days	99%	99%	99%

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

Objective: Conduct business license site visits/contacts.

	FY 2011 <u>Actual</u>	FY 2012 <u>Projected</u>	FY 2013 <u>Budget</u>
Business license site visits/contacts	4,810	2,450	4,000

Program: Management Services
 Department: Finance



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Finance	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 189,314	\$ 213,968	\$ 211,370	\$ 250,657	\$ 236,960	\$ 293,669	\$ 43,012	17.16%
Accounting	660,880	565,988	589,794	638,177	545,946	601,147	(37,030)	-5.80%
Revenue and Collections	566,623	659,308	700,325	877,044	570,664	712,643	(164,401)	-18.74%
Total	\$ 1,416,817	\$ 1,439,264	\$ 1,501,489	\$ 1,765,878	\$ 1,353,570	\$ 1,607,459	\$ (158,419)	-8.97%
Summary By Category								
Personnel	\$ 1,285,236	\$ 1,339,918	\$ 1,345,208	\$ 1,407,697	1,213,861	\$ 1,445,276	\$ 37,579	2.67%
Operating	131,581	99,346	156,280	358,181	139,709	162,183	(195,998)	-54.72%
Total	\$ 1,416,817	\$ 1,439,264	\$ 1,501,488	\$ 1,765,878	\$ 1,353,570	\$ 1,607,459	\$ (158,419)	-8.97%
Positions	19.0	19.0	19.0	18.0	18.0	18.0	-	0.00%

Program: Community Services
Department: Community Development

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 development and construction codes, permitting and inspection of structures, while maintaining records and assuring compliance with the provision of the National Flood Insurance Program for our customers; 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.
- 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.
- Oversees Sustainable Practices Program and Implementation.
- Oversees Process Improvements within department and with other departments.
- Promotes public education of department's projects and function.
- Assists with departmental record retention.

Development, Review and Rezoning

- Manages and coordinates 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.
- Oversees natural resource protection of the Island including beach, tree and wetland regulations, and water quality preservation.
- Continues environmental monitoring for water quality and created wetlands, and Land Management Ordinance effectiveness for tree protection.
- Oversees Urban Design Program and Guidelines.
- Provides for periodic review and update of the Land Management Ordinance.

Program: Community Services
Department: Community Development

- Manages 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.

Comprehensive Planning

- Guides the revision and implementation of the Comprehensive Plan focusing on redevelopment strategies, Sustainable strategies, Capital Improvement Program projects, and Land Management Ordinance amendments.
- Provides for grant research and writing to secure funding for various town projects and programs.

Building

- Delivers prompt, efficient and courteous service in the management, coordination and inspection of the building permitting process to be in compliance with current building code regulations as they apply to both single family and commercial structures. Collects permit fees and impact fees for both the Town and the County.
- Provides flood hazard determination to homeowners, insurance, legal and banking representatives.
- Maintains public records of flood elevation information.
- Conducts seminars for the public pertaining to building code regulations.

Community Development Services

- Serves as front line for general information and permitting process. Approves smaller permits for site development.
- Maintains accurate records and statistics of construction on Hilton Head Island. Responds to Freedom of Information requests in addition to requests for statistical reports.
- Communicates with the construction/development community through a quarterly publication which addresses code issues, inspection issues and procedures for permitting and inspection, and planning/development issues.

FY 2012 Accomplishments

- Council adopted the following:
 - Comprehensive Plan
 - All Hazards Plan
 - Island Recreation Center and Share Center Expansion Plan
 - Beach Management Plan revision
 - LMO Amendments (special events & vendors, public parking, dune protection, density conversion, airport trees)
 - Recycling Program
- Processed an auto sales LMO amendment which was denied by Town Council

Program: Community Services
Department: Community Development

- Processed a Municipal Code amendment on Property Maintenance which was not adopted by Town Council
- Research in progress on LMO Re-Write
- Improved development & building application procedures
- Completed assistance with Census Committee & count.
- Staffed the Mayor's Visioning Task Force and received their report.
- Designed & currently installing new street name signs on mast arms and corner posts
- Designed & installed Simmons Memorial Sign
- Installed storyboards and Fraser Statue and moved Regions Bank historic marker at Compass Rose Park
- Installed 2 emergency gates for Fire & Rescue
- Processed 4 PPR (including Port Royal Beach Renourishment & 3 pathways); 7 ZMA; 5 VAR; 1 SER; 6 APL; 54 DR; 4 DPR; 49 XDPR; 5 SUB applications
- Processed 4485 Building Permits
- Co-sponsored Bike Friendly Workshop and obtaining Bike Friendly Community Award
- Applied for and obtained Audubon Green Community Award
- Established a Sustainable Practices Coordinator

Calendar Year 2012/FY 2013 Goals and Objectives

Goal: Evaluate need for an Economic Development Corporation.

Objective: Coordinate with Priority Investment and Economic Development Elements of the Comprehensive Plan. Determine Town's Role. Conduct assessment and determine organization.

Goal: Develop a Redevelopment Area Conceptual Plan for Coligny Area.

Objective: Determine best urban design and capital improvement projects for public facilities in Coligny area. Conduct economic analysis, Town's role, and Approve a plan.

Goal: Participate in Redevelopment Area Plans for Shelter Cove.

Objective: Determine Town's role and develop and approve a plan.

Goal: Develop detailed plans for Chaplin Linear Park.

Objective: Coordinate with redevelopment of Shelter Cove Mall and determine funding. Design and approve plan.

Goal: Re-write the LMO for more flexibility, simplicity and revitalization with concentration on redevelopment.

Objective: Retain consultant to complete a draft and seek review and approval.

Program: Community Services
Department: Community Development

Goal: Initiate Recreational Center Phase I expansion.

Objective: Initiate and finish construction of Phase I parking lot.

Goal: Determine better location for Aquatic Center and Share Center.

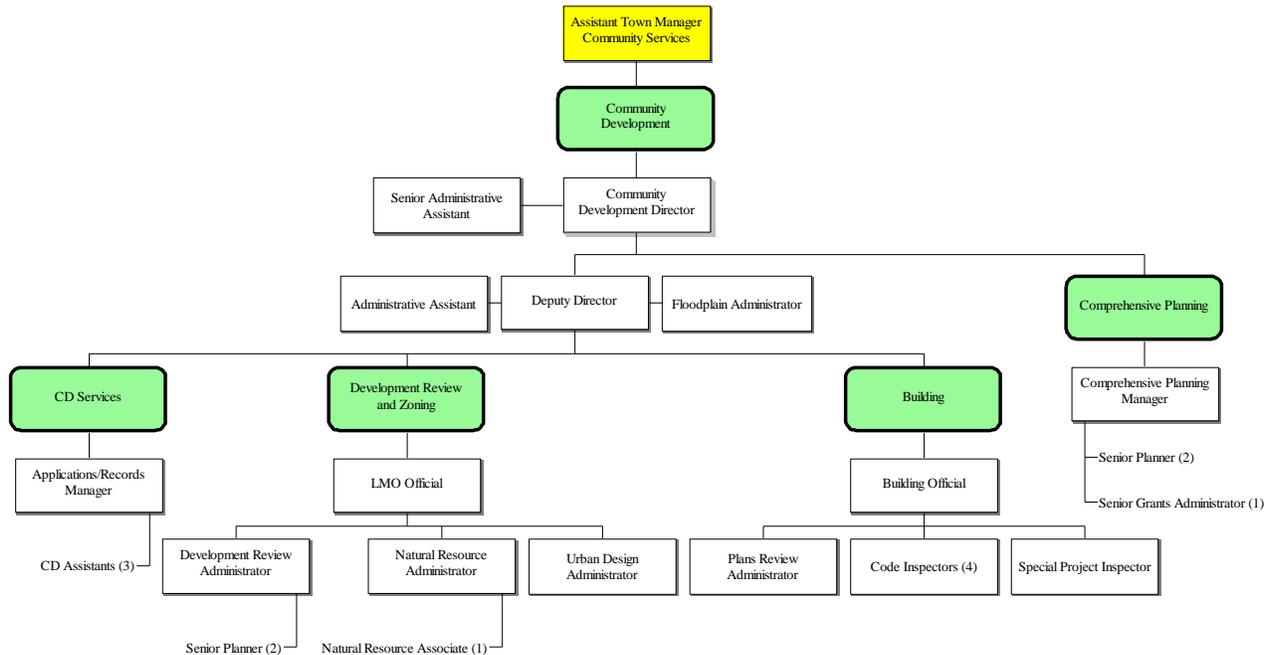
Objective: Retain consultant to recommend better location and costs. Seek approval of recommendation; evaluate funding.

Goal: Evaluate and get direction on commercial recycling program.

Objective: Determine steps and costs as based on residential recycling; seek approval from Town Council.

Goal: Implement Airport Master Plan.

Objective: Continue to coordinate with county and airport officials for efficient implementation.



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Program: Community Services
 Department: Community Development

Expenditures by Program/Category

Community Development	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 545,247	\$ 541,226	\$ 548,302	\$ 682,189	\$ 606,591	\$ 698,000	\$ 15,811	2.32%
Buidling	759,928	667,371	603,692	616,591	614,716	640,594	24,003	3.89%
Comprehensive Planning	379,969	356,859	367,135	351,917	352,065	367,445	15,528	4.41%
Development, Review & Zoning	835,876	791,780	674,375	816,354	778,182	671,704	(144,650)	-17.72%
CD Services	380,358	334,221	289,892	278,380	269,068	281,751	3,371	1.21%
Total	\$ 2,901,378	\$ 2,691,457	\$ 2,483,396	\$ 2,745,431	\$ 2,620,622	\$ 2,659,494	\$ (85,937)	-3.13%
Summary By Category								
Personnel	\$ 2,795,627	\$ 2,593,871	\$ 2,421,688	\$ 2,397,716	\$ 2,332,934	\$ 2,463,521	\$ 65,805	2.74%
Operating	105,751	97,586	61,708	347,715	287,688	195,973	(151,742)	-43.64%
Total	\$ 2,901,378	\$ 2,691,457	\$ 2,483,396	\$ 2,745,431	\$ 2,620,622	\$ 2,659,494	\$ (85,937)	-3.13%
Positions	36.0	32.0	32.0	27.0	27.0	27.0	-	0.00%

Program: Community Services
Department: 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 road, drainage, and pathway improvements, Review and approve all plans for development to ensure compliance with the road and storm water management standards of the Land Management Ordinance. Conduct field inspections of completed projects and issue certificates of compliance for same. Maintain Town storm water systems, roads, traffic signals, 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 and Recycling initiatives. Maintain Fire and Rescue buildings and grounds to include distribution of cleaning supplies.

FY 2012 Accomplishments

ENGINEERING

PATHWAYS

- Completed construction of the Mathews Drive North Pathway from William Hilton Parkway to Beach City Road
- Completed the in-house design, permitting and construction of the Dunnagan's Alley - Palmetto Bay Road Pathway
- Completed the in-house design, permitting and construction of new pathway along William Hilton Parkway from Mathews Drive to Gardner Drive
- Completed the in-house design of a new pathway serving Honey Horn and intersection improvements at William Hilton Parkway and Gum Tree Road
- Completed the in-house design of a new pathway along Gardner Drive
- Completed the in-house design of a new pathway along Leg O Mutton Road

Program: Community Services
Department: Public Projects and Facilities

- Completed the in-house design of a new pathway along Pembroke Drive
- Completed updated rankings of pathway projects for CIP prioritization

ROADWAYS

- Completed construction of a new roundabout at Arrow Road and Dunnagan's Alley
- Completed the in-house design, permitting and construction of a public parking lot at old Dunnagan's Alley theater site
- Completed construction of a new roundabout at Mathews Drive and Beach City Road
- Completed the in-house design, permitting and construction of the crosswalks, refuges, and ancillary pathway improvements at William Hilton Parkway and Shipyard/Wexford and New Orleans Road/ Village at Wexford, with an auxiliary right turn lane from William Hilton Parkway westbound onto New Orleans Road
- Installed the third phase of the "new-design" ground mounted street signs
- Completed the in-house design, permitting and construction of a partial median closure at William Hilton Parkway at Festival Center and Central Avenue
- Completed the in-house design, permitting and construction of intersection improvements at Main Street and Hospital Center Boulevard
- Completed design of roadway improvements the intersection of Arrow Road and Target Road
- Provided in-house design of PUD emergency access gates
- Completed design and permitting for Mathews Connectivity road and parking improvements
- Completed design and permitting of Mathews Drive Marshland Roundabout
- Initiated design of intersection improvements at William Hilton Parkway and Leamington
- Installed decorative traffic signal mast arms at William Hilton Parkway and Dillon Road and Coggins Point Road
- Installed decorative traffic signal mast arms at William Hilton Parkway and Mall Boulevard and at Queen's Folly / King Neptune Roads
- Inspected and reported on all traffic signals as per the requirements of the Traffic Signal Maintenance Agreement with the SCDOT
- Completed the Traffic Monitoring & Evaluation Report as required by the LMO, and presented to the Planning Commission - optimized all signal timings
- Operated and maintained 22 signalized intersections and 27 crosswalk / pedestrian signals (6 more being designed), coordinated traffic signal infrastructure upgrades
- Coordinated with the SCDOT for the installation of fiber optic lines to serve the Island's traffic signals
- Completed speed limit study on Cross Island Parkway and made recommendations to SCDOT

Program: Community Services
Department: Public Projects and Facilities

STORM WATER

- Executed a new, ten year Storm Water Utility (SWU) intergovernmental agreement with Beaufort County
- Completed the dredging of Miller's Pond
- Completed forty (40) storm drainage maintenance projects throughout the island
- Completed design and permitting of three (3) water quality retrofit projects in the Shelter Cove area
- Acquired storm drainage maintenance rights over four planned unit developments (Palmetto Dunes, Leamington, Wexford and Sea Pines)
- Executed on-call contracts for pump maintenance and repairs and pipe lining services
- Began to update storm water inventory and analysis of Port Royal, Hilton Head Plantation and Gumtree Road Area watersheds

BEACH

- Completed the Port Royal Sound Shoreline Restoration and Stabilization Project – beach fill and terminal groin
- Continued physical and environmental monitoring of the beach

DISASTER RECOVERY

- Executed mutual aid agreements with the County and State for debris removal within their road rights of way
- Revised Town policy regarding management of private property debris
- Completed a comprehensive Debris Management Plan
- Presented Debris Management Plan to the Disaster Recovery Commission and Town Council

GENERAL

- Reviewed land development projects for compliance with the LMO and within allotted timeframes and guidelines and participate in the Community Development process improvement exercise.
- Applied to SCDHEC for delegated authority to enforce state regulations regarding storm water and land disturbance activities within the Town limits
- Began design of the future Rowing and Sailing Center
- Managed several on-call professional services contracts for use by all Town staff
- Provided coordination and assistance on the TIF funded sewer projects
- Reviewed, approved and inspected development plans for compliance with the engineering standards of the LMO in the areas of traffic and storm water management

Program: Community Services
Department: Public Projects and Facilities

FACILITIES MANAGEMENT

EXISTING FACILITIES

- Replaced Fire Station 1 (Shipyard)

TOWN HALL RENOVATIONS

- Installed numerous areas of new carpeting and break room flooring replacement
- Applied foam insulation of buildings A, B, C, and D
- Completed restroom renovations in Community Development wing, Lobby area, and Engineering
- Replaced Council Chambers deck and railing
- Replaced canopy at the library entrance

CLEAN UP, MAINTENANCE AND DEMOLITION

- Demolished the former Seafood Co-op Property dock
- Demolished the building which previously housed the Children's Center
- Demolished the former Smokehouse Restaurant/temporary Fire Station 1
- Demolished 120 and 122 WHP (Teena Jones property)
- Installed sod in various areas along WHP
- Installed new and replacement plantings in various medians and rights of way
- Graded, seeded, and created viewing corridors at the former Abe's Restaurant property

PARK UPGRADES

- Completed renovations of Bristol Sports Arena to include restroom building
- Installed new batting cages at the Crossings Park
- Constructed a new picnic pavilion at Jarvis Creek Park
- Replaced pavers and installed new kiosks at the Veterans Park
- Replaced children's play ground equipment at Islanders' Beach Park and Green's Shell Park
- Installed new shower tower at the entrance to Burkes Beach

REHAB/RENOVATION

- Renovated the Shelter Cove pedestrian under pass bridge
- Constructed additional boardwalk at Driessen's Beach Park
- Replaced bus stop roof at Port Royal Plaza and Museum Street / William Hilton Parkway
- Renovated parking lots at Chaplin, Fish Haul, Mitchelville, Green's Shell, and Jarvis Parks
- Replaced shower tower at Driessen's Beach Park
- Installed new ADA compliant railings at various beach boardwalks

Program: Community Services
Department: Public Projects and Facilities

DUNES/BEACH PARK MAINTENANCE

- Replaced mobi matting at Town beach parks
- On multiple occasions, completed beach debris clean up from marker 1-122
- Regraded and leveled Coligny beach pavers
- Replaced multiple beach park boardwalk decks

PATHWAY MAINTENANCE

- Completed annual pathway repairs and rejuvenation projects
- Refurbished multiple crosswalk paintings

WORK ORDER TOTALS

- Completed over 4,500 W/O's using in house staff.

Calendar Year 2012/FY 2013 Objectives

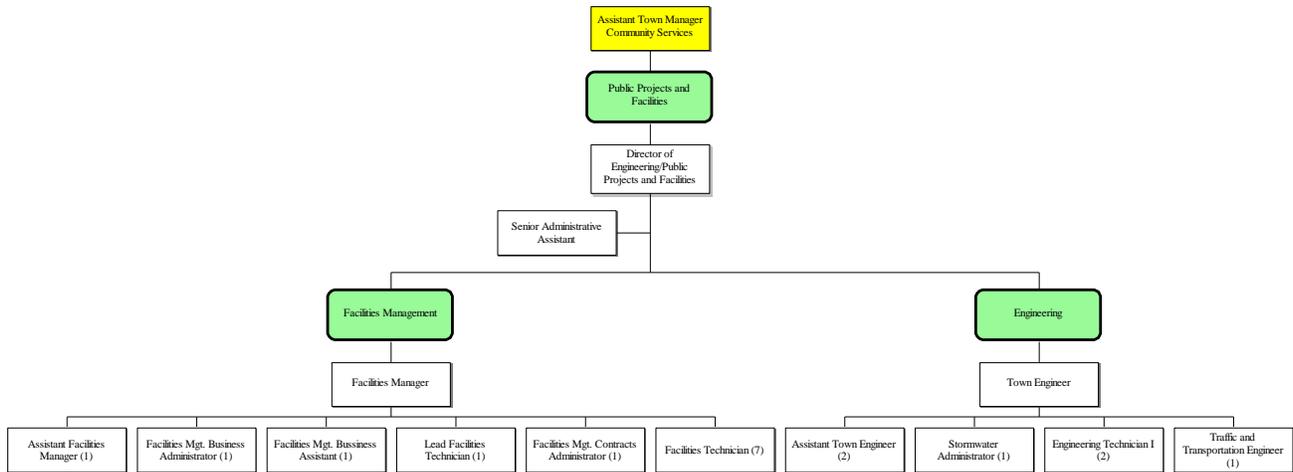
ENGINEERING

- Manage Capital Improvement Projects in accordance with the policies and procedures of the Town and provide support as necessary to the CIP program.
- Ensure compliance with the storm water and transportation engineering standards of the Land Management Ordinance in the design and construction of land development projects.
- Revise the storm water and transportation engineering standards of the Land Management Ordinance to comport with Town philosophies and state regulations.
- Manage the storm water utility interests and infrastructure within the Town limits.
- Manage the closed loop traffic signal system, Town-maintained road network, and other traffic and transportation related activities in the best interest of the Town

FACILITIES MANAGEMENT

- Ensure effective and environmentally sensitive design of Facilities Management projects using “best management practices.” Refine and implement the long-term maintenance program for the Town’s infrastructure including cost allocation and fee structure.
- Continue the execution a comprehensive in house inspection and maintenance program for Town owned properties and facilities utilizing iMaint automated maintenance programs and quarterly inspection reports.
- Support and manage the escalating demands and costs of maintenance of all Town facilities to include the 7 Fire Stations and Fire/Rescue Headquarters.
- Provide Project Management as required for assigned Capital Improvement Projects
- Provide staff support as may be required for the expansion of the Town’s recycling program

Program: Community Services
 Department: Public Projects and Facilities



Note: The Assistant Town Manager's salary and benefits are budgeted in the Town Manager's Department.

Program: Community Services
 Department: Public Projects and Facilities

Expenditures by Program/Category

Public Projects & Facilities	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Program Summary								
Administration	\$ 232,327	\$ 230,031	\$ 232,326	\$ 235,566	\$ 232,033	\$ 242,160	\$ 6,594	2.80%
Engineering	646,190	719,746	643,071	684,936	695,327	701,813	16,877	2.46%
Facilities Management	2,377,977	2,363,313	2,381,406	2,625,290	2,457,258	2,665,374	40,084	1.53%
Total	\$ 3,256,494	\$ 3,313,090	\$ 3,256,803	\$ 3,545,792	\$ 3,384,618	\$ 3,609,347	\$ 63,555	1.79%
Summary By Category								
Personnel	\$ 1,610,107	\$ 1,661,084	\$ 1,544,773	\$ 1,608,802	\$ 1,625,028	\$ 1,667,958	\$ 59,156	3.68%
Operating	1,646,387	1,652,006	1,712,030	1,936,990	1,759,590	1,941,389	4,399	0.23%
Total	\$ 3,256,494	\$ 3,313,090	\$ 3,256,803	\$ 3,545,792	\$ 3,384,618	\$ 3,609,347	\$ 63,555	1.79%
Positions	21.0	21.0	22.0	22.0	22.0	22.0	-	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 cleanup 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.).
- Participate in the 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 maintain all Fire and Rescue facilities and apparatus in a ready state for response.

2011 Accomplishments

- Reduced engine and medic "Out of Service" occurrences (Station Closures). From July 1, 2008 through June 30, 2009 Fire and Rescue experienced 2,795 fire apparatus "out of service" occurrences and 1,772 medic unit "out of service" occurrences. Existing personnel were redeployed and the results were that from July 1, 2009 through June 30, 2010 Fire and Rescue experienced 1,457 fire apparatus "out of service" occurrences and 1269 medic unit "out of service" occurrences. This represents a reduction in "out of service" occurrences for fire apparatus of 47.85% and a reduction for medic units of 28.4%.
- Conducted 2,390 fire safety inspections, installed 17 Knox boxes, presented 489 public education programs, taught 322 CPR/first aid students, installed 167 car seats and performed 66 construction plans reviews for new and renovated construction projects from the Town's Community Development Department.

Program: Public Safety
Department: Fire and Rescue

2011 Accomplishments (continued)

- On December 4, 2010 Fire and Rescue held a side by side burn demonstration to raise awareness about home fire safety. The demonstration allows people to visualize how fire grows, when the smoke alarm activates and how little time there is to react. It also drives home many of the messages we teach in the community such as why you must have working smoke detectors, why we teach crawl low in smoke and why it is important to get out and stay out. The burn demonstration also allowed the viewers to see the difference between a home that is protected by a fire sprinkler system and one that is not. The funding for the demonstration was provided through a grant from the Home Fire Sprinkler Coalition. Several local businesses donated materials or services to the effort as well. About 135 people attended the demonstration.
- Fire and Rescue ordered, received, and placed into service 2 new Quints. These units have added capability over the previous Quint apparatus with longer aerial ladders of 103' versus 75', larger booster tanks, integral foam systems, and larger generators and enhanced safety features.
- The Town signed a purchase contract for a replacement "tractor" and re-furbishment of the ladder trailer of the reserve tillered aerial apparatus. This will allow for a five year front line service and five year reserve life expectancy for this vehicle.
- The Maintenance Division provided 836 scheduled vehicle maintenance inspections and corrective repairs throughout the year on all 82 Town owned vehicles and also completed the re-chassisng of 3 medic units to include mounting of enhanced equipment and placed into service. Additionally, 3 Bureau of Fire Prevention, 2 Emergency Management and the Battalion-1 response vehicle were replaced in order to reduce service costs and improve fuel mileage.
- The Town signed a contract for an air/rehabilitation vehicle to be delivered in February 2011. This unit provides refill of self contained breathing apparatus (SCBA) cylinders at emergency scenes and also provides rehabilitation supplies for personnel working at emergency scenes.
- Purchased of two new Genesis combi-extrication tools in order to enhance extrication capabilities and to balance extrication equipment deployment island-wide.
- Completed the purchases of 45 sets of Globe G-XCEL turnout gear. This completed the third and final phase of a three year purchasing program designed to replace all firefighter turnout gear. Additionally, 25 new fire helmets were purchased to complete standardization of this item throughout the organization.
- Fire and Rescue received "Assistance to Firefighters Grant" (AFG) funding for the replacement of the aged and unreliable breathing air compressor at Fire Station #4. This system was replaced using these funds.
- Fire and Rescue completed powered stretcher purchase, training, and implementation. This equipment will allow safer patients movement and reduce firefighter injuries caused by heavy lifting of patients.

Program: Public Safety
Department: Fire and Rescue

2011 Accomplishments (continued)

- Completed the last of incremental purchases of thermal imaging cameras for all front line and reserve apparatus. By identifying heat signatures, thermal imaging cameras greatly enhance the ability to locate victims when heavy smoke reduces visibility. The camera also enables the firefighters to quickly locate the seat of the fire in limited visibility situations which allows for more rapid fire control and less property damage and enhanced firefighter safety.
- All hazard disaster planning continues to progress. Added to the Comprehensive Emergency Management Program (CEMP) is a significantly revised basic Emergency Operations Plan (EOP), Evacuation and Reentry Appendix, and Hurricane Annex, as well as a Pandemic Flu Annex to the COOP Plan and the policy and procedures documents necessary to support effective implementation of the various plans. The Town's Emergency Operations Center (EOC) has been expanded from 18 work stations to 32 work stations. 6 hand-held GPS units were purchased to support damage assessment capabilities, 4 marine radios were purchased to enhance communications with marine resources and 8 satellite phones have been purchased for enhanced emergency operations. Public alerting capabilities have been improved with the implementation of a new "E-Subscription" public notification system that provides warning and other emergency information to the public. Increased emergency preparedness education efforts among the Spanish-speaking population by publishing a translated version of the *Citizen's Guide* to Emergency Preparedness and participation in an Annual Hurricane Forum for the Latino Community. National Incident Management System (NIMS) training has been expanded for employees required to work during disasters and hurricane screening has been implemented for the Fire and Rescue headquarters and Training Facility buildings.
- Completely updated all EMS protocols in conjunction with our medical control physicians and physicians from the Hilton Head Hospital. This update ensured that our EMS protocols follow the most current state and national pre-hospital patient care standards and guidelines.
- Developed and implemented a ST-Segment Elevation Myocardial Infraction (STEMI) Code Protocol. The STEMI Protocol has dramatically reduced treatment intervals for heart attack patients leading to improved patient outcomes and has improved the working relationship between Fire & Rescue and hospital staff. This program has been so successful that it has been copied as a template by other communities, been identified as a "Best Practice" by the Society of Chest Pain Centers and instrumental in the Town's Honorable Mention as a "Heart Safe Community" by the International Association of Fire Chiefs.
- Upgraded all 12-lead cardiac monitors with "Wave Form Capnography" per South Carolina Department of Health and Environmental Control (SC DHEC) requirements. Capnography is the measurement of carbon dioxide (CO₂) in exhaled breath. By tracking the carbon dioxide in a patient's exhaled breath, Capnography enables paramedics to objectively evaluate a patient's ventilatory status (and indirectly circulatory and metabolic status), as the medics utilize their clinical judgment to assess and treat their patients.

Program: Public Safety
Department: Fire and Rescue

2011 Accomplishments (continued)

- Implemented a new “Lifenet” data transfer system with the hospital emergency room. This system allows for patient medical data to be transmitted from field medic units directly to the emergency room physicians. This information dramatically reduced treatment intervals for heart attack patients leading which leads to improved patient outcomes. This system also provides Quality Improvement (QI) capabilities to help responders improve medical service delivery.
- The department began participation in the Cardiac Arrest Registry to Enhance Survival CARES registry program. This is a national data collection program operated by the US Centers for Disease Control and Prevention and Emory University. This program includes measuring the results of bystander CPR, early Automatic External Defibrillator (AED) use, patient care therapies, and how each improves cardiac arrest survival. Hilton Head Island Fire & Rescue is the first SC EMS system to be enrolled in this Registry.
- Fire Station #1 at 70 Cordillo Parkway was demolished as part of a planned fire station replacement program. Construction of the replacement building is scheduled to be completed in October 2011. Fire Station 1 vehicle, equipment and personnel were relocated to Town owned property at 102 Pope Avenue until construction of the new station is completed.
- Completed the radio “re-banding” project in conjunction with Beaufort County Emergency Management. This project provided 35 new digital mobile radios and 92 digital portable radios for all Fire and Rescue response and staff apparatus. These radios are all programmed with the designated frequencies for inter-operability with all local, county and state agencies. Additionally, all communication systems at the Communications Center were upgraded to digital operation as well.

Program: Public Safety
Department: Fire and Rescue

2011 Accomplishments (continued)

- Electronic gate access improvements were made during this period. The planning, design and engineering work for two new emergency access gates at Port Royal Plantation and Palmetto Hall Plantation has been completed. These gates are expected to go out to bid in February, 2011 with construction to be completed by April, 2011. Emergency access gates for Hilton Head Plantation and Wexford Plantation are in the planning phase with an expected construction completion date of September 2011. Click2Enter emergency gate openers have been installed on 11 additional electronic gates during this period.
- Fire and Rescue public safety systems have been improved with the completion of 4 Computer Aided Dispatch (CAD) map updates this period. These were completed in order to update road, building, addressing and other vital information used to facilitate emergency response dispatching. Additionally, GPS work was completed to identify or update the locations of 468 speed bumps, 15 new fire hydrants, 14 potential drivable beach access points and 195 beach markers. 245 pre-planning maps were created for use by line personnel. 60 new building footprints were added to the Town GIS system along with fire hydrant flow data for all 2794 fire hydrants on the island. 132 new addresses were created and corrections were made to 94 “incorrect” addresses and 100 land-line ANI/ALI database errors.
- Collected approximately 8,500 lbs of recyclable materials from fire stations and other Fire & Rescue facilities. Fire and Rescue also collected approximately 73,000 lbs. of household hazardous waste and approximately 12,000 lbs. of electronic (E-Waste) during the Hazmat Round-up. Data recorded at the location indicates that 1575 vehicles dropped of materials during this event.
- Fire and Rescue Training Center Operations. From July 1, 2009 – June 30, 2010 there have been 215 exercises conducted at the Training Center. Of these exercises, 18 were “live structural burns” and 16 were “live prop burns”. These exercises generated approximately 4,900 employee-hours of training for department personnel and approximately 600 employee-hours of training for personnel from other agencies. During this period the Training Center received accreditation from the South Carolina Fire Academy as a regional “live fire” training center.
- The Fire and Rescue Training Division planned, conducted, directed, and supervised a five-day structural collapse exercise in conjunction with the demolition of Fire Station 1. This exercise included the annual Operational Readiness Exercise for the Hilton Head Island-Bluffton Urban Search & Rescue Team (SC-RRT-4). Several other regional rescue teams also participated. Approximately 180 firefighters from Hilton Head Island, Bluffton, Burton, Mt. Pleasant, Columbia, and the State Task Force participated.

Program: Public Safety
 Department: Fire and Rescue

2012 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.

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

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 2010 Actual	FY 2011 Projected	FY 2012 Budget
Public education presentations (includes Company Pub Ed taught, Company public events, Risk Watch, station tours, and Pub Ed Officer programs taught)	489	500	500
CPR / AED / First Aid students	322	350	350
Total fire safety inspections (includes total number of annual inspections, re-inspections and fire inspections for business licenses)	2,390	2,800	2,900
Business license inspections	584	500	500
Fire safety self inspections	-	600	600
Planning project reviews and inspections (DPR, SUB, C of C)	56	40	45
Construction Plan Reviews	66	130	130
Fire cause/origin investigations	17	34	25
Car seat inspections	167	170	175

Program: Public Safety
 Department: Fire and Rescue

2012 Goals, Objectives, and Performance Measures (continued)

COMMUNICATIONS

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

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

Objective: To receive process and dispatch requests for services quickly and efficiently in order to protect the lives and property of the community.

	FY 2010 Actual	FY 2011 Projected	FY 2012 Budget
Total telephone requests received	52,775	63,150	66,275
7-digit call for service line	1,037	1,100	1,200
911 calls for service line	25,970	30,000	32,000
Dispatch administration	25,738	32,000	33,000
Dispatch other business	30	50	75

EMERGENCY MANAGEMENT

Goal: To continue positioning the Town of Hilton Head Island to respond efficiently to the full range of threats facing the community, seek to minimize the impacts of emergencies and disasters on the people, property, environment, and economy of the Town, and to prepare staff and residents to better protect themselves and others through an effective program of all-hazards planning, resource acquisition, training and public education/outreach.

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

Objective: Develop, maintain, update, and expand the plans, procedures and agreements necessary to support the goal of the Emergency Management Division.

Objective: Identify necessary equipment and any resource shortfalls, and either purchase items in a cost effective manner or arrange for their availability through the development of agreements with outside entities

Objective: Administer a program of frequent and appropriate training in and exercising on emergency response procedures and functions for Town staff members, making sure this is accomplished in a cost effective and minimally disruptive manner and that the National Incident Management System goal of training relevant to position is met.

Program: Public Safety
 Department: Fire and Rescue

2012 Goals, Objectives, and Performance Measures (continued)

EMERGENCY MANAGEMENT (CONTINUED)

Objective: Partner with other Town Departments and Divisions to administer a program of effective public education and outreach which promotes Town initiatives and resources, and provides pre-event information that will allow our citizens to prepare for all potential hazards facing the Town.

	FY 2010 Actual	FY 2011 Projected	FY 2012 Budget
Plans & procedures updated / developed	4	6	8
Exercises participated in	16	17	19
Exercises / Training program staff attendees	160	120	140
Disaster Preparedness presentations conducted	32	34	36
Disaster presentations / training public attendees	900	960	990
Citizen's Guide to Emergency Preparedness folders distributed	2,400	2,800	2,800

LOGISTICS AND MAINTENANCE

Goal: To provide a comprehensive and cost-effective maintenance and repair program to support the needs of the Town of Hilton Head Island.

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

Objective: Operate and maintain a Fleet Management system to improve the tracking, repairs and inventory of all Town owned vehicles and equipment.

Objective: Complete fire pump, ladder and hose testing on an annual basis.

Objective: Inspect, maintain and repair all Town owned vehicles and equipment in a timely and cost-effective manner.

Objective: Collect and weigh recyclable material at all Fire & Rescue facilities.

	FY 2010 Actual	FY 2011 Projected	FY 2012 Budget
Pounds of recyclable materials collected	8,500	8,500	9,000

Program: Public Safety
 Department: Fire and Rescue

2012 Goals, Objectives, and Performance Measures (continued)

OPERATIONS

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

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

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 2010 Actual	FY 2011 Projected	FY 2012 Budget
Total emergency incidents	5,958	6,050	6,170
Emergency medical service (EMS) responses	4,129	4,200	4,300
EMS form completed	4,192	4,200	4,300
EMS patients transported	3,039	3,100	3,160
EMS patients treated but not transported	193	200	220
Fire suppression and other responses	1,817	1,850	1,900
Actual number of fires	126	130	135
Incident response travel times for all calls (percent < or = 5 minutes)	83.18%	90.00%	90.00%
Minimum average daily staffing level	32	32	32

SUPPORT SERVICES

Goal: Maintain accurate and up-to-date Fire and EMS incident records; provide accurate street name and address data for the 911 dispatching system; maintain state of the art CAD and computer technology to ensure timely and accurate emergency response; provide a means for reducing environmental damage due to the uncontrolled release of hazardous materials; maintain safe fire fighter protective clothing and equipment; provided supplies and equipment needed to support routine and emergency operations.

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

Objective: Enhance reporting and management capabilities using existing records management systems; enhance emergency response information utilizing Mobile CAD technology, create new addresses as needed and correct existing addresses as required; maintain critical public safety computer systems on 24/7- 365 days a year basis and provide upgrades to systems as required.

Program: Public Safety
 Department: Fire and Rescue

2012 Goals, Objectives, and Performance Measures (continued)

SUPPORT SERVICES (CONTINUED)

Objective: Conduct one Household Hazardous Waste Round-Up annually for the collection of hazardous waste materials from the public.

Objective: provide personnel with protective garments that meet industry standard and continue to maintain and distribute needed equipment and supplies in a cost-effective manner.

	FY 2010 Actual	FY 2011 Projected	FY 2012 Budget
New addresses created	132	50	100
Existing addresses corrected	94	110	150
Pounds of hazardous materials collected	73,000	75,000	77,000
Pounds of e-waste collected	12,000	15,000	17,500
FF protective clothing sets purchased	45	50	5
Security card access systems installed	1	1	1

TRAINING

Goal: Provide a comprehensive training program that will enhance the abilities of personnel in order to improve department operations and service delivery.

Supports: This goal supports the “Guiding Principles” adopted by Town Council to *strive for excellence in everything we plan, build, do and maintain* and also *provide a serene, safe, and healthy living environment for residents, guests and visitors to the Town of Hilton Head Island.*

Objective: Provide the equipment, materials, and services necessary to operate the Training Center efficiently and safely.

Objective: Provide development programs, company drills, and a minimum of 20 hours of in-service training per month for all firefighters while on duty.

Objective: Provide development programs for supervisors at least twice per year while on duty.

Objective: Provide development programs for driver-operators at least once per quarter;

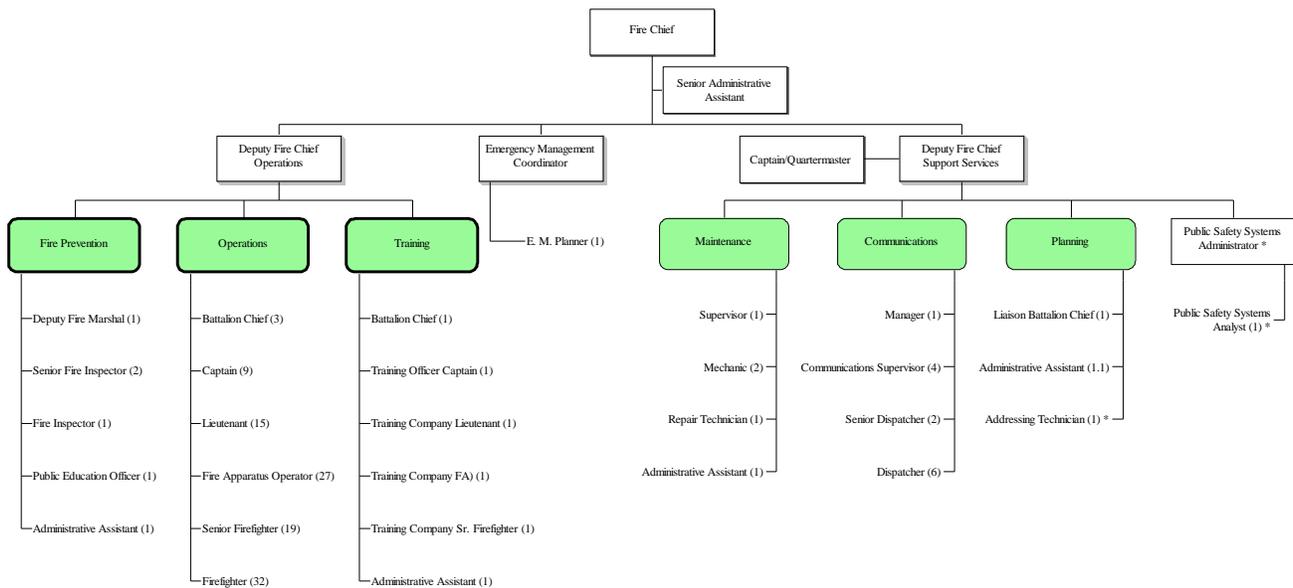
Program: Public Safety
 Department: Fire and Rescue

2012 Goals, Objectives, and Performance Measures (continued)

TRAINING (CONTINUED)

Objective: Assist all EMT-Basics and Paramedics with National Registry and DHEC-EMS certification and recertification as required for all EMTs and Paramedics

	FY 2010 Actual	FY 2011 Projected	FY 2012 Budget
Total employee hours of in-service and technical training	36,573	36,000	36,000
Total employee hours of management / leadership programs	1,890	1,800	1,800
Training Center total number of exercises	215	220	225
Training Center live burn (structural)	18	19	21
Training Center live burn (props)	16	22	25



* These positions are partially funded through Beaufort County.

Program: Public Safety
 Department: Fire and Rescue

Expenditures by Program/Category

Fire and Rescue	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 714,428	\$ 491,801	\$ 504,702	\$ 581,739	\$ 542,349	\$ 509,879	(71,860)	-12.35%
Support Services	2,757,520	2,862,100	2,526,408	2,817,077	2,795,158	2,791,515	(25,562)	-0.91%
Operations	10,411,948	9,920,055	10,110,808	10,134,205	10,147,981	10,333,730	199,525	1.97%
Total	\$ 13,883,896	\$ 13,273,956	\$ 13,141,918	\$ 13,533,021	\$ 13,485,488	\$ 13,635,124	\$ 102,103	0.75%
Summary By Category								
Personnel	\$ 12,244,905	\$ 11,995,283	\$ 12,040,017	\$ 12,079,371	\$ 12,100,300	\$ 12,204,832	125,461	1.04%
Operating	1,481,570	1,142,199	1,033,096	1,367,371	1,293,210	1,361,792	(5,579)	-0.41%
Capital Outlay/Debt	157,421	136,474	68,805	86,279	91,978	68,500	(17,779)	-20.61%
Total	\$ 13,883,896	\$ 13,273,956	\$ 13,141,918	\$ 13,533,021	\$ 13,485,488	\$ 13,635,124	\$ 102,103	0.75%
Positions	147.6	147.1	147.1	147.1	147.1	145.1	(2.0)	-1.36%

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 are primarily used to provide collection, cataloging, custody and preservation of evidence collected at crime scenes within Town boundaries.
- Drug Investigators to enforce narcotics laws within Town boundaries.
- Victim's Advocate to work with victims of crimes occurring within 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
- Four (4) Criminal Investigators
- Two (2) Drug Investigators
- Three (3) Clerks
- One (1) Administrative Clerk
- One (1) Victim’s Advocate

Expenditures by Program/Category

Police	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Budget	FY 2012 Estimate	FY 2013 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Operating	3,109,609	3,024,440	3,119,182	3,138,430	3,123,430	3,231,978	93,548	2.98%
Total	\$ 3,109,609	\$ 3,024,440	\$ 3,119,182	\$ 3,138,430	\$ 3,123,430	\$ 3,231,978	\$ 93,548	2.98%
Expenditure Detail								
Police Service Contract	\$ 2,743,135	\$ 2,661,045	\$ 2,731,804	\$ 2,753,860	\$ 2,754,040	\$ 2,855,660	\$ 101,800	3.70%
Shore Enterprises	184,394	184,192	212,568	196,930	196,930	201,825	4,895	2.49%
Victims' Services	57,130	54,253	53,010	57,640	57,460	59,493	1,853	3.21%
Stipend	124,950	124,950	121,800	130,000	115,000	115,000	(15,000)	-11.54%
Total	\$ 3,109,609	\$ 3,024,440	\$ 3,119,182	\$ 3,138,430	\$ 3,123,430	\$ 3,231,978	\$ 93,548	2.98%
Positions*	-	-	-	-	-	-	-	-

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

Townwide

The townwide budget is a compilation of miscellaneous expenditures not directly associated with a specific department. The budget for this “department” is developed jointly by Finance, Administrative Services, and Human Resources.

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012 Revised Budget	FY 2012 Estimated Actual	FY2013 Budget	Budget \$ Change	Budget % Change
ITEMS OF EXPENDITURE								
<i>Personnel</i>								
Subtotal	25,203	14,158	153,154	215,796	227,762	220,380	4,584	2.12%
<i>Operating</i>								
Travel	368	403	247	500	500	500	-	0.00%
Professional Dues/Services	-	15,150	148,982	141,591	20,000	25,000	(116,591)	-82.34%
Short Term Temp./Agency	-	18,740	5,177	10,000	3,497	6,000	(4,000)	-40.00%
Palmetto Pass - Town Vehicles 1	-	-	4,575	5,000	6,100	5,000	-	0.00%
Photocopying	9,406	9,521	7,761	11,000	10,000	10,000	(1,000)	-9.09%
Courier	19,835	19,910	18,355	20,000	17,200	18,000	(2,000)	-10.00%
Insurance	263,303	283,815	301,969	322,000	322,000	327,725	5,725	1.78%
Accident Insurance Fund 1	-	(508)	33,816	20,000	35,000	35,000	15,000	75.00%
Telephone	172,701	243,756	229,991	220,000	220,000	222,000	2,000	0.91%
Cell Phones	34,364	53,240	55,997	57,000	57,000	55,000	(2,000)	-3.51%
Electricity	110,977	241,340	254,792	280,000	284,100	302,000	22,000	7.86%
Utilities - water and sewer	13,254	32,761	41,684	34,760	52,000	55,120	20,360	58.57%
Utilities - propane	-	15,548	11,224	16,420	10,000	10,600	(5,820)	-35.44%
Utilities - SWU fee	28,291	51,902	62,678	72,160	67,400	68,500	(3,660)	-5.07%
Postage	29,605	32,545	31,790	34,000	30,000	32,000	(2,000)	-5.88%
Printer, Fax, Copier Supplies	24,840	21,951	20,641	22,000	22,000	22,000	-	0.00%
Operating Supplies	-	358	44	-	-	-	-	N/A
Equipment Maintenance	3,774	3,990	2,974	2,500	2,500	2,500	-	0.00%
Fuel	146,095	133,415	165,496	180,000	183,000	205,000	25,000	13.89%
Furniture/Fixtures < \$5,000	594	86	-	-	-	-	-	N/A
Lease Payments	43,015	43,348	51,325	54,600	54,600	54,600	-	0.00%
Other Charges - lightning damage	86,579	4,251	-	-	8,749	-	-	N/A
General Contingency	26,800	17,200	15,997	50,000	22,000	50,000	-	0.00%
Subtotal	1,013,801	1,242,722	1,465,515	1,553,531	1,427,646	1,506,545	(46,986)	-3.02%
<i>Grants</i>								
Recreation Center	623,328	616,940	616,940	616,940	616,940	629,278	12,338	2.00%
Recreation Center - Capital	39,972	-	-	-	-	-	-	N/A
Public Art - Commun. Foundation	-	-	35,768	37,500	37,500	37,500	-	0.00%
Coastal Discovery - Museum	80,750	75,000	75,000	75,000	75,000	75,000	-	0.00%
Coastal Discovery - Sea Turtle Proj.	-	32,500	39,215	29,900	29,900	37,700	7,800	26.09%
Disaster Advertising Reserve	200,000	300,000	274,790	551,770	-	-	(551,770)	-100.00%
Hospitality Promotion	154,765	100,500	94,387	118,060	103,500	118,060	-	0.00%
Heritage Classic	-	-	1,000,000	500,000	500,000	590,625	90,625	18.13%
Palmetto Breeze	166,250	175,000	175,000	175,000	175,000	175,000	-	0.00%
Drug Court	50,500	48,500	48,500	48,500	48,500	48,500	-	0.00%
Red to Green Grant	-	-	1,498	-	-	-	-	N/A
Solicitor's Office Career Criminal Program	-	35,000	35,000	35,000	35,000	35,000	-	0.00%
E-911 Beaufort County	15,000	15,000	-	-	-	-	-	N/A
USAR - RRT	15,518	-	10,227	-	7,438	7,438	7,438	N/A
Transfer to Capital Projects	-	-	-	-	-	-	-	N/A
FEMA	-	-	31,806	-	-	-	-	N/A
LEPC/BC	12,094	6,812	16,130	15,500	15,500	15,500	-	0.00%
Subtotal	1,358,177	1,405,252	2,454,261	2,203,170	1,644,278	1,769,601	(433,569)	-19.68%
<i>Debt Service</i>								
Interest	-	-	-	71,950	-	-	(71,950)	-100.00%
Principal	-	-	-	267,420	-	-	(267,420)	-100.00%
Subtotal	-	-	-	339,370	-	-	(339,370)	-100.00%
TOTAL	2,397,181	2,662,132	4,072,930	4,311,867	3,299,686	3,496,526	(815,341)	-18.91%

General Fund Three-Year Financial Model

One of the most significant tools employed by the Town for strategic planning is the long-range financial plan (forecast). The financial model provides a picture of the financial impact the Town would experience if no action were taken, including tax increases or changes in service. In previous years the Town prepared a five-year financial model. Due to the downturn in the economy, it is very difficult to project revenue trends five years out so the model has been modified to three years.

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 three-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 three-year forecast the Town hopes to more proactively plan for upcoming changes in service level demands as well as identifying potential downturns in revenues and identifying solutions.

Revenue Assumptions

- Property Taxes – FY 2014 no increase; FY 2015 1.0%; FY 2016 1.5%
- ATAX State – projected to be \$1,300,000 for each of the three fiscal years
- ATAX local 1% – increase 2.0% per year
- Transfers In from Other Funds:
 - ⇒ Beach Preservation Fees – no increase, the same as budgeted in FY 2013
 - ⇒ Electric Franchise Fees – increases: FY 2014 1%; FY 2015 1%; FY 2016 1.5% (cost of payroll adjustment)
 - ⇒ Hospitality Taxes – no increase, the same as budgeted in FY 2013
 - ⇒ Stormwater Utility Fees – increases: FY 2014 .59%; FY 2015 .59%; FY 2016 .89%
 - ⇒ TIF – increase: FY 2014 1%; FY 2015 1%; FY 2016 1.5% (cost of payroll adjustment)
- Business License Fees – increase 1.0% per year
- Franchise Fees
 - ⇒ Cable – increase 1% per year
 - ⇒ Beach fees – no increase, the same as budgeted in FY 2013
 - ⇒ Recycling – increase 1% per year
- Permit Fees
 - ⇒ Construction fees – FY 2014 no increase; FY 2015 1%; FY 2016 1.5%
 - ⇒ Development fees – no increase, the same as budgeted in FY 2013
 - ⇒ Other permit fees – FY 2014 no increase; FY 2015 1%; FY 2016 1.5%
- Intergovernmental – no increase, the same as budgeted in FY 2011
- Public Safety EMS – increase 1% per year

General Fund Three-Year Plan, continued

Revenue Assumptions (continued)

- Investments – no increase, the same as budgeted in FY 2013

Expenditure Assumptions

Personnel Expenditures

- No new staffing additions are planned; Currently established positions will retain the same salary grade in future years
- Increase in salaries – FY 2014; 1% FY 2015; 1% FY 2016; 1.5%
- VantageCare (Annual) – 10% increase per year
- VantageCare (retirement) – 10% increase per year
- Medical, life and disability insurance - 5.0% increase per year
- Workers' Compensation -5.0% increase per year

Operating Expenditures/Capital Outlay

- Operating expenditures and capital outlay are projected to increase as determine by the individual departments.

	2009	2010	2011	2012		2013	2014	Projected	
				Revised Budget	Est. Actual			2015	2016
Revenues									
Property Taxes	10,715,950	10,920,696	10,956,179	11,701,330	11,701,330	11,935,350	11,935,350	12,054,703	12,235,524
ATAx Local 1%	2,150,536	2,012,520	2,416,264	2,250,000	2,340,200	2,387,000	2,434,740	2,483,435	2,533,104
Business Licenses	7,459,058	7,103,499	6,900,424	7,400,000	7,123,400	7,265,875	7,338,534	7,411,919	7,486,038
Franchise Fees	608,137	781,451	733,786	811,500	829,400	845,975	854,194	862,494	870,878
Permit Fees	853,962	886,381	954,419	874,000	1,049,850	1,070,850	1,070,851	1,081,497	1,097,627
Intergovernmental	1,054,891	884,672	752,988	651,080	651,080	651,080	651,080	651,080	651,080
Grants	130,796	141,798	151,732	132,680	132,677	132,680	132,680	132,680	132,680
Miscellaneous Revenue	2,390,266	2,231,713	2,320,338	2,105,000	2,157,650	2,198,770	2,212,795	2,226,960	2,241,267
Transfers In	5,453,572	5,443,721	5,681,670	6,106,420	5,857,141	5,875,341	6,093,641	6,097,717	6,103,892
Investments	87,069	95,768	41,785	40,000	10,000	10,000	10,000	10,000	10,000
Total Revenues	30,904,237	30,502,219	30,909,585	32,072,010	31,852,728	32,372,921	32,733,865	33,012,485	33,362,090
Expenditures									
General Government	1,100,621	1,044,477	1,119,830	1,207,252	1,037,126	1,055,696	1,208,230	1,227,749	1,251,065
Management Services	4,667,422	4,590,452	4,593,226	5,123,645	4,515,806	5,502,211	5,077,109	5,105,473	5,250,325
Community Services	6,157,872	6,004,547	5,740,199	6,291,223	6,005,240	6,268,841	6,119,680	6,191,590	6,286,843
Public Safety	16,993,505	16,298,396	16,261,100	16,671,451	16,608,918	16,867,102	16,828,526	17,071,941	17,388,800
Townwide	2,397,181	2,662,132	4,072,930	3,972,497	3,299,686	3,496,526	3,092,129	3,077,913	3,133,698
Debt Service	-	-	-	339,370	-	-	-	-	-
Total Expenditures	31,316,601	30,600,004	31,787,285	33,605,438	31,466,776	33,190,376	32,325,674	32,674,666	33,310,731
Net change in fund balances	(412,364)	(97,785)	(877,700)	(1,533,428)	385,952	(817,455)	408,191	337,819	51,359
Fund balance - beginning	16,274,131	15,861,767	15,763,982	14,886,282	14,886,282	15,272,234	14,454,779	14,862,970	15,200,789
Fund balance - ending	15,861,767	15,763,982	14,886,282	13,352,854	15,272,234	14,454,779	14,862,970	15,200,789	15,252,148

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 and Expenditures Analysis - Historical, Estimated Actual, and Budget

	2009	2010	2011	2012		2013 Budget	% change	
				Revised Budget	Est. Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Property Taxes	4,734,076	5,529,403	5,583,395	5,544,650	5,544,650	5,655,543	2%	2%
Investments	206,739	55,566	82,349	6,000	114,983	50,000	733%	-57%
Bond Premium	-	34,061	-	228,063	228,063	-	-100%	-100%
Issuance of Bonds	-	5,005,000	-	20,635,000	20,635,000	-	-100%	-100%
Federal Reimbursement - BABS	-	-	207,868	191,712	191,712	189,634	-1%	-1%
Fund Balance - Property Taxes	-	-	-	534,435	534,435	-	-100%	-100%
Fund Balance - Hospitality Taxes	-	-	-	509,895	509,895	-	-100%	-100%
Transfers In:								
Hospitality Taxes	758,236	756,508	760,132	2,036,576	2,036,578	1,638,313	-20%	-20%
Real Estate Transfer Fees	2,331,090	2,721,768	2,469,965	1,863,830	1,863,828	2,614,357	40%	40%
Stormwater Fees	1,250,275	-	-	-	-	-	N/A	N/A
Beach Preservation Fees	2,676,584	2,812,310	2,785,750	2,853,474	2,853,478	3,113,854	9%	9%
Tax Increment Financing	3,964,162	3,987,538	4,011,252	4,040,670	4,040,665	4,064,885	1%	1%
Total Revenues	15,921,162	20,902,154	15,900,711	38,444,305	38,553,287	17,326,586	-55%	-55%
Expenditures								
Administrative	23,535	17,131	44,390	17,790	17,790	17,790	0%	0%
Payment to Escrow Agent	-	5,248,484	-	21,675,878	21,675,878	-	-100%	-100%
Debt Issue Costs	-	127,144	-	451,812	451,812	-	-100%	-100%
Principal	11,220,000	11,415,000	12,305,000	12,105,000	12,105,000	11,645,000	-4%	-4%
Interest	5,679,190	4,335,765	4,524,266	3,914,952	3,914,952	4,265,225	9%	9%
Total Expenditures	16,922,725	21,143,524	16,873,656	38,165,432	38,165,432	15,928,015	-58%	-58%
Net change in fund balances	(1,001,563)	(241,370)	(972,945)	278,873	387,855	1,398,571		
Fund balance - beginning	10,884,048	9,882,485	6,974,490	6,135,600	6,001,545	6,414,473		
Prior period adjustment	-	(2,666,625)	-	-	-	-		
Fund balance - ending	9,882,485	6,974,490	6,001,545	6,414,473	6,389,400	7,813,044		

Note: Beginning in FY 2010 Stormwater Utility Bonds are no longer budgeted in this fund; see the Stormwater Utility Fund.

Debt Service Fund Expenditures

The Fiscal Year 2013 budgeted debt service expenditures are as follows:

Debt Service Payments

	Interest	Principal	Total
<u>Certificates of Participation</u>			
2004A - Certificates of Participation (\$9,060,000)	\$ 91,105	\$ 1,065,000	\$ 1,156,105
2005 - Certificates of Participation (\$1,055,000)	9,925	120,000	129,925
Total Certificates of Participation	\$ 101,030	\$ 1,185,000	\$ 1,286,030
<u>General Obligation Bonds</u>			
Series 2004A - General Obligation Bonds (\$15,000,000)	24,960	480,000	504,960
Series 2005A - General Obligation Refunding Bonds (\$24,265,000)	847,196	1,585,000	2,432,196
Series 2008A - General Obligation Refunding Bonds (\$12,215,000)	429,600	675,000	1,104,600
Series 2009 - General Obligation Refunding Bonds (\$5,005,000)	145,734	135,000	280,734
Series 2010A - General Obligation Bonds (BABS) (\$12,000,000)	541,810	440,000	981,810
Series 2011A - General Obligation Refunding Bonds (\$12,385,000)	368,844	145,000	513,844
Total General Obligation Bonds	\$ 2,358,144	\$ 3,460,000	\$ 5,818,144
<u>Revenue/Special Obligation Bonds</u>			
Series 2011A Special Obligation Bonds (Hospitality Tax) (\$15,250,000)	592,919	410,000	1,002,919
Series 2011B Special Obligation Bonds (Hospitality Tax) (\$8,250,000)	234,393	395,000	629,393
Series 2006 Beach Preservation Revenue Bonds (\$19,000,000)	286,216	2,500,000	2,786,216
Series 2011A Special Obligation Bonds (Beach Preservation) (\$11,000,000)	322,638	-	322,638
Series 2004 Tax Increment Financing Bonds (\$8,000,000)	109,275	890,000	999,275
Series 2008 Tax increment Financing Bonds (\$22,000,000)	260,610	2,805,000	3,065,610
Total Revenue/Special Obligation Bonds	\$ 1,806,051	\$ 7,000,000	\$ 8,806,051
Grand Total	\$ 4,265,225	\$ 11,645,000	\$ 15,910,225

Calculation of the Legal Debt Limit

Assessed Value as of December 2010 (estimated 2012 assessed value)		\$ 918,193,000
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval		73,455,440
Council Imposed 80% Cap		58,764,352
Amount of Debt Applicable to Debt Limit: General Obligation Bonds 2009A (Refunding of Series 1999A)	5,005,000	
Total Amount Applicable to Debt Limit		<u>5,005,000</u>
Legal Debt Margin without a Referendum		<u><u>\$ 53,759,352</u></u>

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

	Original Issue Amt.	Principal Outstanding
<u>Certificates of Participation</u>		
2004A - Certificates of Participation	\$ 9,060,000	\$ 2,195,000
2005 - Certificates of Participation	1,055,000	250,000
Total Certificates of Participation	\$ 10,115,000	\$ 2,445,000
<u>General Obligation Bonds</u>		
Series 2004A - General Obligation Bonds	15,000,000	480,000
Series 2005A - General Obligation Bonds (Refunded portion of Series 1999A & 2001A)	24,265,000	19,935,000
Series 2008A - General Obligation Bonds (Refunded portion of Series 1998A)	12,215,000	10,145,000
Series 2009 - General Obligation Refunding Bonds	5,005,000	5,005,000
Series 2010 - General Obligation Bonds (BABS)	12,000,000	11,310,000
Series 2011 - General Obligation Bonds	12,385,000	12,090,000
Total General Obligation Bonds	\$ 80,870,000	\$ 58,965,000
<u>Special Obligation/Revenue Bonds</u>		
Series 2011A Special Obligation Bonds (Hospitality Tax)	15,250,000	15,010,000
Series 2011B Special Obligation Bonds (Hospitality Tax)	8,250,000	7,715,000
2006 Beach Preservation Fees Bonds	19,000,000	7,795,000
Series 2011A Special Obligation Bonds (Beach Preservation Fees)	11,000,000	11,000,000
2004 Tax Increment Financing Bonds	8,000,000	2,795,000
2008 Tax Increment Financing Bonds	22,000,000	8,760,000
Total Special Obligation/Revenue Bonds	\$ 83,500,000	\$ 53,075,000
Grand Total	\$ 174,485,000	\$ 114,485,000

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, 2011 \$964,556 was the fair value of the amount held in the reserve fund for the tax-exempt certificates. Ad Valorem tax revenues of the Debt Service Fund are used to repay these certificates of participation.

Outstanding Debt Issues (continued)

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 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 2004A General Obligation Referendum 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.

4. **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.

5. **Series 2008A General Obligation Bonds; \$12,215,000, Dated March 20, 2008**

On March 20, 2008, the Town issues \$12,215,000 obligation bonds to refund the remaining Series 1998A General Obligation Bonds dated April 1, 1998 and to pay for the cost of issuance.

6. **Series 2009 General Obligation Bonds; \$5,005,000, Dated September 9, 2009**

On September 9, 2009, the Town issued \$5,005,000 in general obligation refunding bonds to refund the General Obligation Bonds dated November 1, 1999. The anticipated amount of economic savings by refunding the bonds is \$845,592.

Outstanding Debt Issues (continued)

7. **Series 2010A General Obligation Bonds (BABS); \$12,000,000, Dated February 3, 2010**

On February 3, 2010, the Town issued \$12,000,000 in general obligation bonds to finance capital projects.

8. **Series 2011A General Obligation Refunding Bonds; \$12,385,000, Dated August 3, 2011**

On August 3, 2011, the Town issued \$12,385,000 in general obligation bonds with an average interest rate of 4.76% to advance refund \$11,210,000 general obligation bonds dated May 12, 2004, with an average interest rate of 3.28%. The net proceeds of \$12,281,450, including a premium of \$194,479 (after payment of \$298,029 in issuance costs) and funds on hand were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds by \$740,894 and to obtain an economic gain of approximately \$579,041.

9. **Beach Preservation Fees Bonds; \$19,000,000, Dated August 1, 2006**

On August 1, 2006 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 \$19,000,000 secured by revenues collected from Beach Preservation Fees Tax. The monies will be used to undertake the re-nourishment of the beaches adjacent to certain areas within the Town; and such capital improvement projects that may be authorized by Town Council.

The Town is required to maintain a reserve for the beach preservation bonds. The original required deposit was 10% of the stated amount of the certificates or \$1,900,000. The Town has allowed the investment income to remain in the reserve. At June 30, 2011, \$1,900,419 was the fair value amount held in the reserve fund.

10. **Series 2011A Special Obligation Bonds (Hospitality Tax); \$15,250,000, Dated October 26, 2011**

On October 26, 2011, the Town issued \$15,250,000 in special obligation bonds (hospitality tax) to finance capital projects.

11. **Series 2011B Special Obligation Bonds (Hospitality Tax); \$8,250,000, Dated October 26, 2011**

On October 26, 2011 the Town issued \$8,250,000 in special obligation bonds (hospitality tax) with an average interest rate of 3.32% to advance refund \$8,625,000 in revenue bonds (hospitality tax) dated June 1, 2004 with an average interest rate of 4.86%. The net proceeds of \$8,129,802 including a premium of \$33,584 (after payment of \$150,484 in issuance costs) and funds on hand were used to purchase United States government securities. These revenue bonds were refunded to reduce total debt service payments over the life of the bonds by \$2,091,227 and to obtain an economic gain of \$291,878.

12. **Series 2011A Special Obligation Bonds (Beach Preservation Fees); \$11,000,000, Dated November 18, 2011**

On November 18, 2011 the Town issued \$11,000,000 in special obligation bonds (beach preservation fees) to finance beach renourishment projects.

13. 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.

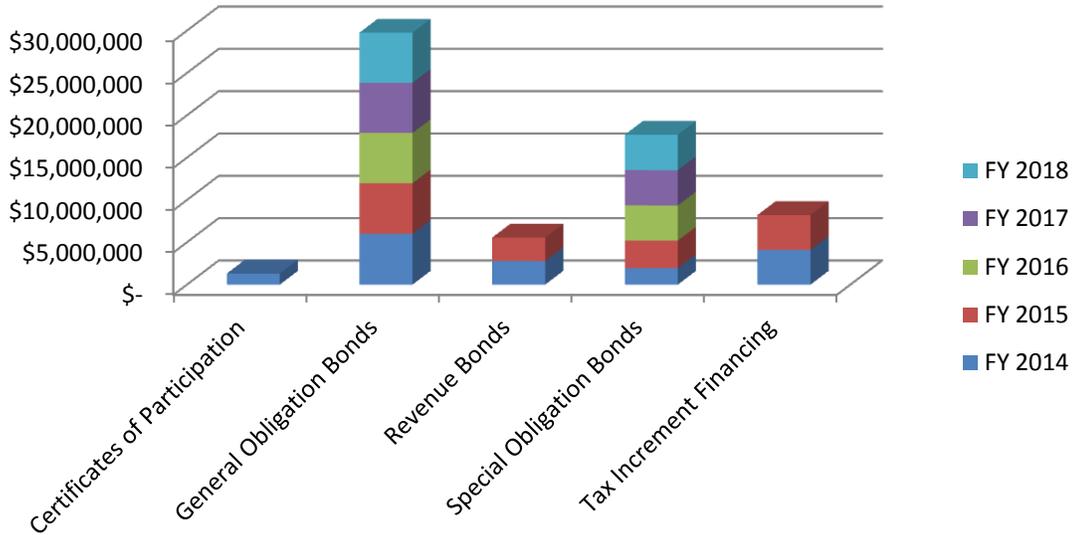
14. Tax Increment Financing Bonds; \$22,000,000, Dated April 17, 2008

On April 17, 2008 the Town issued \$22,000,000 tax increment bonds to fund capital redevelopment projects related to the Tax Increment Financing District.

Planned Debt Service for the Next Five Years

	2014	2015	2016	2017	2018
<u>Certificates of Participation</u>					
2004A - Certificates of Participation	\$ 1,167,855	\$ -	\$ -	\$ -	\$ -
2005 - Certificates of Participation	135,161	-	-	-	-
Total Certificates of Participation	\$ 1,303,016	\$ -	\$ -	\$ -	\$ -
<u>General Obligation Bonds</u>					
Series 2005A - General Obligation Bonds	2,431,634	2,431,590	2,427,765	2,426,265	2,415,390
Series 2008A - General Obligation Bonds	1,104,662	1,097,137	1,092,837	1,088,562	1,088,813
Series 2009 - General Obligation Bonds	490,466	492,296	483,476	488,820	488,370
Series 2010 - General Obligation Bonds	976,250	967,678	963,053	955,343	951,542
Series 2011 - General Obligation Bonds	990,944	983,444	980,844	973,044	968,694
Total General Obligation Bonds	\$ 5,993,956	\$ 5,972,145	\$ 5,947,975	\$ 5,932,034	\$ 5,912,809
<u>Revenue Bonds</u>					
Series 2011A Special Obligation Bonds (Hospitality Tax)	999,719	1,001,419	997,919	999,319	1,001,119
Series 2011B Special Obligation Bonds (Hospitality Tax)	631,494	628,394	630,194	627,794	633,231
2006 Beach Preservation Fee Bonds	2,781,330	2,767,500	-	-	-
Series 2011A Special Obligation Bonds (Beach Preservation)	322,638	1,611,338	2,528,938	2,536,913	2,551,288
2004 TIF Bonds	996,960	997,669	-	-	-
2008 TIF Bonds	3,097,161	3,125,291	-	-	-
Total Revenue Bonds	\$ 8,829,302	\$ 10,131,611	\$ 4,157,051	\$ 4,164,026	\$ 4,185,638
Grand Total	\$ 16,126,274	\$ 16,103,756	\$ 10,105,026	\$ 10,096,060	\$ 10,098,447

Debt Service by Funding Type



Capital Projects Fund (CIP)

The capital improvements program (CIP) is broken into two segments; one segment is integrated into the General Fund operating budget and the other segment is divided among three funds, the Capital Projects Fund, Palmetto Electric Franchisee Fee Fund, and the Stormwater Utility Fund (Enterprise Fund). 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, Palmetto Electric Franchisee Fee Fund, and the Stormwater Utility Fund (Enterprise Fund).

In accordance with State law, the proposed CIP for FY 2013 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 annually recommends the proposed CIP to Town Council for adoption during their CIP Budget Workshop in June.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. Expenditures in this section are exclusive of projects associated with the Stormwater Program or the Palmetto Electric Program. In addition, a ten-year capital plan is included that identifies anticipated capital expenditures with funding sources to be determined. The entire capital improvements program is based on a variety of sources. Sources are Town Council's Policy and Management Agendas 2012 which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2011 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Fire and 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.

The **Stormwater Utility Program** in which funds derive from stormwater utility fees assessed annually based on a rate per SFU (Single Family Unit) are committed to the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs. The fee generates approximately \$3.6 million annually. The budget for this program is reflected in a separate enterprise fund.

The **Palmetto Electric Program** 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 \$2.6 million annually. The budget for this program is reflected in a separate fund.

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 CIP may incorporate as many as 22 different funding sources; a brief description of some of those sources is 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.
 - b. **Parks Impact Fees** that were enacted Countywide to provide funding for emerging park needs.
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 .75 mils and will generate approximately \$706,707.
4. **Sunday Liquor Sales Permit Fee** 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 \$495,500.
5. **Beach Preservation Fee** are derived from an additional two percent (2%) Local Accommodations Tax levied by Town Council. This source will generate approximately \$5.3 million in revenue for the Town next fiscal year. These funds are dedicated to beach re-nourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities. Some of which is used to pay debt service on bonds associated with beach re-nourishment projects.
6. **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 will generate approximately \$4.9 million in revenue next fiscal year. Some of which is used to pay debt service on bonds for public safety projects.
7. **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 will generate approximately \$6.6 million in revenue next fiscal year.
8. **Real Estate Transfer Fee** which is .25 of 1% on each real estate transaction in the Town. This source will generate approximately \$1.9 million in revenue next fiscal year. These funds are dedicated to the Land Acquisition Program and its debt service.
9. **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 \$12,000 derived from those leases has been assigned to pay for maintenance and clean up of Town property.

Revenues (continued)

Implementation of the Fiscal Year 2013 CIP will require about \$12.9 million during the fiscal year. The chart below reflects a comparison of the major budgeted revenue sources for FY 2012 and FY 2013:

Revenue Source	FY 2012 Revised Budget	FY 2013 Budget	\$ Change	% Change
Property Taxes	\$ 692,850	\$ 706,707	\$ 13,857	2.00%
Sunday Permit Fees	689,803	495,500	(194,303)	-28.17%
Beach Preservation Fees	2,845,719	1,090,000	(1,755,719)	-61.70%
Tax Increment Financing	6,933,435	2,612,000	(4,321,435)	-62.33%
Hospitality Tax	1,395,543	2,035,000	639,457	45.82%
Bond Proceeds	14,233,462	4,947,000	(9,286,462)	-65.24%

Expenditures

In the **Pathways** category, there are 16 projects programmed during the next ten years (1 on-going maintenance project). Of those 16 projects, 6 are funded for approximately \$1,825,000 in FY 2013. Funded projects may involve land acquisition, legal work, design, concept and survey, and/or construction.

In the category of **Roadway Improvements**, there are 12 projects programmed during the next ten years; 9 of them are funded for approximately \$2,977,000 in FY 2013.

In the category of **Park Development**, 9 projects (1 on-going maintenance project) are programmed during the next ten years, 5 projects are funded for approximately \$2,008,000 in FY 2013.

In the **Existing Facilities/Infrastructure** category, there are 7 projects (3 on-going maintenance / equipment purchase projects) programmed during the next ten years, 7 projects are funded for approximately \$4,444,000 in FY 2013.

In the **New Facilities/Infrastructure** category, there are 8 projects (2 on-going maintenance projects) programmed during the next ten years, 6 projects are funded for approximately \$950,000 in FY 2013.

In the **Beach Maintenance** category, there are 4 projects (3 on-going maintenance projects) programmed during the next ten years. Of this, 3 projects including the ongoing beach management and monitoring program are funded for approximately \$625,000 in FY 2013.

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.

Expenditures (continued)

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	dedeeded to the County

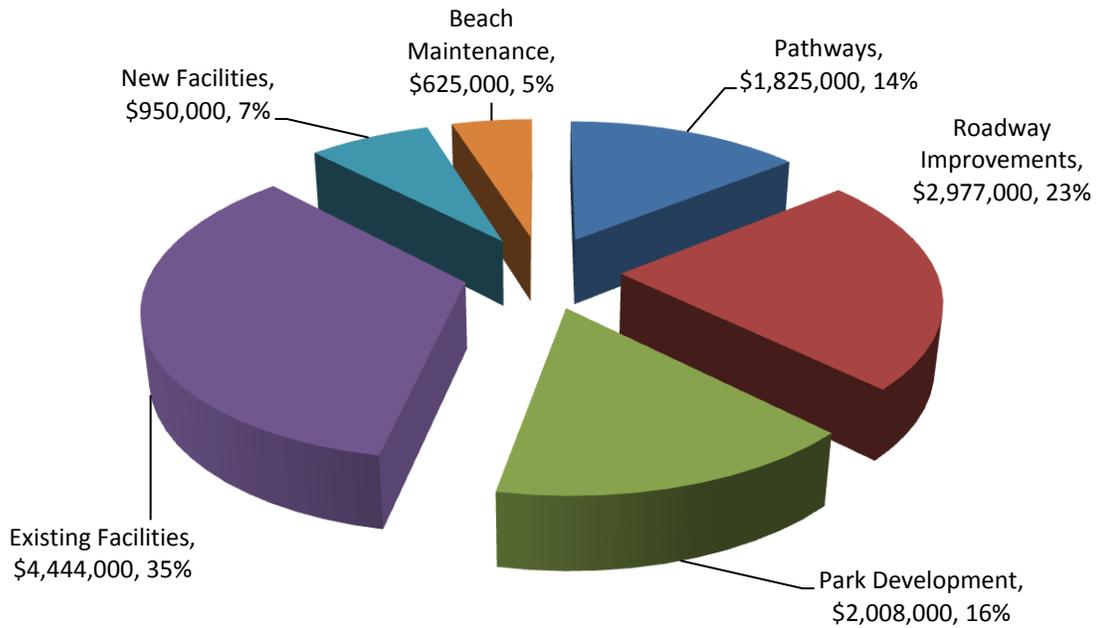
In FY 2013 the major impact items of the Town’s capital assets on the operating budget (General Fund) are as follows:

The FY 2012 General Fund operating budget associated with the upkeep of the Town’s facilities and parks essentially maintains the FY 2012 level of funding. The flat level of funding will have a minimal impact on the overall upkeep of Town property. This will merely delay some maintenance and improvements.

Fiscal Year 2013 Capital Improvements Program (CIP)

The Capital Projects Fund (CIP) budget for Fiscal Year 2013 totals \$12.8 million and consists of the following category funding levels:

Capital Projects Fund (CIP) Expenditures by Category



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

	FY 2009	FY 2010	FY 2011	FY 2012		FY 2013 Budget	% change	
				Revised Budget	Est. Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Property Taxes	709,774	695,844	696,763	692,850	692,850	706,707	2%	2%
Investments	213,183	34,027	23,752	-	-	-	N/A	N/A
Grants	52,525	75,956	-	814,528	814,528	-	-100%	-100%
Contributions	8,500	7,500	7,500	100,000	100,000	-	-100%	-100%
Sunday Permit Fees	254,500	314,950	356,900	689,803	689,803	495,500	-28%	-28%
Capital Sales Tax	703,258	331,639	-	425	425	-	-100%	-100%
Hospitality Tax	4,826,318	4,708,807	-	-	-	-	N/A	N/A
Impact Fees - Roads	43,071	55,643	79,254	159,722	159,722	925,000	479%	479%
Impact Fees - Parks	15,675	19,437	26,334	90,000	90,000	-	-100%	-100%
County	300,000	-	275,000	-	-	-	N/A	N/A
Stormwater Fees	1,572,183	-	-	-	-	-	N/A	N/A
Sale of Property/Equip.	8,582	1,888,488	324,774	-	-	-	N/A	N/A
Premium on Bond Issuance	-	121,571	-	340,168	340,168	-	-100%	-100%
Hospitality Tax Bond Proceeds	-	-	-	1,393,294	1,393,294	4,947,000	255%	255%
Beach Preservation Fee Bond	-	-	-	11,000,000	11,000,000	-	-100%	-100%
General Obligation Bond Proceeds	-	12,000,000	-	1,500,000	1,500,000	-	-100%	-100%
Transfers In:								
ATAX State	-	-	-	-	-	-	N/A	N/A
Real Estate Transfer Fees	3,098,194	7,757	33,080	-	-	-	N/A	N/A
Beach Preservation Fees	2,942,158	1,541,701	606,267	2,845,719	2,845,719	1,090,000	-62%	-62%
Tax Increment Financing	119,314	973	376,744	6,933,635	6,933,635	2,612,000	-62%	-62%
Hospitality Tax	-	-	1,543,734	1,395,543	1,395,543	2,035,000	46%	46%
Stormwater Fees	-	-	-	-	-	40,000	N/A	N/A
Miscellaneous	83,881	2,000	(77,062)	-	-	-	N/A	N/A
Lease	85,839	45,645	19,200	14,688	14,688	12,000	-18%	-18%
Total Revenues	15,036,955	21,851,938	4,292,240	27,970,375	27,970,375	12,863,207	-54%	-54%
Expenditures & Other Uses								
Pathway Improvements	985,889	934,823	548,128	1,522,553	769,882	1,825,000	20%	137%
Drainage Improvements	822,502	(192,411)	-	-	-	-	N/A	N/A
Roadway Improvements	4,797,316	916,560	1,154,476	3,055,840	1,600,491	2,977,000	-3%	86%
Park Development	1,447,812	724,232	257,991	1,558,455	803,160	2,008,000	29%	150%
Existing Facilities	5,376,667	4,959,040	2,997,296	2,770,678	1,886,167	4,444,000	60%	136%
New Facilities	4,344,044	923,844	354,644	4,790,732	3,634,168	950,000	-80%	-74%
Land Acquisition	8,452,181	1,152,741	2,917,122	-	-	-	N/A	N/A
Beach Maintenance	934,747	1,331,073	568,574	13,563,615	11,274,364	625,000	-95%	-94%
Transfers Out	4,527,205	3,537,280	37,500	1,137,500	1,142,715	37,500	-97%	-97%
Debt Service/Issue Costs/Misc.	115,084	264,273	-	265,800	288,639	-	-100%	-100%
Total Expenditures & Other Uses	31,803,447	14,551,455	8,835,731	28,665,173	21,399,586	12,866,500	-55%	-40%
Net change in fund balances	(16,766,492)	7,300,483	(4,543,491)	(694,798)	6,570,789	(3,293)		
Fund balance - beginning	30,133,566	13,367,074	20,532,570	13,841,517	13,841,517	20,412,306		
Prior period adjustment	-	(134,987)	(2,147,562)	-	-	-		
Fund balance - ending	13,367,074	20,532,570	13,841,517	13,146,719	20,412,306	20,409,013		

Note: Beginning with FY10, the stormwater projects are no longer budgeted in this fund; see the Stormwater Utility Fund.

Capital Projects Fund (CIP) Expenditures by Funding Source - 2013

THOUSANDS OF DOLLARS												
Category	Estimated Roll Forward Balance	FY 2013 Budget	FY Impact Fees	2013 Taxes	Beach Fee	SWU Fee	Hospita- lity Tax	Hospita- lity Bond	TIF	Sunday Liquor Fees	Lease	
Summary												
Pathways	753	1,825	750	55	-	-	560	460	-	-	-	
Roadway Improvements	1,449	2,977	175	25	-	-	1,125	435	1,217	-	-	
Park Development	755	2,008	-	50	400	-	200	-	900	458	-	
Existing Facilities	852	4,444	-	580	25	-	150	3,677	-	-	12	
New Facilities	3,236	950	-	-	40	40	-	375	495	-	-	
Beach Maintenance	1,289	625	-	-	625	-	-	-	-	-	-	
TOTAL	8,334	12,829	925	710	1,090	40	2,035	4,947	2,612	458	12	

Pathways												
Pathway Rehabilitation		185		55				130				
US 278 (Wexford Circle to Fresh Market Shoppes)	21	660	330					330				
Leg O'Mutton	43	560	280				280					
Honey Horn Access Improvements	95	140					140					
US 278 (Fresh Market to Shelter Cove)		160	80				80					
US 278 (Shelter Cove/Chaplin to Mathews north)		120	60				60					
Dunnagan's Alley	328	-										
Pembroke Drive	44	-										
Gardner Drive	39	-										
US 278 @ New Orleans to Shipyard & Town Hall	183	-										
TOTAL	753	1,825	750	55	-	-	560	460	-	-	-	

Roadway Improvements												
Roadway Safety Improvements		100	100									
Leamington/Fresh Market Shoppes	230	1,125					1,125					
Directional/Neighborhood Signage		100					-	100				
F&R Emergency Access Points	65	110					-	110				
Traffic Signal Mast Arms	170	225					-	225				
Private (Dirt) Rd. Acquisition	50	25		25								
Lemoyne Avenue Reconstruction		75	75									
Pedestrian Crosswalks	251	-										
Intersection Improvements	151	-										
Mathews Dr./Chaplin Area Connectivity	420	170							170			
Dunnagan's Alley Roundabout	1	-										
Marshland Roundabout	103	1,047							1,047			
Mathews Dr. N. - Roundabout @ Beach City Rd	8	-										
TO TAL	1,449	2,977	175	25	-	-	1,125	435	1,217	-	-	

Capital Projects Fund (CIP) Expenditures by Funding Source - 2013

Category	Estimated Roll Forward Balance	FY 2013 Budget	FY		Beach Fee	SWU Fee	Hospi- tality Tax	Hospi- tality Bond	TIF	Sunday Liquor	
			Impact Fees	2013 Taxes						Fees	Lease
Park Development											
Park Upgrades	336	508		50							458
Recreation Center Enhancements	82	200					200				
Rowing and Sailing Center	128	700							700		
Chaplin Linear Park w/Boardwalk		200							200		
Seniors' Center	100	TBD									
Yacht Cove Community Park	37	-									
Collier Beach Park		400			400						
Chaplin Tennis Park	72	-									
TOTAL	755	2,008	-	50	400	-	200	-	900	458	-
Existing Facilities & Infrastructure											
Rehabilitaion and Renovation of Fixed Capital Assets	188	251		251							
Clean up, Maintenance of Properties & Demolition of Structures		291		279							12
Apparatus and Vehicle Replacement	305	225		50	25		-	150			
Fire Station 2 Replacement		275					-	275			
Facilities Surveillance Cameras		50					-	50			
Town Hall Renovations	109	150					150				
Fire Station 6 Replacement	250	3,202					-	3,202			
TOTAL	852	4,444	-	580	25	-	150	3,677	-	-	12
New Facilities & Infrastructure											
Sewer Projects	1,681	80			40	40					
Dispatch Center Equipment Upgrade		5					-	5			
Fire/Medical Systems and Equipment Replacement		70					-	70			
Public Saftey Systems Equipment Upgrade		210					-	210			
Mobile Computing AVL Upgrade		90					-	90			
Coligny/Pope Avenue Area Initiative	725	495					-		495		
F&R Computer System	69	0									
Dunnagan's Area Initiative	555	0									
Site Infrastructure - Emg. Town Hall	6	0									
BCSO with Tenant Upfit	200	0									
TOTAL	3,236	950	-	-	40	40	-	375	495	-	-

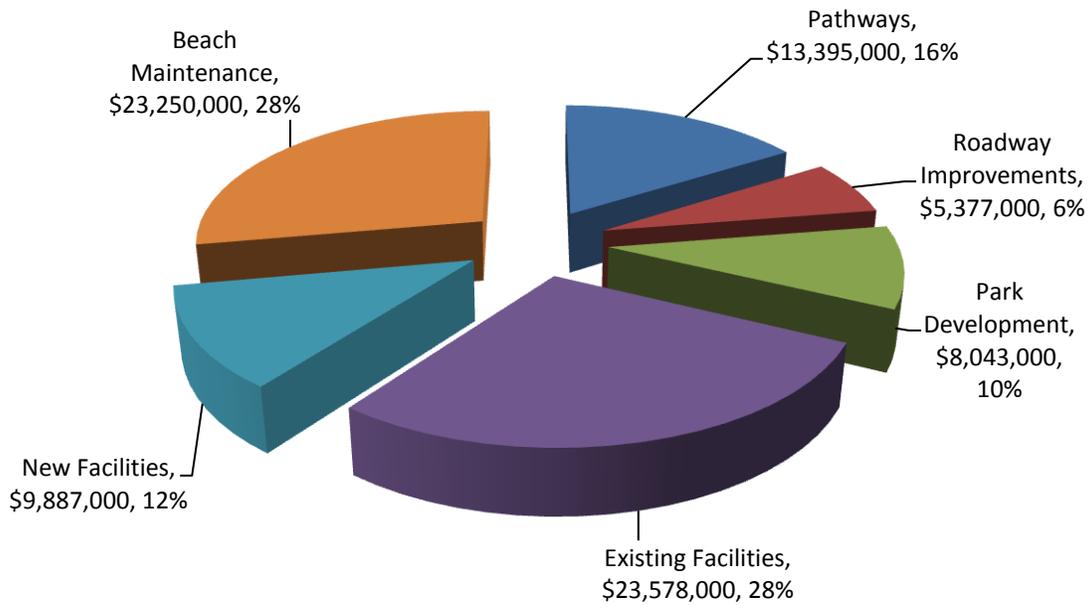
Capital Projects Fund (CIP) Expenditures by Funding Source - 2013

Category	Estimated Roll Forward Balance	FY 2013 Budget	FY 2013									
			Impact Fees	Taxes	Beach Fee	SWU Fee	Hospi- tality Tax	Hospi- tality Bond	TIF	Sunday Liquor Fees	Lease	
Beach Maintenance												
Beach Management and Monitoring	556	500			500							
Beach Parks/Access Rehabilitation	13	100			100							
Dunes Refurbishment and Maintenance	6	25			25							
Port Royal Fill Project	714	-										
TOTAL	1,289	625	-	-	625	-	-	-	-	-	-	

Ten-Year Capital Improvements Program (CIP)

The anticipated capital expenditures over the next ten years are anticipated to be \$83.5 million. The estimated expenditures by program are as follows:

Ten-Year Capital Improvements Program Expenditures by Program



CIP Expenditures by Category 2013-2022

<u>THOUSANDS OF DOLLARS</u>							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
SUMMARY							
Pathways	13,395	1,825	1,430	2,850	3,520	1,210	2,560
Roadway Improvements	5,377	2,977	2,250	50	50	50	-
Park Development	8,043	2,008	625	3,510	700	200	1,000
Existing Facilities & Infrastructure	23,578	4,444	3,332	1,759	987	1,001	12,055
New Facilities & Infrastructure	9,887	950	1,250	5,440	523	482	1,242
Beach Maintenance	23,250	625	625	625	17,625	625	3,125
Total	83,530	12,829	9,512	14,234	23,405	3,568	19,982

CIP Expenditures by Category 2013-2022

THOUSANDS OF DOLLARS							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
PATHWAYS							
Pathway Rehabilitation		185	195	200	210	220	1,100
US 278 (Wexford Circle to Fresh Market Shoppes)		660					
Leg O'Mutton		560					
Honey Horn Access Improvements		140					
Pembroke Drive			480				
Gardner Drive			330				
US 278 (Fresh Market Shoppes to Shelter Cove)		160		1,320			
US 278 (Shelter Cove/Chaplin to Mathews north)		120	30	1,170			
US 278 (Gardner Drive to Jarvis Park)			120		930		
US 278 (Gum Tree Road to Squire Pope Rd.)			55	10	550		
US 278 (Jarvis/Honey Horn to Graves Bridge)			220		1,690		
Singleton Beach Road				40		300	
US 278 (Squire Pope Rd. to Welcome Center)				110		600	
Jonesville Road					100		760
US 278 (Stoney area)					40		300
US 278 (Jenkins Island to the bridge)						90	400
Total		1,825	1,430	2,850	3,520	1,210	2,560

CIP Expenditures by Category 2013-2022

THOUSANDS OF DOLLARS							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
ROADWAY IMPROVEMENTS							
Roadway Safety Improvements		100					
Leamington/Fresh Market Shoppes		1,125					
Directional/Neighborhood Signage		100	50	50	50	50	TBD
F&R Emergency Access Points		110	100				
Honey Horn Access Improvements			TBD				
Traffic Signal Mast Arms		225	300				
Private (dirt) Rd. Acquisition		25	TBD	TBD	TBD	TBD	TBD
Stoney Secondary Road (south)			600				
Lemoyne Avenue Reconstruction		75	800				
Summit Drive Realignment and Refurbishment			400				
Mathews Dr./Chaplin Area Connectivity		170					
Marshland Roundabout		1,047					
Total		2,977	2,250	50	50	50	-

PARK DEVELOPMENT							
Park Upgrades		508	200	200	200	200	1,000
Recreation Center Enhancements		200	TBD	TBD			
Rowing and Sailing Center		700					
Chaplin Linear Park Boardwalk		200		2,310			
Seniors' Center		TBD					
Yacht Cove Community Park		FY12		1,000			
Collier Beach Park		400					
Chaplin Linear Park Boardwalk			400				
Ford Shell Ring Park			25		500		
Total		2,008	625	3,510	700	200	1,000

CIP Expenditures by Category 2013-2022

THOUSANDS OF DOLLARS							
Category	Total	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018-2022
EXISTING FACILITIES							
Rehabilitaion &Renovation of Fixed Capital Assets		251	251	251	251	251	1,255
Clean up, Maintenance of Properties & Demolition of Structures		291	291	291	291	291	1,455
Apparatus and Vehicle Replacement		225	290	1,217	445	459	9,345
Fire Station 2 Replacement		275	2,500				
Facilities Surveillance Cameras		50					
Town Hall Renovations		150					
Fire Station 6 Replacement		3,202					
Total		4,444	3,332	1,759	987	1,001	12,055

NEW FACILITIES							
Sewer Projects		80	15	40	40		
Dispatch Center Equipment Upgrade		5	20	5	5	22	65
Fire/Medical Systems and Equipment Replacement		70	405		360	300	775
Public Saftey Systems Equipment Upgrade		210	135	50	90	100	277
Mobile Computing AVL Upgrade		90				60	60
Fire and Rescue Computer Systems CAD Upgrade			25		28		65
Coligny/Pope Avenue Area Initiative		495	650	5,130			
Public Safety WAN/PN				215			
Total		950	1,250	5,440	523	482	1,242

BEACH MAINTENANCE							
Beach Management and Monitoring		500	500	500	500	500	2,500
Beach Parks/Access Rehabilitation		100	100	100	100	100	500
Dunes Refurbishment and Maintenance		25	25	25	25	25	125
Beach Renourishment					17,000		
Total		625	625	625	17,625	625	3,125

Stormwater Fund (Enterprise Fund)

This fund is used to account for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs. The total expense budget for FY 2013 is \$8.0 million including a transfer to the General Fund. A new bond issue is also proposed for the upcoming fiscal year. The annual base fee per SFU will remain at \$108.70 for FY 2013.

Revenues and Expenses Analysis - Historical, Estimated Actual, and Budget

	FY 2009 Actual	FY 2010 Actual	FY 2011 Actual	FY 2012		FY 2013 Budget	% change	
				Revised Budget	Estimated Actual		FY 2012 Budget	FY 2012 Est. Actual
Revenues								
Stormwater Fees	-	2,553,971	3,377,779	3,575,795	3,575,795	3,611,553	1%	1%
Grants	-	-	-	-	-	-	-	-
Investments	-	83,128	8,612	-	-	-	-	-
New Bond Issue	-	-	-	-	-	4,350,473	-	-
Total Revenue	-	2,637,099	3,386,391	3,575,795	3,575,795	7,962,026	123%	123%
Expenses								
Personnel:								
Total Personnel	-	-	147,029	147,190	140,022	150,461	2%	7%
Operating:								
Operational						8,200	-	-
Beaufort County SWU Administration Fee	-	-	-	92,109	92,109	92,109	0%	0%
Water Quality Monitoring	-	-	-	59,350	59,350	45,000	-24%	-24%
LiDAR Mapping Update	-	-	-	-	-	89,000	-	-
Public Education	-	-	-	35,000	35,000	23,000	-34%	-34%
NPDES Phase II Permitting	-	-	-	-	-	12,000	-	-
Total Operating	-	-	-	186,459	186,459	269,309	44%	44%
Stormwater Projects:								
Capital Projects and Upgrades	-	-	-	1,488,454	1,488,454	2,705,000	82%	82%
Drainage Maintenance and Repairs	-	79,875	210,767	726,259	726,259	1,862,000	156%	156%
Pump Stations	-	-	-	301,845	198,845	300,000	-1%	51%
Inventory and Modeling	-	-	-	604,875	114,870	1,250,000	107%	988%
Total Stormwater Projects	-	79,875	210,767	3,121,433	2,528,428	6,117,000	96%	142%
Depreciation and Amortization	-	593,229	690,885	-	690,885	-	-100%	-
Debt Service:								
Total Debt Service	-	1,289,122	1,083,146	1,500,100	1,026,918	1,149,126	-23%	12%
Total Expenses	-	1,962,226	2,131,827	4,955,182	4,572,712	7,685,896	55%	68%
Transfer Out	-	302,763	302,763	235,330	235,330	276,130	17%	17%
Revenues Over/(Under) Expenses	-	372,110	951,801	(1,614,717)	(1,232,247)	-		

Note: Beginning with FY10, the stormwater projects were established in this fund. Previously, they were reported in the Capital Projects Fund.

Stormwater Fund Expenses by Funding Source - 2013

THOUSANDS OF DOLLARS						
Category	Roll Forward Balance	FY 2013 Budget	Stormwater Fees	Stormwater Bonds	Other	
Summary						
Drainage Maintenance and Repairs	-	1,862	1,862	-	-	
Pump Station Costs	103	300	300	-	-	
Infrastructure Upgrades and Improvements	-	2,705	2,705	-	-	
Operating Expenses	-	261	261	-	-	
Inventory and Modeling	490	1,250	1,250	-	-	
TOTAL	593	6,378	6,378	-	-	
THOUSANDS OF DOLLARS						
Category	Roll Forward Balance	FY 2013 Budget	Stormwater Fees	Stormwater Bonds	Other	
Drainage Maintenance and Repairs						
Non-PUD Areas						
Oakmarsh Road outfall - remove sediments, extend pipe		10	10			
Matthews/Matilda - bank erosion		12	12			
Mathews culvert outfall - remove pinch valves repl w gates		80	80			
Folly Field - channel cleanout		75	75			
Old Woodlands - pond weir/channels up to Pineland		20	20			
Shamrock Circle - roadside ditches/drvwy pipes		80	80			
WHP median and shoulder drainage work		150	150			
Misc Vac-haul		75	75			
Channel Cleaning		75	75			
Misc Ditch Mowing		50	50			
Video of misc suspect failing pipes		50	50			
Unknown Rehab contingency		100	100			
TOTAL	-	777	777	-	-	
Sea Pines PUD						
Greenwood Dr ditch from Heritage Farm to Fraser Circle		60	60			
General drainage maint - pipe cleaning & repairs		15	15			
General Lagoon maint of risers and gates		20	20			
ditch cleaning, vac-haul, stabilization, unknown rehab		25	25			
TOTAL	-	120	120	-	-	

Stormwater Fund Expenses by Funding Source - 2013

THOUSANDS OF DOLLARS						
Category	Roll Forward Balance	FY 2013 Budget	Stormwater Fees	Stormwater Bonds	Other	
Palmetto Dunes PUD						
Man o War & Longboat ROW drainage pipe repair/lining		20	20			
Longboat to Man O War pipe cleaning & inspection		10	10			
Queens Folly ROW drainage pipe rehab / line		20	20			
Queens Folly ROW median drainage swale grading		10	10			
ditch cleaning, vac-haul, stabilization, unknown rehab		20	20			
TOTAL		80	80	-	-	
Leamington PUD						
Clearing ditch / trim wax myrtles - ditch b/tw Leam & SY		15	15			
ditch cleaning, vac-haul, stabilization, unknown rehab		35	35			
TOTAL		50	50	-	-	
Shipyard PUD						
Galleon fairway flooding - adj pipe and repair control structure		20	20			
Tennismaster - add box, stub pipe and clean channel		15	15			
Extend colvert, lower PSD line on Gloucester Rd.		5	5			
Trimming wax myrtle overhanging channels/ 278 Culverts		20	20			
ditch cleaning, vac-haul, stabilization, unknown rehab		50	50			
TOTAL		110	110	-	-	
Hilton Head Plantation PUD						
Pipe collars, ditch cleaning, vac-haul, stabilization		75	75			
Big Woods outfall clearing and ditch reshaping		65	65			
ditch cleaning, vac-haul, stabilization, unknown rehab		75	75			
TOTAL		215	215	-	-	
Port Royal Plantation PUD						
Scarborough channel widening / stabilization		50	50			
ditch cleaning, vac-haul, stabilization, unknown rehab		50	50			
TOTAL		100	100	-	-	

Stormwater Fund Expenses by Funding Source - 2013

THOUSANDS OF DOLLARS						
Category	Roll Forward Balance	FY 2013 Budget	Stormwater Fees	Stormwater Bonds	Other	
Indigo Run Plantation PUD						
Pipe collars, vac-haul, ditch work		50	50			
Trimming wax myrtle overhanging channels and lagoons		25	25			
Colonial Drive flooding mitigation		25	25			
TOTAL	-	100	100	-	-	
Wexford Plantation PUD						
ditch cleaning, vac-haul, stabilization, unknown rehab		50	50			
Ditch work along powerline easment		60	60			
TOTAL	-	110	110	-	-	
Maintenance and Repairs Engineering and Professional Contingency						
Surveying		50	50			
Environmental		25	25			
Legal		25	25			
Engineering		100	100			
TOTAL	-	200	200	-	-	
Total Drainage Maintenance and Repairs	-	1,862	1862	-	-	
Pump Station Costs						
Pump Maintenance		110	110			
Pump Bldgs, Grounds, Electrical, and Utilities		40	40			
Sea Pines Pump Work (reimbursal per contract)	28	75	75			
Emergency Contingency	75	75	75			
Total Pump Station Costs	103	300	300	-	-	

Stormwater Fund Expenses by Funding Source - 2013

THOUSANDS OF DOLLARS						
Category	Roll Forward Balance	FY 2013 Budget	Stormwater Fees	Stormwater Bonds	Other	
Infrastructure Upgrades and Improvements						
Arrow Road		425	425			
US 278 Flooding (beyond SCDOT funding)		100	100			
Fish Haul Culverts		100	100			
Hilton Head Plantation Pond Control Structures, Dredging, and Culvert Upgrades		119	119			
Hilton Head Plantation Bear Creek Outfall Outhab		100	100			
Port Royal Plantation Canal Dredging		200	200			
Shipyards Culvert Upgrades		125	125			
Jarvis bypass channel		98	98			
Gumtree Road - South Outfall		100	100			
Broad Creek Shelter Cove - BMP Retrofits		50	50			
Wexford generator permanent mount		28	28			
Palmetto Dunes - Mooring Buoy culvert replacement		60	60			
Myrtle and Hickory Lanes		500	500			
CIPP and CCCP pipe rehabilitation of CMP system island wide		500	500			
Contingency services		100	100			
Wiler/s Creek bank stabilization		100	100			
Total Infrastructure Upgrades and Improvements	-	2,705	2,705	-	-	
Operating						
Beaufort County SWU Administration Fee		92	92			
Water Quality Monitoring		45	45			
Town share of County SW Public		23	23			
Town share of 10 year County LiDAR mapping update (IGA)		89	89			
NPDES Phase II permit implementation expenses		12	12			
Total Operating	-	261	261	-	-	
Inventory and Modeling						
Port Royal Plantation	180	100	100			
Hilton Head Plantation	180	300	300			
Gumtree Road	26	0	0			
Sea Pines Plantation		600	600			
Indigo Run Plantation	14	250	250			
Unaffiliated Watersheds - Point Comfort, Bay Pines, Palmetto Bay, Tide Pointe	90	0	0			
Total Inventory and Modeling	490	1,250	1,250	-	-	
TOTALS	593	6,378	6,378	-	-	

Stormwater Revenue Bonds; \$13,810,000, Dated December 1, 2010

On December 1, 2010, the Town issued \$13,810,000 in revenue bonds with an average interest rate of 2.78% to advance refund \$13,740,000 revenue bonds dated December 1, 2002 with an average interest rate of 4.85%. The net proceeds of \$14,894,433 (after payment of \$202,091 in issuance costs) and funds on hand were used to purchase United States government securities which were placed in trust to remove the old debt from the books. The difference between the reacquisition price and the carrying value of the old debt resulted in a loss on refunding of \$1,343,322. These revenue bonds were refunded to reduce total debt service payments over the life of the bonds by \$2,837,355 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$943,642.

For the Year Ended June 30	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2013	2.780	366,126	780,000	1,146,126
2014	2.780	344,442	805,000	1,149,442
2015	2.780	322,063	825,000	1,147,063
2016	2.780	299,128	850,000	1,149,128
2017-2021	2.780	1,127,568	4,620,000	5,747,568
2022-2026	2.780	449,387	5,290,000	5,739,387
		<u>\$ 2,908,714</u>	<u>\$ 13,170,000</u>	<u>\$ 16,078,714</u>

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.

Amortization - The expiration of intangible assets due to the passage of time.

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.

Beach Preservation Fees Fund – Used to preserve the general health, safety and welfare of the public within the Town of Hilton Head Island, by creating an additional fund to pay, in whole or in part, for the current and future preservation, maintenance, nourishment, re-nourishment, and improvement of the beaches of Hilton Head Island, and also those public facilities related to the use, preservation, maintenance, nourishment, re-nourishment, and improvement of the beaches.

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.

CAFR (Comprehensive Annual Financial Report) - Financial report that contains, at a minimum, three sections: 1) introductory, 2) financial, 3) statistical, and whose financial section provides information on each individual fund and component unit.

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.

Defeasance – Netting of outstanding liabilities and related assets on the statement of financial position. Most refundings result in the defeasance of the refunded debt.

Deferred – Postponement of the recognition of an expense already paid or a revenue already received.

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.

Enterprise Fund – Proprietary fund type used to report an activity for which a fee is charged to external users for goods and services.

Expenditure (Governmental Fund)/Expense (Proprietary/Enterprise Fund) – 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 Principles.

Fund Balance – Equals the equity in each fund.

GAAP – Generally Accepted Accounting Principles

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.

GFOA (Government Finance Officers Association) – An association of public finance professional that has played a major role in the development and promotion of GAAP for state and local governments since its inception in 1906.

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

Governmental Funds – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

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

Hospitality Tax – 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.

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

Major Fund – Governmental fund or enterprise fund reported as a separate column in the basic fund financial statements and subject to a separate opinion in the independent auditor’s report.

Mil – 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 (Townwide) – 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/Expenses – 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/Expenses – 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 Estate Transfer Fees Fund – 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.

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.

SFU or “Single-family unit” – Is the average impervious area of a single-family detached residential dwelling unit located within the Town.

Special Revenue Fund – Governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.

Stormwater drainage system – Is the system of publicly or privately owned or operated rivers, creeks, ditches, drainage channels, pipes, basins, street gutters, and ponds within the Town through which or into which stormwater runoff, surface water, or subsurface water is conveyed or deposited.

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.

FY 2013 Financial Structure - All Funds

The chart below reflects all Funds used by the Town to manage its financial resources. Budgets are formally adopted by Town Council for the General Fund, Debt Service Fund, and Capital Projects Fund (CIP).

TOWN OF HILTON HEAD ISLAND											
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES											
ALL FUNDS											
FISCAL YEAR 2013 BUDGET											
	Governmental Funds									Enterprise Fund Stormwater	
	General	Tax Increment Financing District	State Accom Tax	Real Estate Transfer Fee	Beach Preservation Fee	Hospitality Tax	Debt Service	Capital Projects	Electric Franchise Fee		Total Governmental Funds
Revenues:											
Real and Personal Property Taxes	\$ 11,935,350	\$ 6,641,414	\$ -	\$ -	\$ -	\$ -	\$ 5,655,543	\$ 706,707	\$ -	\$ 24,939,014	\$ -
Accommodations Tax	2,387,000	-	3,677,549	-	-	-	-	-	-	6,064,549	-
Hospitality Tax	-	-	-	-	-	4,991,040	-	-	-	4,991,040	-
Business Licenses/Franchise Fees	8,111,850	-	-	-	-	-	-	-	-	8,111,850	-
Permits	1,070,850	-	-	-	-	-	-	-	-	1,070,850	-
Other Fees:											
Impact	-	-	-	-	-	-	-	925,000	-	925,000	-
Real Estate Transfer	-	-	-	1,969,830	-	-	-	-	-	1,969,830	-
Beach Preservation	-	-	-	-	5,350,123	-	-	-	-	5,350,123	-
Electric Franchise	-	-	-	-	-	-	-	2,700,000	-	2,700,000	-
Stormwater	-	-	-	-	-	-	-	-	-	-	3,611,553
State Shared Funds	651,080	-	-	-	-	-	-	495,500	-	1,146,580	-
Contributions/Donations	1,000	-	-	-	-	-	-	-	-	1,000	-
Grants	132,680	-	-	-	-	-	-	-	-	132,680	-
Miscellaneous Revenue	2,197,770	-	-	-	-	-	189,634	-	-	2,387,404	-
Investment Income	10,000	8,750	1,500	3,500	3,100	3,000	50,000	12,000	-	91,850	-
Total revenues	26,497,580	6,650,164	3,679,049	1,973,330	5,353,223	4,994,040	5,895,177	2,139,207	2,700,000	59,881,770	3,611,553
Expenditures/Expenses:											
General Government											
Town Council	446,728	-	-	-	-	-	-	-	-	446,728	-
Town Manager	608,968	-	-	-	-	-	-	-	-	608,968	-
Total	1,055,696	-	-	-	-	-	-	-	-	1,055,696	-
Administration											
Finance	1,607,459	-	-	19,312	-	-	-	-	-	1,626,771	-
Administration/Legal	3,894,752	-	-	-	-	-	-	-	-	3,894,752	-
Total	5,502,211	-	-	19,312	-	-	-	-	-	5,521,523	-
Community Services											
Community Development	2,659,494	-	-	-	-	-	-	-	-	2,659,494	-
Public Projects and Facilities	3,609,347	-	-	-	-	-	-	-	-	3,609,347	419,770
Total	6,268,841	-	-	-	-	-	-	-	-	6,268,841	419,770
Public Safety											
Fire and Rescue	13,635,124	-	-	-	-	-	-	-	-	13,635,124	-
Sheriff/Other Public Safety	3,231,978	-	-	-	-	-	-	-	-	3,231,978	-
Total	16,867,102	-	-	-	-	-	-	-	-	16,867,102	-
Townwide											
	3,496,526	-	-	-	-	-	-	-	-	3,496,526	-
Capital Projects											
	-	-	-	-	-	-	-	12,866,500	2,200,000	15,066,500	6,117,000
Accommodations Tax Grants											
	-	-	1,295,954	-	-	-	-	-	-	1,295,954	-
Visitor and Convention Bureau											
	-	-	1,081,632	-	-	-	-	-	-	1,081,632	-
Debt Service											
	-	-	-	-	-	-	15,928,015	-	-	15,928,015	1,149,126
Total expenditures	33,190,376	-	2,377,586	19,312	-	-	15,928,015	12,829,000	2,200,000	66,581,789	7,685,896
Excess (deficiency) of revenues over (under) expenditures/expenses	(6,692,796)	6,650,164	1,301,463	1,954,018	5,353,223	4,994,040	(10,032,838)	(10,689,793)	500,000	(6,700,019)	(4,074,343)
Other financing sources (uses):											
Transfers In:											
Accommodations Tax - State	1,085,736	-	-	-	-	-	-	-	-	1,085,736	-
Hospitality Tax	3,269,550	-	-	-	-	-	1,638,313	2,035,000	-	6,942,863	-
Real Estate Transfer	-	-	-	-	-	-	2,614,357	-	-	2,614,357	-
Beach Preservation	981,705	-	-	-	-	-	3,113,854	1,090,000	-	5,185,559	-
Electric Franchise	81,790	-	-	-	-	-	-	-	-	81,790	-
TIF	182,930	-	-	-	-	-	4,064,885	2,612,000	-	6,859,815	-
Sunday Liquor Permits	37,500	-	-	-	-	-	-	-	-	37,500	-
Stormwater	236,130	-	-	-	-	-	-	40,000	-	276,130	-
Transfers Out:											
Accommodations Tax	-	-	(1,085,736)	-	-	-	-	-	-	(1,085,736)	-
Hospitality Tax	-	-	-	-	-	(6,942,863)	-	-	-	(6,942,863)	-
Real Estate Transfer	-	-	-	(2,614,357)	-	-	-	-	-	(2,614,357)	-
Beach Preservation	-	-	-	-	(5,185,559)	-	-	-	-	(5,185,559)	-
Electric Franchise	-	-	-	-	-	-	-	(81,790)	-	(81,790)	-
TIF	-	(6,859,815)	-	-	-	-	-	-	-	(6,859,815)	-
Sunday Liquor Permits	-	-	-	-	-	-	-	(37,500)	-	(37,500)	-
Stormwater Fees	-	-	-	-	-	-	-	-	-	-	(276,130)
Stormwater Bonds	-	-	-	-	-	-	-	-	-	-	4,350,473
Hospitality Tax Bonds	-	-	-	-	-	-	-	4,947,000	-	4,947,000	-
Total other financing sources (uses)	5,875,341	(6,859,815)	(1,085,736)	(2,614,357)	(5,185,559)	(6,942,863)	11,431,409	10,686,500	(81,790)	5,223,130	4,074,343
Revenues Over/(Under) Expenditures/Expenses	(817,455)	(209,651)	215,727	(660,339)	167,664	(422,780)	1,398,571	(3,293)	418,210	2,145,880	-
Fund balance - beginning	15,272,234	6,370,189	(162,560)	1,981,140	3,460,399	(422,780)	6,333,554	20,412,306	400,000	59,324,106	-
Fund balance - ending	\$ 14,454,779	\$ 6,160,538	\$ 53,167	\$ 1,320,801	\$ 3,628,064	\$ (845,560)	\$ 7,732,125	\$ 20,409,013	\$ 818,210	\$ 61,469,986	\$ -

FY 2013 Flow of Funds - All Funds

