



Town of Hilton Head Island
**FINANCE & ADMINISTRATIVE COMMITTEE
MEETING**
Tuesday, January 18, 2022, 10:00 AM
AGENDA

The Finance & Administrative Committee meeting will be conducted virtually and can be viewed on the [Town of Hilton Head Island Public Meetings Facebook Page](#).

1. Call to Order

2. FOIA Compliance Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act and the requirements of the Town of Hilton Head Island.

3. Roll Call

4. Approval of the Agenda

5. Approval of the Minutes

a. Regular Meeting - December 7, 2021

6. Appearance by Citizens

Citizens who wish to address the Committee concerning the items on the agenda, may do so by contacting the Town Clerk at 843.341.4701, no later than 4:30 p.m., Friday, January 14, 2022.

Citizens may also submit written comments concerning any of the items on the agenda through the eComment portal. The eComment portal can be found by following this link: [January 18, 2022 Finance & Administrative Committee Meeting Information](#)

7. Unfinished Business

a. Consideration of the Final Draft of the Affiliated Agency Application

8. New Business

a. Review and Consideration of Proposed Ordinance 2020-28 - Amendments to the Town of Hilton Head Island Municipal Code Concerning Electronic Public Meetings

b. Town of Hilton Head Island Financial Audit Presentation for Fiscal Year Ending June 30, 2021 from Greene Finney, LLP – Emily Sobczak, Partner

c. Town of Hilton Head Island Financial Update

9. Adjournment

Please note, a quorum of Town Council may result if four (4) or more of their members attend this meeting.



Town of Hilton Head Island
Finance & Administrative Committee
Tuesday, December 7, 2021, 1:00 p.m.
MEETING MINUTES

Present from the Committee: Tom Lennox, *Chairman*; Glenn Stanford; Alexander Brown, Jr.; Tamara Becker

Present from Town Council: David Ames

Present from Town Staff: Marc Orlando, *Town Manager*; Josh Gruber, *Deputy Town Manager*; Angie Stone, *Assistant Town Manager*; John Troyer, *Director of Finance*; Diane Busch, *Staff Attorney*; Krista Wiedmeyer, *Town Clerk*; Karen Knox, *Senior Administrative Assistant*

1. Call to Order

The Chairman called the meeting to order at 1:00 p.m.

2. FOIA Compliance

Ms. Wiedmeyer confirmed compliance with the South Carolina Freedom of Information Act.

3. Roll Call

Mr. Harkins was unable to attend the meeting. Tamara Becker acted as Alternate.

4. Approval of the Agenda

Mr. Stanford moved to approve. Mr. Brown seconded. Motion carried 4-0.

5. Approval of Minutes

a. November 16, 2021

Mr. Stanford moved to approve. Mr. Brown seconded. Motion carried 4-0.

6. Appearance by Citizens

Ms. Wiedmeyer confirmed that no citizen comments were submitted via the Open Town Hall Portal and that one citizen had signed up to address the Committee.

Skip Hoagland: Addressed members of the Committee via phone regarding ATAX Committee funds and illegal funding.

7. New Business

- a. Review and Discussion of the Affiliated Agency Process and Application.

Mr. Troyer reviewed and delivered a presentation on the Affiliated Agency Process and Application. Upon the conclusion of the presentation, he answered questions posed to him by the Committee.

- b. Town of Hilton Head Island Financial Update

Mr. Troyer reviewed and delivered a presentation on the status of the Town's finances. Upon the conclusion of the presentation, he answered questions posed to him by the Committee.

8. Adjournment

By unanimous vote, the meeting adjourned at 1:59 p.m.

Submitted by: Karen D. Knox
Senior Administrative Assistant

Approved: _____

The recording of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov.



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Fiscal Year 2023 Affiliated Agencies Grant Application

All applications must be fully completed and submitted electronically to the Town of Hilton Head Island no later than 4:00 p.m. on Friday, February 4, 2022.

This application package includes the following:

1. Guideline for Applications
2. Affiliated Agency Funds Application
3. Application Submission

Applications will first be reviewed by Town Finance Staff and Senior Staff. The Finance & Administrative Committee will then review the applications and will select agencies to make presentations outlining their funding request and answer any questions. Those selected will be notified by email (please make sure to provide a valid email address) of the day and time scheduled for its presentation. The Finance & Administrative Committee will, after its review, submit a recommendation on affiliated agency funding requests to Town Council as part of the annual fiscal year budget and adoption process.

The Committee requests each applicant adhere strictly to the guidelines and requirements provided herein.

Failure to correctly complete the application in its entirety, may disqualify what may be an otherwise qualifying application.

GUIDELINES FOR APPLICATIONS FOR AFFILIATED AGENCIES FUNDS

NOTES REGARDING THE APPLICATION

The purpose of this program is to provide a transparent process to consider grant requests using public funds and to document the proposed public benefit of each funding request. It is the intention of this program to make limited grants to agencies and non-profit organizations providing services for public benefit that are not tourism related. Tourism grants and support is provided through ATAX grants administered by the Town ATAX committee. Affiliated Agency grants will be recommended by the Town Finance & Administrative Committee to Town Council annually. It is not the intention of this type of grant to be recurring. “Out of cycle” or “emergency” grant applications are discouraged.

Applications will be reviewed using the following criteria to determine if it serves a public purpose:

- 1. Is there a goal or benefit to the public by virtue of the project?**
- 2. Will public or private parties be the primary beneficiary?**
- 3. How speculative in nature is the project?**
- 4. On balance, what is the probability that the public interest will ultimately be served and to what degree?**

1. Summary of Requesting Agency

- a. Describe the organization, its mission and background
- b. Provide the full name, postal mailing address, email address and telephone number of a primary contact person, given the authority and responsibility to represent the application before the Committee, must be included in this section.
- c. List the organization’s current annual budget and the requested grant amount.

2. Description of Operations

- a. Describe the organization purpose/uses of requested funding and demonstrate how funding will provide public benefit.
- b. The description must state what is intended to be accomplished by the Affiliated Agency grant funds, and the source and amount of other funds to be committed to the project.
- c. Describe the impact to the organization should it not be fully funded for the fiscal year 2023 grant request.
- d. What are the future capital projects or changes in the service delivery scope that might impact future operations or financial requests?

3. Funding

- a. Provide a brief description on how the organization is currently funded.
- b. Provide a summary of current and previous governmental funding applied for, and/or received, for fiscal year 2021, 2022 and fiscal year 2023.

4. Financials

- a. Provide copies of Fiscal Year 2020 and 2021 audited financial statements
- b. Provide a copy of the current budget detailing all anticipated revenues and expenses.

5. Measuring Effectiveness:

- a. Please identify the project/operating objectives and budget
- b. Please identify how operational metrics will be tracked to demonstrate goal achievement.
- c. Please identify how the metrics accrue to a public benefit
- d. Please identify your service area and provide statistics of clients served
- e. Please identify any partner agencies
- f. Please identify a proposed/expected timeline to achieve objectives
- g. Please identify any partners/contractor comments
- h. Please identify any other sources of funding requested or received.

6. Submission Requirements:

- a. All funding requests are to be submitted electronically by Friday, February 4, 2022, via the Towns online Affiliated Agency Grant Application

2022

AFFILIATED AGENCY GRANT APPLICATION

For Office Use Only	Time Received:	By:
Date Received:		

Applications will not be accepted if submitted after 4:00 P.M. on February 4, 2022

A. Summary of Grant Request:

ORGANIZATION NAME: _____

Contact Name: _____ Title: _____

Address: _____

Email Address: _____ Contact Phone: _____

Total Budget: _____ **Grant Amount Requested:** _____

Provide a brief summary of the intended use of the grant and how the funding would be used. (100 words or less)

B. DESCRIPTION OF OPERATIONS:

1. For reporting purposes, give a brief description of the organization. (250 words or less)

2. Describe in detail how the grant would be used. (250 words or less)

3. What impact would partial funding have on the activities if full funding were not received? What would the organization change to account for partial funding? (100 words or less)

4. What is the expected public benefit to these expenditures to the Island's citizens, visitors, and/or the Town? (100 words or less)

5. Additional comments (250 words or less)

FUNDING:

1. Please describe how the organization is currently funded. (100 words or less)

2. Please also estimate, as a percentage, the source of the organization's total annual funding.

_____ Government Sources	_____ Private Contributions, Donations & Grants
_____ Corporate Support, Sponsors	_____ Membership Dues, Subscriptions
_____ Ticket Sales, or Sales & Services	_____ Other

3. Please provide a summary of previous governmental funding applied for, or received, for fiscal year 2022 and fiscal year 2023. (100 words or less)

4. Please provide a summary of other sources of funding sought or secured for this initiative. (250 words or less)

D. FINANCIAL INFORMATION:

Fiscal year disclosure: Start Month: _____ End Month: _____

Financial Statement Requirements:

1. The upcoming year's operating budget for the organization.
2. The previous two years and current year profit and loss reports for the organization.
3. The previous two years and current year balance sheets.

E. MEASURING EFFECTIVENESS:

1. **List any award amounts received in fiscal year 2021 and/or 2022? How were those funds used? To what extent were your objectives achieved? (200 words or less)**

2. **What impact does this have on the success of the organization and how did it benefit the community? (200 words or less)**

3. **How does the organization measure the effectiveness of both the overall activity and of individual programs? (200 words or less)**

G. Executive Summary:

Provide an executive summary using the Effectiveness Measurement spreadsheet provided or your own format. If creating your own format, please refer to the Effectiveness Measurement sample spreadsheet and use the criteria as a guideline. (1300 words or less)



**AFFILIATED AGENCIES GRANT APPLICATION
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA**

APPLICATION FINAL CHECKLIST

(Complete and return this list with the application)

- The application is being filed by the **February 4, 2022, 4:00 PM** deadline.
- We have reviewed and followed the application guidelines.
- We have supplied the requested Financial Data.
- We will be prepared to make a verbal presentation to the Committee and answer questions when we are scheduled to do so.

Please contact Cindaia Ervin at 843-341-4646

or email

cindaiae@hiltonheadislandsc.gov

if you have any questions or concerns.

**AFFILIATED AGENCIES
EFFECTIVENESS MEASUREMENT**

Please refer to the *SAMPLE Effectiveness Measurement Form* for examples. When completing this form, please expand, contract, or add to the sections as needed (but contain the form to a total of approximately 2 pages). You may choose to use your own format instead of this form, and if doing so, please use the criteria below as a guideline. Regardless of format, **each applicant should choose how they measure degree of success. Applicants need to explain why this is an effective measurement technique that reflects results and how that relates to the objective.**

TOPIC	THE PLAN	BUDGET	ACTUAL SPENT	RESULTS <i>When possible, provide planned results vs. actual results, and/or current year vs. prior year results .</i>
Total		\$ -	\$ -	

Total		\$ -	\$ -	

Total		\$ -	\$ -	

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**AFFILIATED AGENCIES
EFFECTIVENESS MEASUREMENT**

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Total		\$ -	\$ -	

Total		\$ -	\$ -	

Total		\$ -	\$ -	

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Financial Audit Presentation Year Ended June 30, 2021

1



TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

OPINION

- The Town's responsibility:
 - Maintain effective internal controls
 - There are limitations on internal controls.
 - Regular risk assessment is important, including assessing the risk of fraud.
 - Financial Statements
 - Accuracy, completeness, and propriety of balances, amounts, and disclosures

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

- Greene Finney, LLP's ("GFLLP") responsibility:
 - Opinion – reasonable assurance that financial statements are materially correct
 - Does not address the financial condition of the Town
 - Purpose of the audit is not to detect fraud. GFLLP cannot take responsibility for finding fraud, if it existed
- Issued unmodified opinion

3

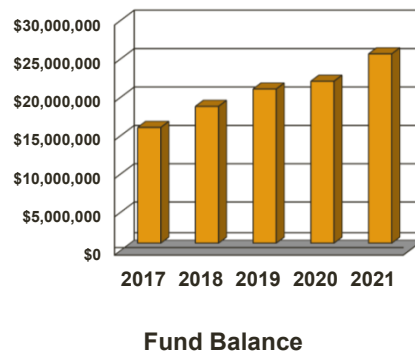


TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

General Fund

- Total fund balance increased \$3.6M to \$25.7M
- Committed fund balance of \$17.6M for disaster recovery
- Assigned fund balance of \$424K for Town Council initiatives

GENERAL FUND



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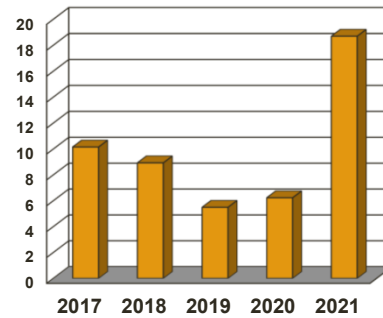


TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

General Fund

- Unassigned fund balance is \$7.7M, which is 18.9% of 2021 actual expenditures and 17.5% of 2022 budgeted expenditures
- GFOA recommends a minimum of 16.7% (two months)

GENERAL FUND



Unassigned Fund Balance as a %
of General Fund Expenditures

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Major Reasons To Maintain An Adequate Fund Balance:

- Cash flow through second half of calendar year; property taxes and business licenses are cyclical.
- Significant emergencies and unanticipated expenditures.
- Flexibility for discretionary funding needs.
- Potential for better interest rates on debt issues (can save the Town money).
- Unique requirements for a coastal municipality
- Important given the uncertain economic times.

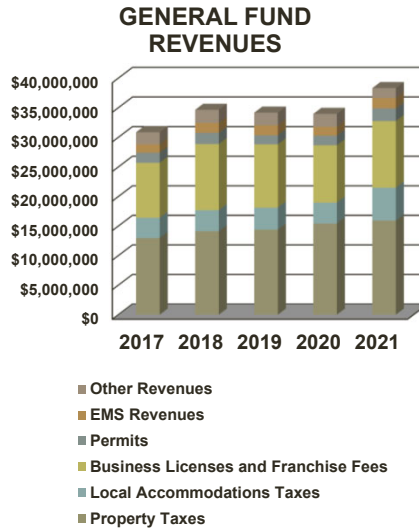
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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

General Fund Revenues and et Other Financing Sources:

- \$44.5 million for 2021:
 - \$15.9 million from property taxes
 - \$5.6 million from local accommodations taxes
 - \$11.3 million from business licenses and franchise fees
 - \$5.5 million from other revenues
 - \$6.2 million in net transfers in
- \$4.5 million (11%) increase from 2020
 - Increases of \$2.0M and \$1.6M in accommodations taxes and business licenses, respectively
- \$3.4 million(2%) better than budget
 - \$1.9 million better than budget in accommodations taxes



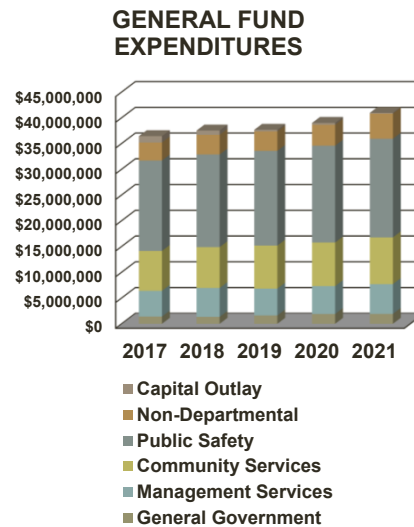
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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

General Fund Expenditures:

- \$41.0 million for 2021:
 - \$1.9 million in general government
 - \$5.8 million in management services
 - \$9.1 million in community services
 - \$19.2 million in public safety
 - \$4.9 million in non-departmental
 - \$142 thousand in capital outlay
- \$2.2 million (5.6%) increase from 2020
- \$3.1 million (7.0%) under budget
 - Due to overall conservative spending across departments in response to the uncertainty related to the pandemic



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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Total for all Governmental Funds

- **Includes General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds**
 - Total Revenues and Net Other Financing Sources of \$99.1 million
 - Total Expenditures of \$83.6 million (including debt service payments of \$20.2 million and capital outlay of \$14.2 million)

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Enterprise Fund – Stormwater Fund

- The **Stormwater Fund** had an increase in net position of \$159 thousand to \$10.0 million as of June 30, 2021 (including \$6.8 million invested in capital assets):
 - Operating revenues increased \$115 thousand (2.3%) from the prior year.
 - Operating expenses increased approximately \$265 thousand (6.5%) due to increases in repairs and maintenance.

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Capital Assets

- Total capital assets were \$294.1 million at 6/30/21, including \$280.7 million for governmental activities and \$13.4 million for business-type activities – increase of \$7.6 million for governmental activities and an increase of \$425 thousand for business-type activities.
 - Significant projects in 2021 included:
 - Construction of Fire Station #2
 - Coligny Road & Pathway Project
 - Coligny Beach Park improvements
 - Sea Pines Pump Station (Stormwater)

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Long-term Obligations

- Total long-term obligations outstanding at 6/30/21 were \$126.7 million – a decrease of \$17.7 million from 6/30/20:
 - Issued \$12.1 million in general obligation refunding bonds for governmental activities during 2021. Proceeds were used to fully refund the outstanding 2011 GO bonds and partially refund the outstanding 2013 GO bonds
 - Principal payments of \$15.6 million made during 2021.
 - Compensated absences outstanding at 6/30/20 – \$5.2 million.
- Net pension liability of \$19.0M as of June 30, 2021 on the full accrual statements. This is the Town's proportionate share of the total net pension liability for the SC Police Officers Retirement System. The liability does not directly affect the Town's cash flows; however, employer contribution rates have increased annually (18.24% for FY21). Those increases have a direct impact on the Town's operating budgets.

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Change in Accounting Principle

- Implementation of Governmental Accounting Standards Board No. 84 “*Fiduciary Activities*” (“GASB #84”)
 - This Statement made it clear that the Firefighters’ 1% balances and activities should be reported by the Town in a special revenue fund. The balances and activities were previously reported in a fiduciary fund.
 - The fund balance of the Town’s governmental funds and net position of the Town’s governmental activities as of July 1, 2020 increased by \$53k as a result of implementation.

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

AUDITING/ACCOUNTING UPDATE:

- Future Significant Changes in Accounting Principles:
 - GASB #87 “Leases” provides new guidance on reporting leases as generally all leases will report an intangible right-to-use lease asset and lease liability (similar to capital lease accounting). The Town will need to implement for the year ended June 30, 2022.

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Compliance

- Single Audit was required for 2021
 - FEMA – no findings noted.
 - CDBG – no findings noted.
- Collateralization of Deposits
 - Approximately \$8.8m in deposits were exposed to custodial credit risk as of June 30, 2021 as a result of an error made by Wells Fargo bank. The custodial credit risk was due to a manual process by the bank that resulted in the posting of collateral based on inaccurate data, prepared by the bank. Wells Fargo discovered the error on July 1, 2021, and contacted the Town on July 1, 2021, to inform the Town of the error. Sufficient collateral was posted by Wells Fargo on June 29, 2021, and on July 1, 2021. This error by Wells Fargo affected a number of Greene Finney, LLP audit clients.

Management Letter

- Required communications to management and those charged with governance – no matters to report.

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TOWN OF HILTON HEAD ISLAND 2021 FINANCIAL AUDIT

Summary

- Unmodified opinion on the Financial Statements from GFLLP
- Strong financial condition as of June 30, 2021

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TOWN OF HILTON HEAD ISLAND

Finance Department

TO: Finance and Administrative Committee
VIA: Marc Orlando, *Town Manager*
VIA: Josh Gruber, *Deputy Town Manager*
FROM: John M. Troyer, *Director of Finance*
DATE: January 3, 2022
SUBJECT: **Town of Hilton Head Island Monthly Financial Updates for 2022**

Recommendation:

Staff recommends that Finance Department continue to monitor Town Revenues and Expenditures and to *provide monthly updates to the Finance & Administrative Committee for their review and discussion. This will be on the agenda as: "Town of Hilton Head Island Financial Update"*.

Summary:

As part of the pandemic response, Town Management identified the importance of monitoring revenue and expenditure items in a pandemic environment. Close monitoring can provide the ability to respond timely to changing economic realities.

To provide Town Council as clear a picture of the Town's revenue collections and financial position, I plan to give Finance and Administrative Committee updates over the course of the year during meetings of the committee. I plan to give a preview of year-to-date results for the previous month as well as some other pertinent information. This will be a part of giving the Finance and Administrative Committee a continuing look at Town financial position and provide a forum for discussions. We will continue those discussions monthly to ensure the Town is appropriately positioned in this economic environment.

Background:

As Town Council considered the proposed budget for FY 2021, one issue at the forefront of the discussion was the economic uncertainties due to the impact of the COVID-19 pandemic -- which prompted the need for more frequent financial updates. Now we are into FY 2022, and the pandemic is still not behind us. The financial updates need to continue at least until the COVID threat is contained, and probably much beyond. Town Council recognized that even after the budget was adopted for FY2022, continuing the close monitoring of the revenue collections and spending would continue to be important again this calendar year.