



# **The Town of Hilton Head Island Regular Finance & Administrative Committee Meeting**

**Tuesday, May 19, 2015  
2:00 p.m. – Conference Room 3**

## **AGENDA**

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**As a Courtesy to Others Please Turn Off All Cell Phones and Pagers during the Meeting**

- 1. Call to Order**
- 2. Freedom of Information Act Compliance**  
Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 3. Approval of Minutes**
  - a. Finance and Administrative Committee Meeting, 10:30am May 12, 2015
  - b. Finance and Administrative Committee Meeting, 2:00pm May 12, 2015
- 4. Unfinished Business**
  - a. Continue discussion of budget preparation format for Fiscal Year 2016-2017
- 5. New Business**
  - a. Discussion of the Town's Business Licensing process
- 6. Adjournment**

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

**TOWN OF HILTON HEAD ISLAND  
FINANCE AND ADMINISTRATIVE COMMITTEE  
SPECIAL MEETING**

**Date:** May 12, 2015 **Time:** 10:30 a.m.  
**Location:** Starbucks, 416 US 278, Hilton Head Island, SC 29926  
**Members Present:** John McCann, *Chairman*; Tom Lennox and Bill Harkins, *Council Members*  
**Members Absent:** None  
**Staff Present:** Erica Madhere, *Finance Administrator*  
**Others Present:** Kim Likins, *Council Member*; Mike Alsko, *Accommodations Tax Advisory Committee Member*; Bud Shay, *Member of the public*  
**Media:** None

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**1. Call to Order:**

The meeting was called to order at 10:33 a.m.

**2. FOIA Compliance:**

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

**3. Approval of Minutes:**

None

**4. Unfinished Business:**

None

**5. New Business:**

**a. Discuss the impacts of the new Town Council processes on the Accommodations Tax Advisory Committee**

The Finance and Administrative Committee is interested in exploring the possibility of creating a fair system for evaluating the Accommodations Tax (ATAX) Grant Applications, which would be beneficial when determining the appropriate grant awards. The Committee Members and Mike Alsko, Chairman of the Accommodations Tax Advisory Committee, discussed creating a dollar threshold, applying clearly defined guidelines to any grant above the threshold, and creating a point system that would provide equal treatment to the arts vs. tourism related applications. They also discussed the importance of evaluating the health of the organizations receiving the grants and strategies of funding based on that health.

Bud Shay, former Chairman of the ATAX Committee, retired lawyer, and longtime resident of Hilton Head Island, shared some of his knowledge and ideas about the ATAX Grant process. He spoke about the history of the State Accommodations Tax law, the allowable uses of State ATAX funds, and his belief that equal importance should be placed on Arts and Cultural uses as are placed on Tourism uses.

**6. Adjournment:**

The meeting was adjourned at 11:41 a.m.

**Approved:**

**Respectfully submitted:**

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**John McCann, Chairman**

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**Erica Madhere, Secretary**

DRAFT

**TOWN OF HILTON HEAD ISLAND  
FINANCE AND ADMINISTRATIVE COMMITTEE MEETING**

**Date:** May 12, 2015 **Time:** 2:00 p.m.  
**Members Present:** John McCann, *Chairman*; Bill Harkins, *Council Member*  
**Members Absent:** Tom Lennox, *Council Member*  
**Staff Present:** Susan Simmons, *Director of Finance*; Tom Fultz, *Director of Administrative Services*; Brian Hulbert, *Staff Attorney*; Nancy Gasen, *Director of Human Resources*; Erica Madhere, *Finance Administrator*  
**Others Present:** None  
**Media:** None

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**1. Call to Order:**

The meeting was called to order at 2:04 p.m.

**2. FOIA Compliance:**

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

**3. Approval of Minutes:**

- a. Mr. Harkins moved to approve the Minutes from the Finance and Administrative Committee Meeting on May 5, 2015 at 12:00pm. Mr. McCann seconded the motion, and the Committee voted unanimously in favor to approve the minutes.
- b. Mr. Harkins moved to approve the Minutes of the Finance and Administrative Committee Meeting on May 5, 2015 at 2:00pm and Mr. Lennox seconded. The motion passed with a unanimous vote.

**4. Unfinished Business:**

None

**5. New Business:**

**a. Budget preparation format for Fiscal Year 2016-2017**

Mr. Harkins spoke about the Draft Budget Process document as a suggested approach for the Town's budget creation in future years. He realized much of it is similar to the Town's existing process, however, currently, a portion of the process occurs without being visible to Town Council. The Committee and Susan Simmons, Finance Director for the Town, pointed out benefits of the F&A's proposed process, such as allowing Town Council to see the whole picture and to be able to better understand the challenges of making the initial budget cuts which are necessary in order to arrive at a balanced budget. It would also increase transparency, allow for prioritization of projects, and create a better understanding

among Council and Staff of the possibilities, consequences, and budgetary impacts of Town Council's decisions. The proposed process would be a good forum for Town Staff to communicate departmental and project goals and outcomes of prior efforts.

Conversely, the Committee and Staff discussed some concerns of the proposed budget process. It would have the potential to produce an overwhelming amount of information and details of departmental expenses. Staff is concerned that it could slow down a process that is already time compressed and blur the lines between Council as a policy body and the Town Manager's role of administering the budget. In fact, Town Code states that the Town Manager shall deliver to Council a balanced budget.

As a frame of reference for the Committee to understand how department heads create their budgets, Tom Fultz, Director of Administrative Services, gave a detailed overview of his budget process. Starting with fixed departmental costs, he adds new items and evaluates how the items would improve service, then looks at budgeted revenue projections to see if budget cuts or deferments are needed, as was the case this year. When choosing what to cut or defer from the budget, strategic decisions need to be made based on Town Council's goals and objectives.

It was questioned whether the Draft Budget Process would be better suited for the Finance and Administrative Committee level, perhaps with the Town Manager walking them through the process, instead of with full Town Council involvement each step of the way.

The Committee decided to add this topic to the Unfinished Business section of the May 19<sup>th</sup> Finance and Administrative Committee meeting, and will also invite Steve Riley, Town Manager, to the meeting for his input regarding the proposed budget process.

**b. Criteria and Procedure for Town Managers Performance Evaluation**

The Finance and Administrative Committee has completed the creation of a draft performance evaluation form, which includes a section for rating the Town Manager on established criteria, and a section for the reviewer's comments. The Committee has provided the draft form to the Mayor, Town Council, and the Town Manager, for their review and approval. Once the form is approved, at a designated time of the year, the Performance Evaluation will be prepared by each Town Council Member and the Town Manager will prepare a self-evaluation. The F&A Committee will tabulate the ratings and provide the Town Manager with the ratings and a compilation of all Council comments.

**6. Adjournment:**

Mr. Harkins made a motion to adjourn and Mr. McCann seconded. All members voted in favor and the meeting was adjourned at 2:52 p.m.

**Approved:**

**Respectfully submitted:**

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**John McCann, Chairman**

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**Erica Madhere, Secretary**

## DRAFT BUDGET PROCESS

1. Start with current Consolidated Municipal Budget CMB (1) as the base.
2. Identify any non-recurring revenue and expenses
3. Identify any new or extraordinary revenue and expenses expected in the upcoming FY
4. Using YTD actual, project current FYE Statement of Revenues, Expenditures, and Changes in fund Balances
5. You are now at the draft platform to build next year's budget
6. Develop a realistic list of possible new expenses for next year's operating budget. Categorize them as follows:
  - Life/safety
  - Legislatively mandated
  - Expansion of existing programs/services
  - Mandated by external providers i.e. telephone, Ins. etc.
  - Introduction of new expenses for anticipated new programs/services
  - Other
  - Place all expense items in rank order and divide into two cells:
    - Cell I (A) "need to have"
    - Cell II (A) "nice to have"

- Run all Cell I (A) items individually through the CMB(1) and quantify their specific impact on the operations budget
  - Place Cell II (B) items on the “back shelf” for subsequent possible consideration
7. Next develop a list of all CIP Projects under consideration
- Develop 2 cells
    - Cell I (C) “need to have”
    - Cell II (D) “nice to have”
  - Rank order all projects in Cell I (C) and Cell II (D)
  - Develop (estimate) the total project cost for each item. For each of Cell I (C) projects include capital cost, debt service (personnel/supplies) maintenance – other
  - Detail the impact each of Cell I (C) projects have on the town’s operating statement individually and collectively
  - Hold Cell II (D) projects in reserve
8. Forecast recurring revenue and provide detail in support
9. Consolidate the above in the first draft of next year’s budget
10. Review the draft for next year’s budget in terms of:
- Surplus: How is it allocated?
  - Deficit: How is it funded:
  - Re-allocation of resources: Financial/Non-financial

11. Review the use/if any, of long term debt in terms of:

- Maintaining existing ratings from S&P, Moody's and Fitch
- The town's imposed 80% factor
- Re-bonding capability from a catastrophic event
- Create a green yellow and red bench mark zones for long term debt. Estimate what zone the proposed budget would fall under. Metrics need to be established as guidelines.

12. Note: Ranking/prioritizing activities on the operations side and the CIP side is critical. This is a key town council responsibility. That said, an independent ranking/prioritizing by town staff through the town manager would provide another "set of eyes" which should be helpful

WDH

4/20/15