

Town of Hilton Head Island, South Carolina



Consolidated Municipal Budget
Fiscal Year
July 1, 2005 through June 30, 2006

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Reader's Guide

This section 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.

Town Manager's Letter

A message from the Town Manager identifying accomplishments of the previous fiscal year, goals for the upcoming fiscal year, economic outlook, major issues facing the Town, and a general overview of the budget.

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, mission and values, budget calendar and map, and Hilton Head Island at a Glance.

Budget Summary

This section includes the budget in brief, budget highlights, financial policies, and the budget process overview.

Operating Budget

This section includes the combined budget (General Fund, CIP, and Debt Service), an overview of major revenue sources, a summary of budgets by fund, trend analysis of expenditures by fund, property tax overview, staffing changes, General Fund analysis, General Fund summary of revenues and expenditures, General Fund two-year comparison, General Fund revenue analysis, General Fund expenditure analysis, trend analysis of expenditures by program, departmental budgets and the General Fund five-year plan.

Capital Improvements Fund

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

Debt Service Fund

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

Appendix - Glossary of Terms

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

Town Manager's Letter

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

Dear Council Members:

We respectfully present the Fiscal Year 2006 Budget for the Town of Hilton Head Island, South Carolina to the Town Council for review. This budget represents an annual funding plan which responds to the needs of the Town while using a limited resource of funds.

Budget Summary

The FY 2006 Budget represents a funding plan designed to meet the needs of the Town's citizens. The General Fund budget maintains the current level of high quality service with additional funds being provided for new software for revenue collection and human resources/financial management, and legal costs associated with the increased enforcement of the Town's business license and taxation codes. One additional position is being added to Fire and Rescue. Another part-time position in Fire and Rescue will be eliminated. The Capital Improvements Program (CIP) reflects the Town's continued focus on beach maintenance which accounts for 41% of the capital budget. The largest component is \$15.3 million earmarked for beach renourishment. The Debt Service Fund budget has additional funds being provided for debt service costs associated with the refunded 1995 Certificates of Participation being shifted to Debt Service and the beginning of principal payments for the Stormwater Utility Bond. Funding to maintain the high quality services provided to the citizens of the Town will continue to be a challenge because revenues are not projected to grow at the same rate as the demand for services.

The total consolidated budget amount is **\$76,920,550**

Millage Rate

The total millage rate for FY 2006 is decreased by one (1) mill. However, we will revisit this in August-September when we receive the assessment updates from the County. In addition to the decrease of one (1) mill, the allocation of the millage rate among each of the funds has changed. This fiscal year more property tax revenues will be used to pay for debt service costs than last fiscal year. This is caused by transferring the Certificates of Participation from the CIP to the Debt Service Fund. The chart below reflects the millage rates by fund for FY 2005 and FY 2006.

	<u># of Mills</u>
<u>FY 2005</u>	
General Fund	14.80
Debt Service	5.50
C.I.P.	2.00
	<u>22.30</u>
 <u>FY 2006</u>	
General Fund	13.86
Debt Service	6.48
C.I.P.	0.96
	<u>21.30</u>

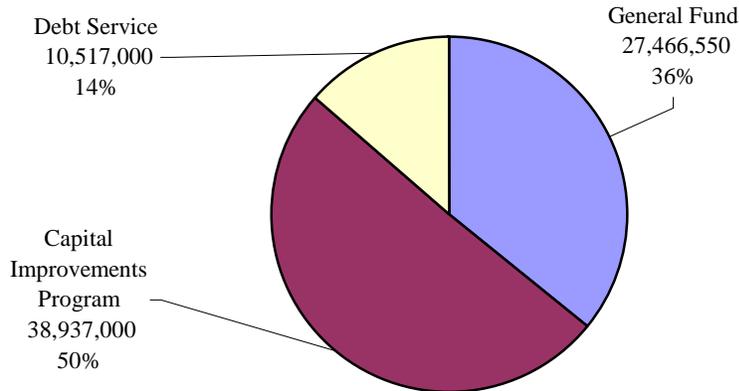
In the General Fund and the CIP Fund, an increase in the use of other revenues will offset the need to increase property tax revenues. In the General Fund, additional funds come from accommodations taxes, beach preservation fees, hospitality taxes, stormwater utility fees, and Tax Increment District (TIF). In the CIP Fund, additional funds come from hospitality taxes, TIF funds, beach preservation fees and County bond funds.

Financial Plan

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

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

TOTAL FY 2006 EXPENDITURES BY FUND



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

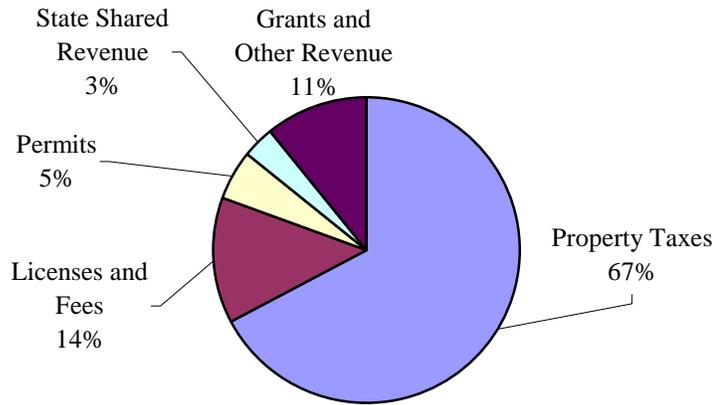
Comparison of the FY 2005 Revised Budget with the FY 2006 Budget

	General Fund	Capital Improvements Program	Debt Service Fund	Consolidated Municipal Budget
FY 2005 Revised Budget	\$ 26,214,724	\$ 25,327,702	\$ 8,693,200	\$ 60,235,626
FY 2006 Budget	\$ 27,466,550	\$ 38,937,000	\$ 10,517,000	\$ 76,920,550
Amount of Increase (Decrease)	\$ 1,251,826	\$ 13,609,298	\$ 1,823,800	\$ 16,684,924
Percent of Increase (Decrease)	4.78%	53.73%	20.98%	27.70%

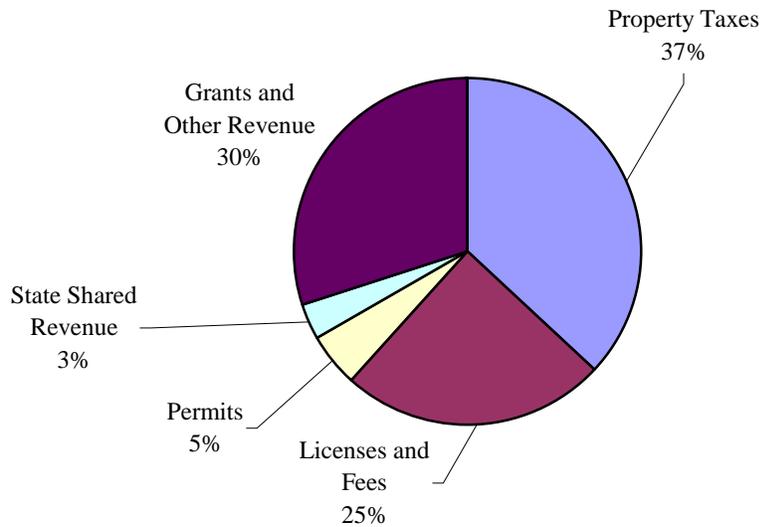
General Fund

A mix of property taxes, other fees and taxes, and local accommodations tax for public safety supports the General Fund budget of \$27,466,550. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund. The chart below provides a comparison of the actual revenues collected for FY 1994 compared to the FY 2006 Budget. These graphs highlight the progress made to lessen the reliance on a high percentage of property tax revenue from 62% in FY 1994 as compared to 37% in FY 2006. The increase in grants and other revenues is due to our ability to diversify the funding through the years with other taxes and fees. In addition to the local 1% accommodations tax, transfers are made from beach preservation fees, state accommodations tax, hospitality fees, stormwater fees, and tax increment financing (TIF).

FISCAL YEAR 1994 GENERAL FUND BUDGET



FISCAL YEAR 2006 GENERAL FUND BUDGET



General Fund - Major Revenues

Property Taxes

The forecast of \$10,120,600 represents a slight decrease (less than 1%) when compared to the FY 2005 Budget.

Licenses & Franchise Fees

Revenues from business licenses and franchise fees are projected to increase by \$260,270 over FY 2005 Budget and \$95,040 over the FY 2005 estimated actual revenue. The anticipated growth in business license revenue is due to favorable trends in gross receipts as well as the implementation of the “Amnesty Program” which is designed to get businesses compliant with Town code and approved by Town Council. Franchise fee revenue is budgeted at \$454,200, the same as the estimated actual for FY 2005.

Permit Fees

Construction and development permit fee revenues are budgeted at \$1.36 million, approximately the same as the estimated actual for FY 2005.

Grants and Other Revenue

Local Accommodation Tax

The 1% Local Accommodations Tax is intended to be used for public safety, and will generate \$1.86 million a slight increase over the estimated actual for FY 2005.

Accommodation Tax Transfers

It is anticipated that this line item will provide \$957,550 in funding to the General Fund. This represents a slight increase over the FY 2005 estimated actual revenue. This line item also includes the 5% of State Accommodations Tax designated by law to the General Fund.

Hospitality Tax Transfer

These funds will be used support the Public Safety function of Town Government. It is anticipated that this line item will provide almost \$2 million in funding to the General Fund. This represents a 64% increase over the FY 2005 estimated actual revenue of \$1.22 million. The increase is necessary to offset property taxes that will be shifted to fund debt service and includes 1% administrative and funding for fire equipment debt service.

Beach Preservation Fee Transfer

It is anticipated that this line item will provide \$775,610 in funding to the General Fund. This represents a slight increase over the FY 2005 estimated actual revenue.

General Fund – Expenditures

Major adjustments to the General Fund budget are as follows:

1. Personnel - increased by \$1.2 million (6.9%) over the FY 2005 Budget
 - 4.5% increase in the salary budget and a 5% increase in employee benefits.

Overall, employee compensation and benefits reflected in this budget provide for maintenance of competitive programs. The recommended 4.5% total salary budget increase includes funding for merit and miscellaneous increases (promotions, market adjustments, etc). Merit increases for most employees will likely range from 2.0% – 3.5%, depending on performance and position in range. The recommended benefits budget, as a percentage of total salary budget, is also consistent with national norms.

- Fire and Rescue - addition of 1 full-time Assistant Emergency Management Coordinator and the elimination of 1 (.5) part-time Administrative Assistant.
- Full year of funding for Revenue Analyst position and part-time inspector for the burial of power lines project.

Total Positions Townwide

	Positions	
<u>FY 2004</u>	<u>Added</u>	<u>FY 2005</u>
252.5	0.5	253

2. Operating expenditures
 - \$90,000 is included for the replacement of the software used for revenue collection.
 - \$175,000 is included for the replacement of the software used for human resources management and financial management.
 - The addition of \$25,000 for legal costs associated with the enforcement of the Town’s Code of Ordinances related to business licensing and taxation.
 - In accordance with our change in capitalization thresholds for the General Fund, any item under \$5,000 was transferred to operating from the capital classification. This provided a decrease in Capital.

Capital Improvements Program Fund

The Capital Improvements Program Fund (CIP) budget reflects revenues and expenditures for FY 2006 as well as a ten-year projection of anticipated new projects. The hard work and input of the Planning Commission and Parks and Recreation Commission in developing this proposal is acknowledged.

This appropriation of \$38,937,000 is funded with property taxes, transfers from special revenues, grants, the 2% hospitality tax, and contributions from the County for parks and recreation projects. The drainage projects are funded in the Capital Improvements Program from stormwater utility bonds and stormwater utility fees.

CAPITAL PROJECTS

The appropriations for this fund provide for:

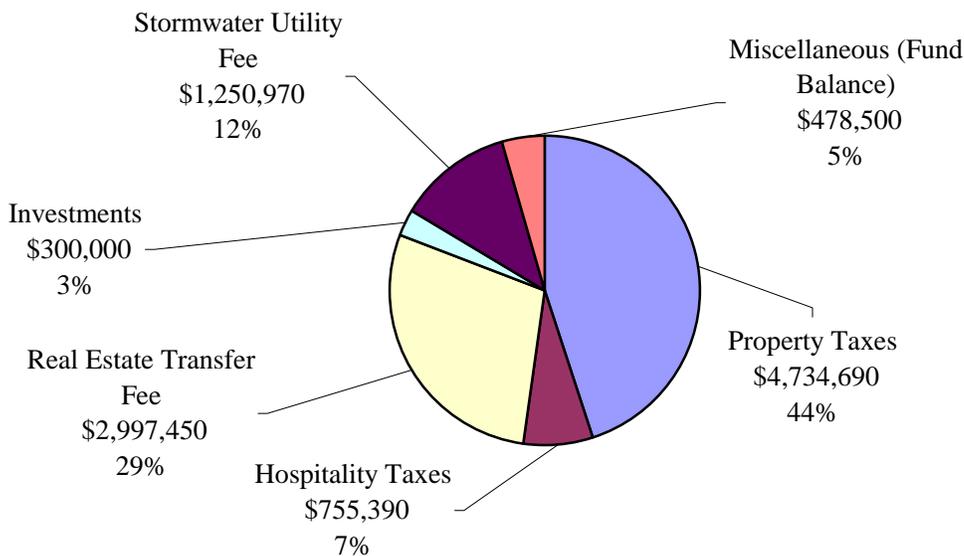
Project	FY 2005	FY 2006	Difference	% Diff.
Pathways	\$ 2,808,969	\$ 2,035,000	\$ (773,969)	-27.55%
Drainage Improvements	4,089,311	1,722,000	(2,367,311)	-57.89%
Roadway Improvements	5,700,015	9,076,000	3,375,985	59.23%
Park Development	3,234,536	2,849,000	(385,536)	-11.92%
Existing Facilities	1,974,089	5,269,000	3,294,911	166.91%
New Facilities	2,740,997	1,896,000	(844,997)	-30.83%
Beach Maintenance	1,122,785	15,620,000	14,497,215	1291.18%
Land Acquisition*	3,657,000	470,000	(3,187,000)	-87.15%
Total	\$ 25,327,702	\$ 38,937,000	\$ 13,609,298	53.73%

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

Debt Service Fund

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

Funding for next fiscal year is as follows:



Debt service costs for FY 2006 are as follows:

	Interest	Principal	Total
Certificates of Participation	\$ 300,094	\$ 1,010,000	\$ 1,310,094
General Obligation Bonds	3,724,545	3,465,000	7,189,545
Revenue Bonds	1,207,356	795,000	2,002,356
2004 TIF Bond *	357,004	645,000 *	1,002,004
Grand Total	\$ 5,588,999	\$ 5,915,000	\$ 11,503,999

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

Summary

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

Sincerely,

TOWN OF HILTON HEAD ISLAND

Stephen G. Riley, AICP
Town Manager

About Hilton Head Island

History¹

Early History

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

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

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

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

Hilton Head Discovered

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

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

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

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

Revolutionary War

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

¹ Information obtained from the Beaufort County Public Library

Revolutionary War (continued)

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

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

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

Civil War

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

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

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

During this time, their children attended schools and they lived in this housing for the duration of the War. After Lee's surrender at Appomattox, the Federal troops departed for the North. Only Mitchelville inhabitants remained. With the passage of time Mitchelville disappeared, and the Island was left to nature and only a few islanders. Hilton Head Island was again forgotten. Small communities of former slaves sprang up on the Island. These communities consisted of farmers, fishermen, basket weavers and

fishnet makers. Summer was for farming, winter was for harvesting oysters and in the fall the "blue crab" was caught. Island navigators piloted boats between Savannah and the Island.

Civil War (continued)

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

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

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

Modern Age

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

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

Rapid growth of the Island began in 1970, and the population has grown from 2,500 then to some 35,600+ in 2004. In 1970, The Island Packet, our present daily Newspaper, was first published as a 12 page tabloid. In 1975, the Island Hospital was built, and the Town population was then 6,500. The Town was incorporated on May 18, 1983. The Articles of Incorporation provide for a Council-Manager form of government. The legislative authority rests with a Mayor and six (6) council members.

Geography/Industry

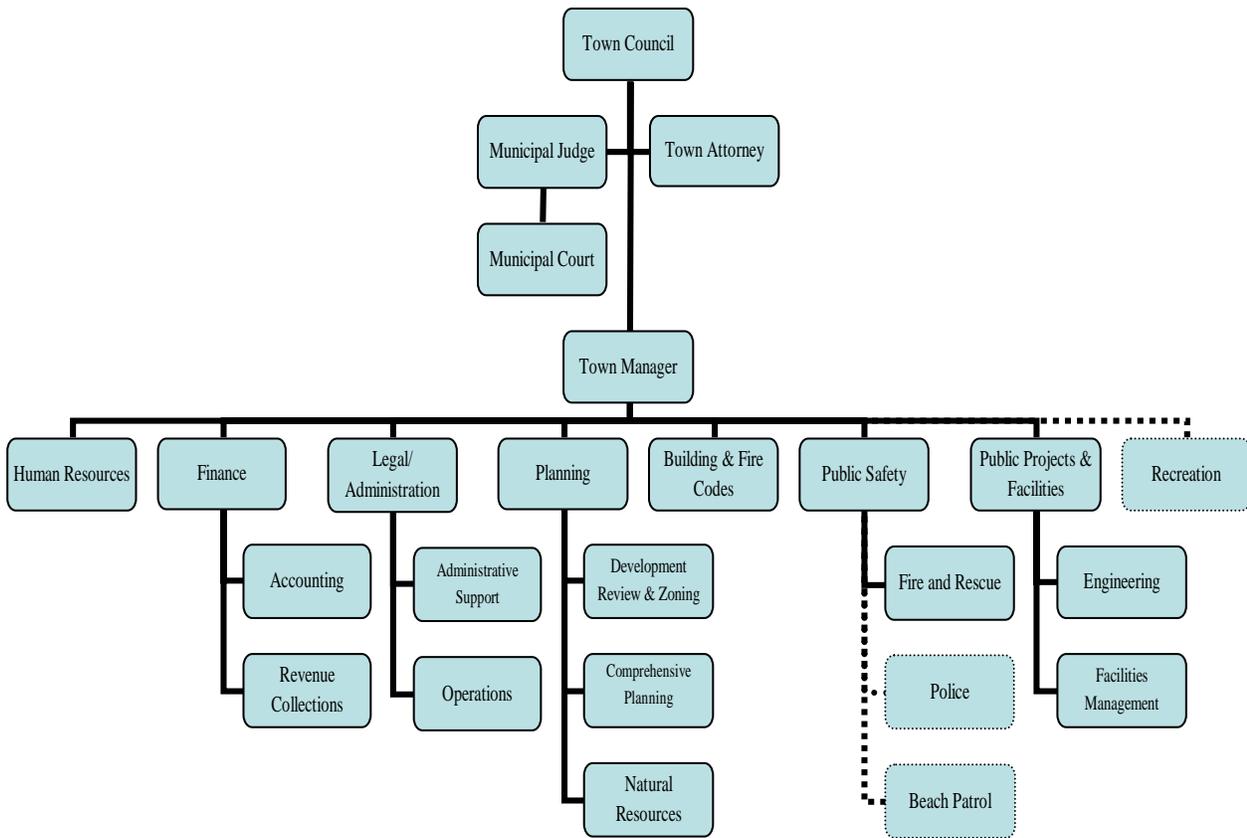
Hilton Head Island is a barrier island on the Atlantic coast of South Carolina. The Island is located about 30 miles from Savannah, Georgia and about 90 miles from Charleston, South Carolina. Approximately 42 miles in square area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor.

Tourism is the largest industry in the Island's economy. There are approximately 2.26 million visitors annually. The Island hosts a major sports event in the MCI Heritage Golf Classic. The Island has

established world class accommodations, and the tourism industry continues to grow with a peak summer population of approximately 100,000.

General Information

Town Organizational Chart



Mission and Core Values

The mission of the Town of Hilton Head Island is to provide a “World Class Residential and Resort Community.”

Enhancing Our Natural Beauty

World-Class Beaches

Pristine Waters

Preserving our Low Country Character and Heritage

Well-Planned Community

Sustainable Community through Continuous Revitalization

Recreational Opportunities for All

Community Welcomes All

Hilton Head Island: Community Spirit and Pride

Providing Top-Quality Services and Facilities

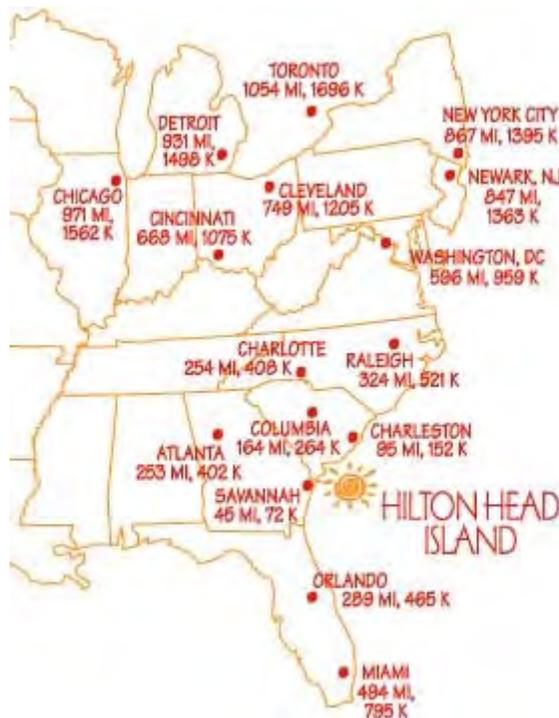
Town as a Regional and State Leader

Budget Calendar and Map

Budget Calendar

December 14-16, 2004	Budget kick-off departmental budget packages distributed
February 4, 2005	Department budget package due to Finance
March 21, 2005	Proposed budget is submitted to the Town Manager for review
March 28-29, 2005	Town Manager reviews the proposed budget with department heads
May 3, 2005	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 4-24, 2005	Town Council workshops
June 7, 2005	Public hearing; revised first reading of the budget ordinance by Town Council
June 21, 2005	Second and final reading of budget

Where is Hilton Head Island?



Hilton Head Island at a Glance

Demographic Information

Population	
1995	29,560
1996	30,340
1997	31,141
1998	31,452
1999	31,767
2000	33,862
2001	33,973
2002	34,452
2003	34,407
2004	35,600
Median Age	46
Number of Households	14,408
Average Family Size	2.68
Per Capita Income	\$33,235
Racial Composition	
White	85.33%
Black or African American	8.26%
American Indian, Alaskan Native	0.14%
Asian	0.55%
Other	5.72%
Hispanic Ethnicity	11.48%
<u>Land Use</u>	
Land Area	54 sq. miles
Miles of Beach	13
<u>Tourism</u>	
Monthly Peak Summer Population	258,696
Total Annual Visitors	2.5 million
Annual Visitor Expenditures	\$1.5 billion

General Information

Property Tax Millage Rate:	
General Operating	13.86
CIP	.96
Voter Approved Debt	6.48
Total	21.30
Bond Ratings:	
Moody's Investor Service	Aa ²
Standard and Poor's	AA
Fitch	AA
Per Capita Debt:	
General Obligation Debt	\$601.18
FY 2006 Adopted Budget	\$76,920,550
<u>Total Town Staff</u>	253
<u>Recreation and Culture</u>	
Public Tennis Clubs	7
Tennis Courts Public and Private	382
Public Recreation Facilities	
Active Recreation	3
Beach Access/Parks	7
Pools	1
Arts Center	1
Number of Libraries	2
Number of Museums	1
Number of Nature Preserves	3
Number of Marinas	10
Golf Course in Town Limits (non-municipal)	25

Hilton Head Island at a Glance (continued)

Economic Development²

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

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

² Hilton Head Island Chamber of Commerce

Budget Summary

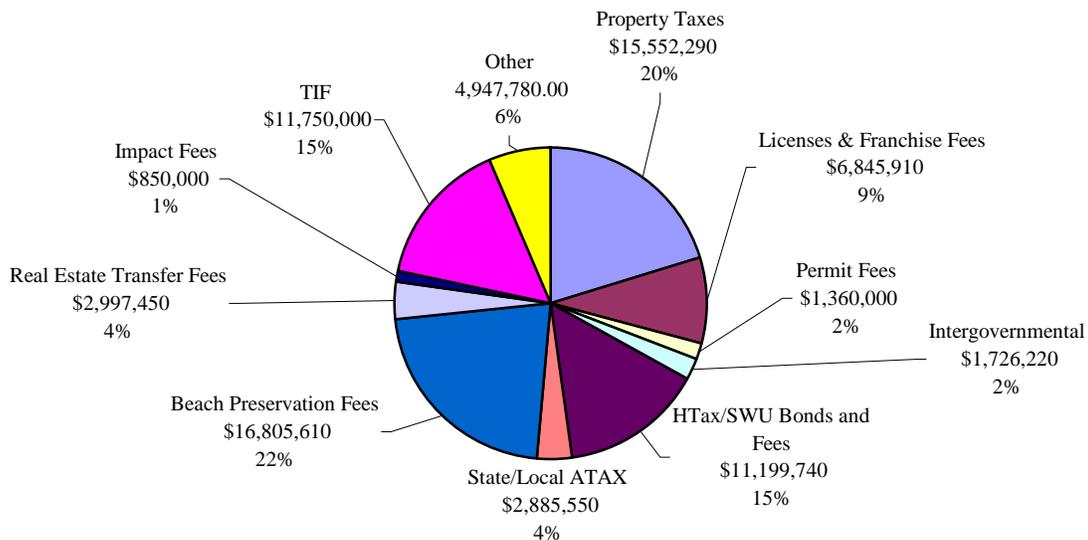
Introduction

The Fiscal Year 2006 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.

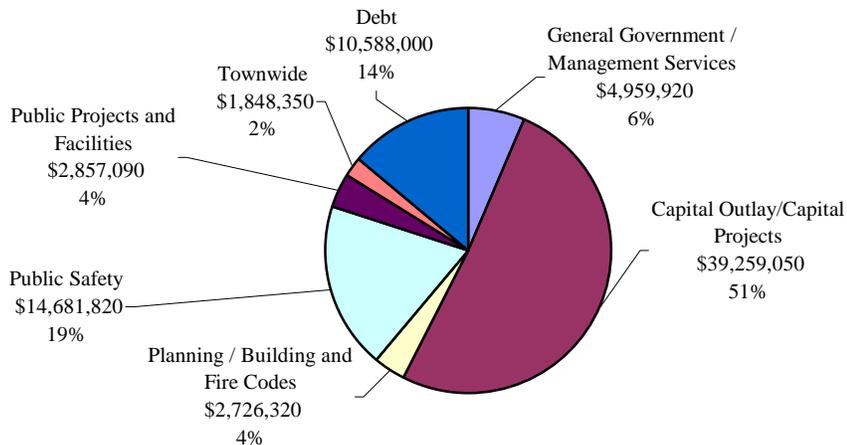
Budget in Brief

The aggregate adopted operating budget for Fiscal Year 2006 for the General Fund, Capital Improvement Program Fund (CIP) and Debt Service Fund (includes transfers from special revenue funds) is \$76,920,550. This represents an increase of \$16,684,924 or 28% over the Fiscal Year 2005 budget. The fiscal year budget is balanced, prudent and responsive to the needs of the community.

ALL FUNDS - WHERE THE MONEY COMES FROM

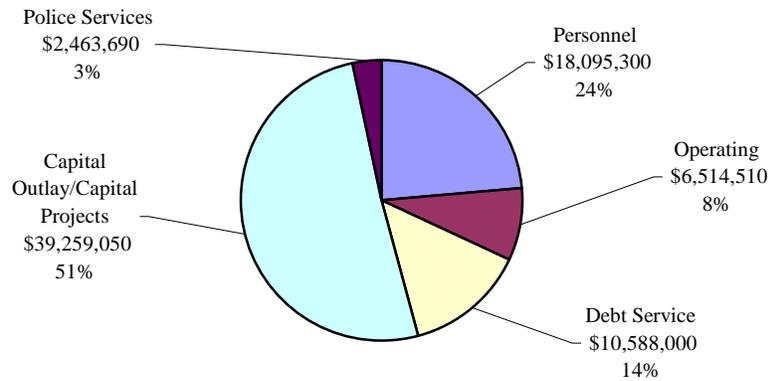


ALL FUNDS - WHERE THE MONEY GOES BY PROGRAM



Budget in Brief (continued)

ALL FUNDS - WHERE THE MONEY GOES BY CATEGORY



Budget Highlights

Some of factors impacting the budget are:

- Decreasing the General Fund operating millage rate from 14.80 to 13.86, a decrease of .94 or 6%.
- Decreasing the Capital Improvement Program (CIP) millage rate from 2.00 to .96, a decrease of 1.04 or 52%, due to the shifting of the refunded 1995 Certificates of Participation to Debt Service.
- Increasing the debt service millage rate from 5.50 to 6.48, an increase of .98 or 18%, due to the shifting of the refunded 1995 Certificates of Participation from CIP and due to the beginning of principal payments for the Stormwater Utility Bond.
- The combined millage rate has decreased by one (1) mill from the previous fiscal year to 21.30 mills per \$1,000 of assessed value.
- The transfer of 1% of the collections for Hospitality Taxes for administration is made to the General Fund.
- The transfer of \$100,000 from TIF to General Fund for project administration/management and \$25,000 for the Revenue Analyst position.
- The addition of 1.5 positions and the elimination of 1 position in Fire and Rescue.
- The funding of the Third Annual Departmental/Division Review.
- Investing \$38,937,000 in capital projects. Anticipated funding for the proposed projects is \$697,000 of property taxes, \$304,000 in funds from the State, \$616,000 in hospitality taxes, \$16,030,000 in beach preservation fees, \$850,000 in impact fees, \$11,625,000 in TIF funds, and \$8,815,000 in funds from fund balance and other revenue sources.
- Debt service costs increased by \$1,823,800 over the previous fiscal year's budget.

These changes reflect a practical and fiscally responsible approach in managing the Town's limited resources.

Personnel Services

The adopted full-time and part-time positions for Fiscal Year 2006 are 253. This represents a net increase of .5 positions from Fiscal Year 2005. The changes from the previous fiscal year are the addition of 1 position and the elimination of .5 position in Fire and Rescue.

Capital Improvements

The Capital Improvements Program (CIP) portion of the budget for Fiscal Year 2006 is programmed at \$38,937,000.

Programmed expenditures are as follows:

- Pathways - \$2,035,000
- Drainage Improvements - \$1,722,000
- Road Improvements - \$9,076,000
- Park Development - \$2,849,000
- Existing Facilities - \$5,269,000
- New Facilities - \$1,896,000
- Beach Maintenance - \$15,620,000
- Land Acquisition - \$470,000

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.

The Town maintains a strong financial performance. The Town strictly adheres to the policy of not using surpluses to offset the subsequent year's budget. Surpluses cannot be relied upon as an ongoing source of revenue.

Financial Reserves/Bond Ratings (continued)

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	Aa ²
Standard and Poor's	AA
Fitch	AA

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

Major Policy Considerations - General Fund Financial Forecasting

One of the most effective tools to manage future financial risk and to avoid the consequences of short-term decisions is the Five-Year Financial Plan (forecast). The financial plan is an integral part of the budget development process.

Revenues are projected at conservative levels over a five-year period and are compared to estimated cost increases in payroll, operating expenditures, and capital outlay. In this year's budget development process, department directors not only developed the operating expenditure budget for the upcoming year, but also developed a five-year expenditure plan. Staffing requirements for all six years is included in their analysis. Typically, future years show a deficit of revenues over expenditures. The purpose of this financial exercise is to adequately prepare for future challenges, so it is always conservative in outlook. This tool is designed to keep the focus on long-term solutions and avoiding short-term fixes.

The Town's budget has always been balanced in accordance to state law. The five-year forecast allows the Town to evaluate upcoming challenges each year in order to maintain long-term financial stability.

Financial Policies

Operating Budget Policies

Accounting Basis

The budgets for all Town funds are prepared on a modified accrual basis of accounting except that encumbrances are treated as the equivalent of expenditures, as opposed to a reservation of fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due, using the current financial resources measurement of accounting. At year end, the open encumbrances balances lapse.

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.

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

The department budget format is as follows:

1. Mission statement
2. Description of core services
3. Fiscal Year 2005 accomplishments
4. Fiscal Year 2006 objectives
5. Fiscal Year 2006 performance measures (Fire Department only)
6. Departmental organization chart
7. Summary of expenditures

The budget will provide adequate funding for maintenance and replacement of capital plant and equipment.

The Town Council will be provided with interim quarterly budget reports comparing actual versus budgeted revenue and expenditure activity.

Planning

The Town will annually prepare a five-year plan (forecast) for the General Fund and a ten-year Capital Plan.

Operating Reserve Policy

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 exemption notes. The Director of Finance is authorized to transfer the amount of undesignated fund balance above the 30% maximum into the debt service reserve fund to maintain an account reserved for the reduction of Town debt. This account shall be called debt defeasance. An annual report shall be given each year in conjunction with the budget.

Performance Measurement Policies

The Fire Department will develop performance measures that directly support the objectives established during the budget development process. Over the next year other departments will be evaluated to determine what other departments may be required to develop/capture performance measures for the upcoming fiscal year.

Financial Modeling Tools

The Town's business planning and budgeting decisions are based on a number of advanced statistical analyses and economic and financial modeling tools. The specific tools used are:

- *Revenue forecasting model* - Statistical time series analysis and tracking model of major revenue sources;
- *Five-year financial plan* - Multi-year forecasting of revenues and expenditures;
- *Ten-year capital plan* - Multi-year capital project and capital equipment replacement forecasting; and
- *Project Management* - Several techniques are employed to manage processes Townwide. For example, critical path methods and program evaluation review techniques are used in the budget process.

Capital Improvement Program Policies

Capital Budget

The Town shall adopt an annual capital budget based on the Capital Improvement Program. Future capital expenditures necessitated by changes in population, real estate development, or in economic base will be calculated and included in capital budget projections.

Staff will identify the estimated cost and funding sources for each capital project proposal before it is submitted to Town Council for approval.

The Town makes capital improvements in accordance with an adopted Capital Improvement Program and capital budget.

The Town will determine and use the most prudent financial methods for acquisition of new capital equipment and projects, based on financial resources and market conditions at the time of acquisition.

Project Management

All projects will be considered active once the fiscal year has begun with an appropriately adopted Capital Improvement Program budget in place. Projects will be initiated by the responsible department, which shall follow appropriate procurement policies and procedures.

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.

Project Management (continued)

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

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

Maintenance

The Town shall maintain all capital assets at a level adequate to protect the Town's investment to minimize future maintenance and replacement costs.

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.

Debt Management Policy

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 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 current estimated total assessed value of \$730,154,000, the legal debt margin for the Town of Hilton Head Island is \$58,412,320. Town Council has imposed an 80% cap which further limits this to \$46,729,856. The Town has \$17,355,000 in bonds issued at June 30, 2005, which are applicable to this cap, leaving \$29,374,856 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.

Revenue Policies

The Town estimates its annual revenues by objective and analytical processes.

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.

Reporting and Analysis

- *Five-year Forecast of Revenues and Expenditures* - A planning tool used to forecast revenues and expenditures for the General Fund over an extended period of time.
- *Reserve Analysis* - Staff will annually review the General Fund reserve level and produce a report that indicates up-to-date reserve level as compared to policy goals.

Investment Policies

Investment Management

All investments of Town funds shall be in accordance with S.C. Code Ann. § 6-5-10, authorized investments by political subdivisions.

Permissible investment instruments will be as follows:

1. Government National Mortgage Association (“GNMA”)
2. Federal Home Loan Banks (“FHLB”)
3. Small Business Administration (“SBA”)
4. U.S. Maritime Administration (“MA”)
5. Tennessee Valley Authority (“TVA”)
6. U.S. Export-Import Bank (“Eximbank”)
7. Farmers Home Administration (“FHA”)
8. Federal Financing Bank (“FFB”)
9. General Services Administration (“GSA”)
10. Department of Housing and Urban Development (“HUD”)

Investments shall be managed to optimize cash utilization to generate and enhance interest income opportunities.

Fixed Asset Accounting Policies and Procedures

Definition of a Fixed Asset

1. In general, all fixed assets including land, buildings, machinery and equipment 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. Specific capitalization requirements are described below.
 - The capitalization threshold is applied to **individual units** of fixed assets. For example, ten desks purchased through a single purchase order each costing \$1,000 will not qualify for capitalization even though the total cost of \$10,000 exceeds the threshold of \$5,000.
 - The capitalization threshold will generally not be applied to **components** of fixed assets. For example, a keyboard, monitor, and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset.
 - **Repairs** to fixed assets will generally not be subject to capitalization unless the repair extends the useful life of the asset. In this case, it represents an improvement and is subject to the capitalization policy and should be evaluated separately.
 - **Improvements** to existing fixed assets will be expected to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold. In theory, an improvement to a fixed asset that had an original cost of less than \$5,000, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus the cost of the improvement) and capitalized.
 - **Capital projects** will be capitalized as "construction in progress" until completed. Costs to be capitalized include direct costs such as labor, materials, and transportation; indirect costs such as engineering and construction management; and ancillary costs such as construction period interest.
2. Software and Other Intangibles

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.

Inventory Control Policy - (Safeguarding)

Department and Division heads are responsible for safeguarding fixed assets under their control from theft or loss.

Inventory Control Policy - (Safeguarding) continued

In general, inventory control is applied only to *movable* fixed assets such as machinery and equipment and office furniture and not to land, buildings, or other *immovable* fixed assets. Fixed assets subject to inventory control will be accounted for and controlled through the same systems and procedures used to account for and control fixed assets subject to capitalization.

Fixed assets will be subject to inventory control if they meet at least one of the following criteria:

1. The original cost of the fixed asset is equal to or greater than \$5,000.
2. Any asset that costs less than \$5,000 as requested from a department. This may include certain machinery and equipment that, due to portability, value outside of the office, or character, are susceptible to theft or loss. It may also include an asset that has been requested by a department to be controlled in order to satisfy an internal (operational) or external requirement. For example, Operations may wish to inventory all computer hardware and software to establish replacement and upgrade requirements for both hardware and software.
3. An asset is required to be controlled and separately reported pursuant to grant conditions or other externally imposed reporting requirement. *For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.*

Tagging a Fixed Asset

The purpose for tagging assets is to provide an efficient mechanism for inventorying fixed assets.

Disposal of Surplus Property

Under Section 11-1-611(2) of the Procurement Ordinance of the Town of Hilton Head Island, the Town Manager may establish procedures for the sale, lease or disposal of surplus property. In accordance with this section of the Town's Ordinance, the following shall apply:

There are several acceptable methods for disposing of surplus assets once it has reached the end of its useful life. These methods include donation, trade-in, sale at a public auction, sale by competitive sealed bidding and the use of a vendor's return program.

1. **Donation/Trade-In.** The Town has determined that donation of surplus equipment to a Beaufort County non-profit entity is an acceptable method of disposal of selected serviceable surplus. This method of disposal requires public solicitation of requests from qualified non-profit agencies by way of advertisement in the local paper. Responses should clearly indicate how these surplus assets will be used. Priority consideration will be given to those agencies that directly support the Town. Agency responses will be reviewed, and a recommended plan for distributing the property will be forwarded to the Assistant Manager of Administration for final approval. There are also occasions when it is in the Town's best interest to trade in vehicles that have reached the end of their useful life cycle to reduce the purchase price of the replacement vehicle.

Disposal of Surplus Property (continued)

2. **Sale.** Sale of surplus property by public auction is another acceptable method of disposition of assets. The Town may hold their own auction or may choose to participate with Beaufort County in their annual auction of surplus property. In either case, the auction will be advertised in the local paper to ensure the widest dissemination to the public. Surplus property will be sold to the highest bidder.
3. **Sealed Bid.** Sale by competitive sealed bidding is another option the Town may utilize to dispose of assets. Sealed bids will be solicited in the local paper. Sealed bids will be opened in public and the sale awarded to the highest bidder.
4. **Vendor Return Program.** Surplus serviceable computers may be disposed of by the aforementioned methods or can be returned to the vendor in accordance with their serviceable computer return program. The Town will receive fiscal credit for an amount determined by the vendor after they have inspected the computers. Unserviceable surplus computers may also be returned to the vendor for proper disposal. The Town may be charged a small fee by the vendor for taking full responsibility for ensuring hazardous materials are properly processed or recycled prior to disposal

Proceeds from the disposal of surplus property will be allocated to the Town's General Fund unless the property was originally purchased with monies from a specific Town Fund; in which case, the proceeds will be returned to that specific fund.

Budget Process Overview

Town Council Planning

In December of 2004, Town Council held a planning workshop that resulted in the development of principles, goals, objectives and specific actions for 2005/2006:

Hilton Head Island 2020: Our Vision

“World Class Residential and Resort Community”

Principles

Principle A: Great Natural Beauty

Means:

1. Wide sandy beaches
2. Accessible open spaces, green spaces and waterways
3. Trees and shade
4. Unmatched vistas and views
5. Developments blending with nature

Town Council Planning (continued)

Principle B: World Class Beach

Means:

1. Clean and safe
2. Continual renourishment of beaches, dunes and native vegetation
3. Usable and accessible to all citizens, including physically impaired
4. Attractive and inviting
5. A natural, non-commercial experience

Principle C: Pristine Waterways

Means:

1. Clean water
2. Accessible for recreational opportunities
3. Fishing, crabbing, shrimping, and oystering
4. Environmentally sound marinas

Principle D: Well Planned Community

Means:

1. Effective transportation system on island and mainland
2. Low density development in scale with neighborhood
3. Low impact of built environment (lights, signs, buildings)
4. Sustainable businesses to support residents, guests and workers
5. Effective educational system

Principle E: Preserving Our Low Country Character and Heritage

Means:

1. Low density development in character of area
2. Casual living
3. Promote our history and cultures
4. Promote quality environment
5. Support for the arts and cultural organizations

Principle F: Sustainable Community through Continuous Revitalization

Means:

1. Modernizing older buildings
2. Compliance with our codes and appearance standards
3. Revitalized and viable commercial/retail centers
4. Protecting Hilton Head Island character in revitalization
5. Prepared for disaster recovery

Town Council Planning (continued)

Principle G: Variety of Recreational Opportunities

Means:

1. Choices for your leisure time
2. Parks: active and passive
3. Access to beaches and waterways
4. Pathways for recreation and transportation
5. Well maintained parks and facilities

Principle H: Welcomes All

Means:

1. All ages
2. Residents and guests
3. Working and retired
4. Different cultures

Principle I: Community Spirit and Pride

Means:

1. One Town, One Community
2. Residents involved in our community and town government
3. Community events and activities
4. Willingness to work together
5. Active volunteerism of residents and guests

Principle J: Top Quality Services and Facilities

Means:

1. Financially sound town government
2. Well trained, knowledgeable and professional workforce
3. Services responsive to community needs
4. Citizens receiving value for their tax dollars
5. High level of citizen satisfaction

Principle K: Regional and State Leader

Means:

1. Advocacy for the interests of Hilton Head Island
2. Developing cooperative partnerships to address issues
3. Identifying issues and solutions to problems
4. Developing and maintaining relationships with other government officials

Town Council Planning (continued)

Core Business

- Regulation of land management and redevelopment to protect high standards
 - Protection of natural resources and scenic views
 - Managing traffic and pedestrian safety
 - Public safety services meeting our community expectations and standards
 - Leisure and recreational opportunities for all residents and guests
-

Plan for 2005 - 2010 - Our Goals

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

Goal 1: Effective Regional Transportation System

- Objective 1: Safe streets, roads, pathways, and bike lanes
- Objective 2: Reduced impacts of road system on neighborhoods and island character
- Objective 3: More effective, efficient mainland road system
- Objective 4: More efficient traffic flow on island - reduced travel time
- Objective 5: Adequate funding for streets, pathways and public transportation improvements
- Objective 6: Consolidated transportation organization for the region

Actions for 2005/2006

1. Secondary road alignment - policy and design (link to redevelopment)
2. Post 1¢ sales tax planning and actions
3. U.S. 278 widening project (mainland - widening to 6 lanes)
4. Southern Beaufort County regional plan development
5. William Hilton Parkway paving
6. Private roads: policy direction, actions

Goal 2: World-Class Amenities for Residents and Guests

- Objective 1: Maintenance of and access to beach
- Objective 2: Assuring high-quality facilities and programs
- Objective 3: Increased variety of parks and recreational facilities
- Objective 4: A place people want to visit and return to - reputation as a “World Class” resort
- Objective 5: Full range of arts and cultural activities

Town Council Planning (continued)

Actions for 2005/2006

1. Beach renourishment policy direction and project with funding
2. Coastal Discovery Museum direction
3. Guidelines for commercial use of parks
4. Parks and open space plan: update
5. Parks maintenance evaluation

Goal 3: Clean, Safe, Accessible Waterways

- Objective 1: Effective drainage and stormwater management
- Objective 2: Viable marinas
- Objective 3: Protection of natural environment and resources: green spaces, blue spaces (water bodies)
- Objective 4: Opening up vistas of our water
- Objective 5: Places to fish, crab, oyster and shrimp

Actions for 2005/2006

1. Water and sewer master plan implementation
2. Dredging policy direction and actions
3. Stormwater utility management plan for Beaufort County
4. Chaplin-Folly Boardwalk

Goal 4: Sustainable Town - Preserving Our Character

- Objective 1: Revitalization of older areas: commercial and residential, major corridors
- Objective 2: Development and maintenance of adequate infrastructure and facilities
- Objective 3: Protection of our "Town Character" and individual neighborhood integrity - lifestyle and ambiance
- Objective 4: Planning for disaster recovery
- Objective 5: Development and use of comprehensive plan, master plans and L.M.O. and land acquisition to regulate growth
- Objective 6: Aggressive land acquisition by Town

Actions for 2005/2006

1. Chaplin redevelopment plan implementation
2. Stoney redevelopment plan implementation
3. L.M.O. revision for redevelopment and disaster recovery
4. Bridge to the beach #1 redevelopment plan implementation
5. Land acquisition program: direction and actions
6. Disaster recovery plan: implementation
7. Minor subdivision regulations

Town Council Planning (continued)

Goal 5: Top Quality Services, Financially Sound Town

- Objective 1: Maintain high bond rating
- Objective 2: Services provided in most cost-effective manner
- Objective 3: Maintain town taxing authority
- Objective 4: Town infrastructure and facilities maintained at a high standard
- Objective 5: Diverse revenue base for Town government

Actions for 2005/2006

1. Fire and rescue master plan and implementation
2. Tax rolls validation program
3. Impact fees bonds
4. Space needs assessment
5. Workforce planning needs assessment and plan

Goal 6: Strengthening Community Spirit and Pride

- Objective 1: Support for community building events
- Objective 2: Better informed citizenry - accurate understanding of issues and operations
- Objective 3: Being positive about Hilton Head Island's future
- Objective 4: Open Town government - informed citizen input welcome
- Objective 5: Maintain volunteerism and volunteering spirit

Actions for 2005/2006

1. Latino strategy
2. Memorials policy
3. Arts and cultural activities policy direction and actions

Business Plan

With the priorities and indicators set, the operations of the Town are reviewed and resources redirected to accomplish the strategic priorities. Specific actions, programs, capital purchases, and staffing requirements and funding levels are developed in response to the needs identified in the strategic plan. The business plan is an outgrowth of the strategic priorities, capturing the Town's vision in a quantifiable form, improving decision making and resource allocation.

A benefit of using a business plan is that it provides a linkage between costs, activities and key drivers. The Town uses this model to monitor performance by:

- Performing variance analyses using cost drivers;
- Process mapping that links the budget items to activities; and
- Identifying value-added and non-value added activities.

Business Plan (continued)

In developing the Fiscal Year 2006 operating budget, departments analyzed existing services and reviewed potential enhancements to service levels based on the principles, goals, objectives and specific actions established by Town Council. The end result of this review was quantified into a line item budget. Departments also established departmental objectives corresponding to the goals, objectives and specific actions established by Town Council. In addition, for Fiscal Year 2006, Fire and Rescue incorporated performance measures along with their objectives in order to quantifiably measure anticipated outcomes of their proposed budget.

Budget Methodology

The budget for the Town is a performance-based budgeting system. This type of budgeting system identifies a particular level of service performance for each type of program and the resources needed to operate it, as well as describes the structure of the department and programs into which they are divided. The department's budget is separated into the following components:

Mission Statement - the statement must identify the particular purpose for the department and how it relates to the Town's overall mission.

Core Services - a listing of the fundamental services that the program is designed to provide.

Objectives - the objectives focus on particular program accomplishments that will be attained within the current year.

Program/Expenditure Summary - the budget for the department, summarized by division, if applicable, and by category of expenditure:

- 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 Business Plan.

The mission statement for the department should be the basis of the department's budget and should lay 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.

Approach to the Budget Review Process (continued)

From there, a department identifies specific objectives to be accomplished within the upcoming year. For Fiscal Year 2006, Fire and Rescue will incorporate performance measures along with their objectives in order to quantifiably measure anticipated outcomes of their proposed budget.

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

It should be noted that departments not only develop a budget for the upcoming fiscal year, they develop a five-year expenditure plan beyond the upcoming fiscal year as well. This includes any anticipated staffing adjustments that may be necessary. This information is incorporated into the five-year business plan that is a part of the budget document.

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

The Director of Finance, in conjunction with the Deputy Director of Finance and Department Directors develops the revenue budget. In addition, a five-year revenue forecast is developed and included in the five-year business plan.

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

The Finance staff consolidates the revenue budget, the departmental budgets, the five-year business plan and the CIP creating the proposed Business Plan for the upcoming fiscal year.

Budget Format

A municipal budget document should provide sufficient, meaningful and useful information to elected officials, Town staff, and to the public. The budget document was developed to serve four primary functions:

- Policy Document
- Financial Plan
- Operations Guide
- Communication Device

The Town legally adopts budgets for the General Fund, Capital Improvement Program and the Debt Service Fund. Included in these budgets are transfers in from the other governmental funds. The other governmental funds reflect restricted revenue sources that must be accounted for separately (accommodations tax - state, beach preservation fee, real estate transfer fee, impact fees, and tax increment financing tax revenue). The funds identified above represent all funds reflected in the Town's CAFR (Comprehensive Annual Report).

Budget Approval Process

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

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

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

Monitoring the Budget

The Finance Department prepares a quarterly financial report for Town Council comparing actual expenditure activity to the budget. This report is a high level analysis which focuses on key indicators. This report is divided into four Sections:

- The *Executive Summary* provides an overview of the total revenues and expenditures for both the General Fund and the Capital Improvements Program Fund and the revenues for the Special Revenue Funds.
- *General Fund* - The General Fund is the operating fund for the Town of Hilton Head Island. It is supported by property taxes, business license and permit fees, and other revenue sources. Certain General Fund revenue sources are compared with the projected collections for this period. For comparison purposes, we have included each of the revenue sources year-to-date collections for the prior year. An analysis of certain General Fund revenue sources including comments along with a detail revenue and expenditure report for the General Fund is also provided.
- *Other Governmental Funds* - This grouping of funds contains revenues that are restricted to expenditures for specific purposes. A graph that shows the special revenues for the same time period over the last three years is included in this section.
- *Capital Improvements Program Fund (CIP)* - This fund provides for the purchase of major facilities, land, and infrastructure. An analysis of expenditures by project is included in this section of the report.

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 Improvements Program Fund (CIP).

Budget Transfers, Amending the Budget and Encumbrances (continued)

- 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 Improvement Fund (CIP), 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.

Operating Budget

Fiscal Year 2006 Combined Budget

The combined Fiscal Year 2006 budgeted expenditures for all funds is \$76,920,550. This represents an increase of \$16,684,924 or 28% over the Fiscal Year 2005 budget. The majority of this increase (\$13.8 million) is in the Capital Improvements Program.

The Fiscal Year 2006 budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures.

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

Major Governmental Funds

The **General Fund** is the general operating fund of the Town. This fund accounts for general services, such as police, fire, planning, facilities management, building and fire codes, and administrative services.

The **Capital Improvements Program Fund (CIP)** accounts for financial resources such as property taxes, bond proceeds, and grants, used for the acquisition, construction or improvement of major governmental facilities and infrastructure.

The **Debt Service Fund** is used to account for the revenues and payments of long-term debt.

Restricted Major Governmental Funds

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

The **Beach Preservation Fees 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. According to statutory provisions, these funds are used to pay, in whole or in part, for current and future preservation, maintenance, nourishment, renourishment, and improvement of the beaches of Hilton Head Island, and also those public facilities related to the use, preservation, maintenance, nourishment, renourishment, and improvement of the beaches of Hilton Head Island

Other Governmental Funds

The **State Accommodations Tax Fund** accounts 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.

Other Governmental Funds (continued)

The ***Real Estate Transfer Fee 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. According to statutory provisions, these funds 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) 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.

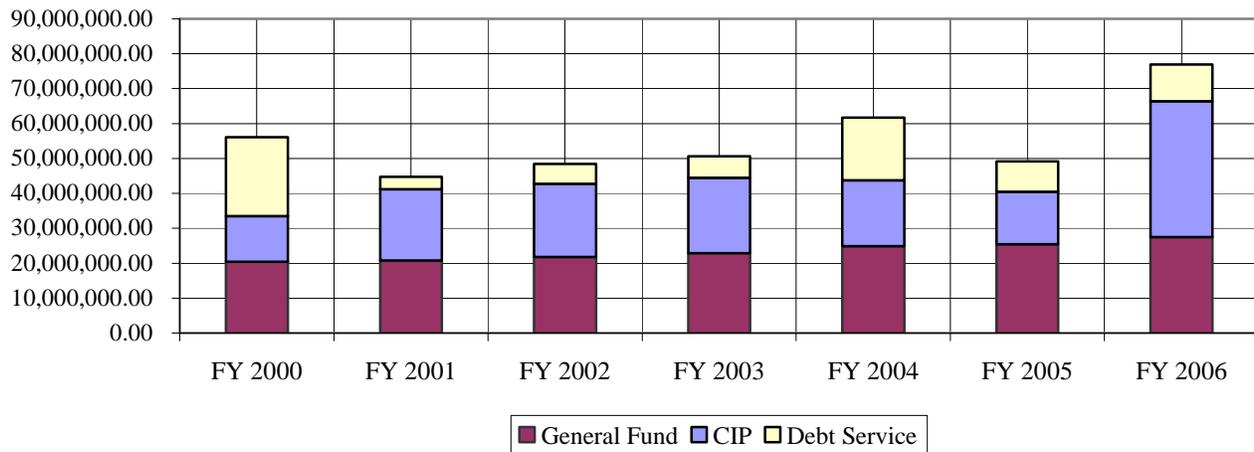
The ***Electricity Franchise Fee Fund*** was established in Fiscal Year 2005. This fund is used to account for the special assessment levied against electricity utility bills of property owners of the Town. The funds are being accumulated to fund the burying of power cables within the Town limits. A portion of the funds will be used to fund Town staff necessary to oversee the project. It is anticipated that the project will take approximately fifteen years to complete.

The Tax Increment Financing Fund, 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 Improvements Program Fund, and Debt Service Fund as “transfers in”. Any additional funds expended from these funds are approved at the time the funds are expended.

Summary of the Fiscal Year 2006 Budget by Fund

	FY 2005 Revised Budget	Percent of Total	FY 2006 Adopted Budget	Percent of Total	Dollar Change	Percent Change
General Fund	\$ 26,214,724	44%	\$ 27,466,550	36%	\$ 1,251,826	5%
Capital Projects Fund	25,127,702	42%	38,937,000	51%	13,809,298	55%
Debt Service Fund	8,693,200	14%	10,517,000	14%	1,823,800	21%
TOTAL	\$ 60,035,626	100%	\$ 76,920,550	100%	\$ 16,884,924	28%

Trend Analysis of Expenditures by Fund



Property Taxes - All funds

Current Property taxes

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

Collection and Distribution

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

Property taxes are levied for the purposes of funding the provision of municipal services, the Capital Improvements Program (CIP), and the retirement of debt. For Fiscal Year 2006, 13.86 mills will be paid to the General Fund (65.1% of levy), .96 mills to the CIP (4.5% of levy), and 6.48 mills (30.4% of levy) will be used for the retirement of debt.

Staffing Changes

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Town Council	7.00	7.00	7.00	7.00
Town Manager	3.00	3.00	3.00	3.00
Human Resources	4.00	4.00	4.00	4.00
Finance	16.00	16.00	17.00	17.00
Municipal Court	5.00	5.00	5.00	5.00
Legal /Administration	18.00	18.00	18.00	18.00
Fire and Rescue	143.00	143.00	144.00	144.50
Planning	19.00	19.00	19.00	19.00
Building and Fire Codes	16.00	16.00	16.50	16.50
Public Projects and Facilities	18.00	19.00	19.00	19.00
TOTAL	<u><u>249.00</u></u>	<u><u>250.00</u></u>	<u><u>252.50</u></u>	<u><u>253.00</u></u>

For Fiscal Year 2006 staffing adjustments are as follows:

- Fire and Rescue - Addition of 1 full-time Assistant Emergency Management Coordinator and the elimination of 1 (.5) part-time Administrative Assistant.

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 2006 (General Fund)

Department	Personnel	Operating	Capital	Grants	Total Expenses
Town Council	\$ 85,180	\$ 173,300	\$ -	\$ -	258,480
Town Manager	291,920	90,800	-	-	382,720
Human Resources	406,690	139,380	-	-	546,070
Finance	1,104,670	141,370	-	-	1,246,040
Municipal Court	344,790	99,900	-	-	444,690
Legal/Administration	1,337,860	744,060	282,050	-	2,363,970
Building and Fire Codes	1,124,870	86,390	-	-	1,211,260
Planning	1,384,510	130,550	-	-	1,515,060
Fire & Rescue	10,600,050	1,618,080	111,000	-	12,329,130
Police (Contract Agreement)		2,463,690			2,463,690
Public Projects and Facilities	1,414,760	1,442,330	-		2,857,090
Non-Departmental (Townwide)		708,210		1,140,140	1,848,350
Totals	\$ 18,095,300	\$ 7,838,060	\$ 393,050	\$ 1,140,140	\$ 27,466,550

General Fund Summary

	Actual FY 2002	Actual FY 2003	Actual FY 2004	Estimated FY 2005	Budget FY 2006
BEGINNING BALANCE	\$ 6,515,584	\$ 6,914,156	\$ 7,293,540	\$ 7,603,794	\$ 8,886,384
REVENUE/SOURCES					
Property Taxes	\$ 8,683,555	\$ 9,265,943	\$ 10,366,446	\$ 10,641,410	\$ 10,120,600
Other Taxes	1,802,547	1,728,707	1,860,744	1,825,000	1,860,000
Business Licenses and Franchise Fees	5,910,918	6,214,543	6,722,382	6,750,870	6,845,910
Permits	1,425,010	1,121,066	1,263,023	1,397,150	1,360,000
State Shared	893,049	872,768	880,365	885,670	922,220
Investment Income	207,287	100,582	91,674	100,000	120,000
Miscellaneous Fees	1,734,805	1,961,087	2,088,553	2,027,060	2,081,280
TOTAL	\$ 20,657,171	\$ 21,264,696	\$ 23,273,187	\$ 23,627,160	\$ 23,310,010
EXPENDITURES					
General Government	\$ 996,798	\$ 1,035,285	\$ 1,150,862	\$ 1,153,920	\$ 1,187,270
Management Services	2,896,258	2,915,272	3,045,720	3,225,090	3,772,650
Planning/Building and Fire Codes	2,104,150	2,259,486	2,341,354	2,420,420	2,726,320
Public Safety	11,406,240	12,237,337	12,812,101	13,672,600	14,681,820
Public Projects and Facilities	2,167,605	2,191,772	2,307,710	2,614,450	2,857,090
Non-departmental	1,557,289	1,693,628	1,714,928	1,744,780	1,848,350
Capital Outlay	575,789	411,501	316,328	503,640	322,050
Debt Service	97,722	97,722	97,722	100,000	71,000
TOTAL	\$ 21,801,851	\$ 22,842,003	\$ 23,786,725	\$ 25,434,900	\$ 27,466,550
EXCESS/DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (1,144,680)	\$ (1,577,307)	\$ (513,538)	\$ (1,807,740)	\$ (4,156,540)
Other Financing Sources (Uses):					
Bond Issue/Other	-	-	2	-	-
EMS Write-off	-	-	(649,108)	-	-
Operating Transfers In	1,543,252	2,000,378	1,883,834	3,090,330	4,156,540
Operating Transfers Out	-	(43,687)	(410,936)	-	-
Total Other Financing Sources (Uses)	1,543,252	1,956,691	823,792	3,090,330	4,156,540
NET CHANGE IN FUND BALANCE	\$ 398,572	\$ 379,384	\$ 310,254	\$ 1,282,590	\$ -
ENDING BALANCE	\$ 6,914,156	\$ 7,293,540	\$ 7,603,794	\$ 8,886,384	\$ 8,886,384

General Fund Two-Year Comparison

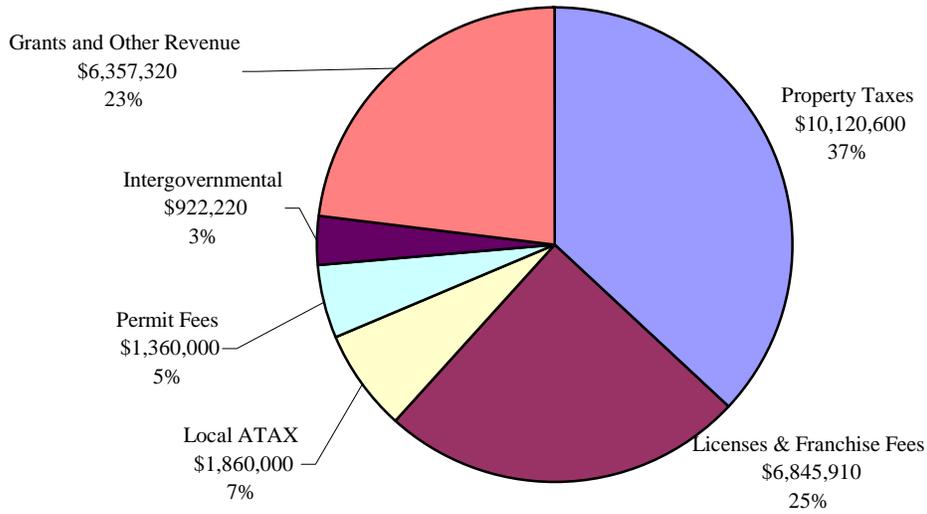
	FY 2005 Revised Budget	FY 2005 Est. Actual	FY 2006 Budget	Budget Diff. % FY 2005	Estimate Diff. % FY 2005
Revenues:					
Property Taxes	\$ 10,748,900	\$ 10,641,410	\$ 10,120,600	-5.85%	-4.89%
Licenses & Franchise Fees	6,585,640	6,750,870	6,845,910	3.95%	1.41%
Permit Fees	1,223,880	1,397,150	1,360,000	11.12%	-2.66%
Intergovernmental Revenue	885,670	885,670	922,220	4.13%	4.13%
Miscellaneous Revenue	1,772,204	1,883,730	1,936,280	9.26%	2.79%
Grants	-	143,330	145,000	N/A	1.17%
Donations	100	-	-	-100.00%	N/A
Local ATAX Public Safety	1,818,000	1,825,000	1,860,000	2.31%	1.92%
Investments	90,000	100,000	120,000	33.33%	20.00%
Transfer In	3,090,330	3,090,330	4,156,540	34.50%	34.50%
Total Revenues	\$ 26,214,724	\$ 26,717,490	\$ 27,466,550	4.78%	2.80%
Expenditures					
General Government					
Town Council	\$ 251,540	\$ 251,040	\$ 258,480	2.76%	2.96%
Town Manager	353,600	367,810	382,720	8.24%	4.05%
Human Resources	544,430	535,070	546,070	0.30%	2.06%
	1,149,570	1,153,920	1,187,270	3.28%	2.89%
Management Services					
Finance	1,117,310	1,060,470	1,246,040	11.52%	17.50%
Municipal Court	417,120	404,220	444,690	6.61%	10.01%
Legal/Administration	1,827,330	1,760,400	2,081,920	13.93%	18.26%
	3,361,760	3,225,090	3,772,650	12.22%	16.98%
Planning/Building and Fire Codes					
Planning	1,775,400	1,341,300	1,515,060	-14.66%	12.95%
Building and Fire Codes	1,111,670	1,079,120	1,211,260	8.96%	12.25%
	2,887,070	2,420,420	2,726,320	-5.57%	12.64%
Public Safety					
Fire	11,428,891	11,289,450	12,218,130	6.91%	8.23%
Police	2,383,150	2,383,150	2,463,690	3.38%	3.38%
	13,812,041	13,672,600	14,681,820	6.30%	7.38%
Public Projects and Facilities	2,658,696	2,614,450	2,857,090	7.46%	9.28%
Townwide	1,755,045	1,744,780	1,848,350	5.32%	5.94%
Debt	100,000	100,000	71,000	-29.00%	-29.00%
Capital Outlay	490,542	503,640	322,050	-34.35%	-36.06%
Total Expenditures	\$ 26,214,724	\$ 25,434,900	\$ 27,466,550	4.78%	7.99%
Revenues Over/(Under) Expenditures	\$ -	\$ 1,282,590	\$ -		

General Fund Detail Revenue Two-Year Comparison

	FY 2005	FY 2005	FY 2006	Budget	Estimate
	Revised Budget	Est. Actual	Budget	Diff. %	Diff. %
				FY 2005	FY 2005
Property Taxes	\$ 10,748,900	\$ 10,641,411	\$ 10,120,600	-5.85%	-4.89%
Licenses & Franchise Fees					
Business Licenses	6,082,240	6,230,000	6,391,710	5.09%	2.60%
Electrical Utility	50,000	66,670	-	-100.00%	-100.00%
Cable TV Utility	449,200	450,000	450,000	0.18%	0.00%
Beach Franchise Fee	4,200	4,200	4,200	0.00%	0.00%
Total - Licenses & Franchise Fees	6,585,640	6,750,870	6,845,910	3.95%	1.41%
Permit Fees					
Construction Permits	722,880	834,490	800,000	10.67%	-4.13%
Development Permits	6,000	12,660	10,000	66.67%	-21.01%
Other Permits	495,000	550,000	550,000	11.11%	0.00%
Total - Permit Fees	1,223,880	1,397,150	1,360,000	11.12%	-2.66%
Intergovernmental Revenue					
State Shared Revenue	885,670	885,670	922,220	4.13%	4.13%
Total - Intergovernmental Revenue	885,670	885,670	922,220	4.13%	4.13%
Miscellaneous Revenue					
Public Safety Revenue	900,000	1,078,260	1,096,120	21.79%	1.66%
Beach Service	300,000	371,700	375,420	25.14%	1.00%
Municipal Court Fines	276,450	287,520	290,000	4.90%	0.86%
Victim's Assistance	30,000	33,180	34,000	13.33%	2.47%
Miscellaneous Revenue	184,100	112,970	140,740	-23.55%	24.58%
Total - Miscellaneous Revenue	1,690,550	1,883,630	1,936,280	14.54%	2.80%
Grants					
DHEC Grant	-	-	-	-	-
Miscellaneous Reimbursements	-	143,330	145,000	N/A	1.17%
Total - Grants	-	143,330	145,000	100.00%	1.17%
Donations	100	100	-	-100.00%	-100.00%
Local ATAX Public Safety	1,818,000	1,825,000	1,860,000	2.31%	1.92%
Investments	90,000	100,000	120,000	33.33%	20.00%
Transfers In					
Accommodations Tax	903,950	903,950	957,550	5.93%	5.93%
Beach Preserv. Fee	738,680	738,680	775,610	5.00%	5.00%
Electricity Franchise Fee	7,500	7,500	35,000	366.67%	366.67%
Hospitality Tax	1,220,000	1,220,000	1,998,880	63.84%	63.84%
Storm Water Fee	210,200	210,200	264,500	25.83%	25.83%
TIF	10,000	10,000	125,000	1150.00%	1150.00%
Funds From Prior Years	81,654	-	-	-100.00%	N/A
TOTAL	\$ 26,214,724	\$ 26,717,490	\$ 27,466,550	4.78%	2.80%

General Fund Revenues

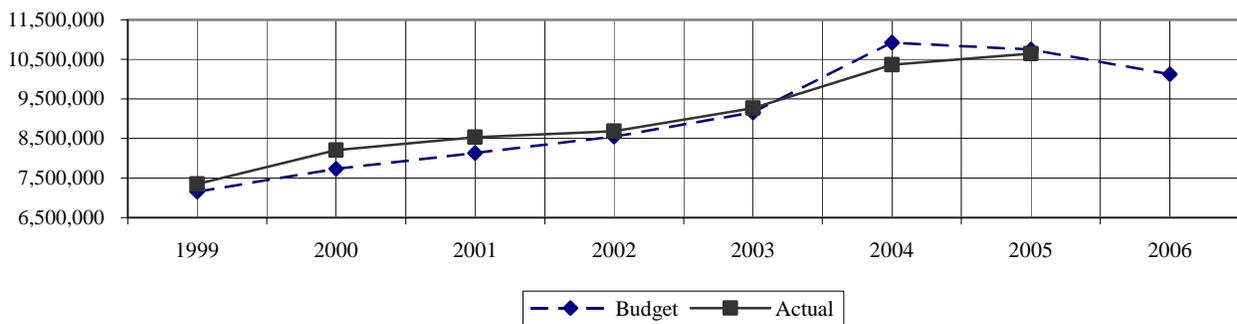
General Fund Revenues in Fiscal Year 2006 are projected to be \$27,466,550 or 4.78% greater than the current year budget.



Property Taxes

Property taxes are the Town's largest single revenue source of all General Fund revenues.

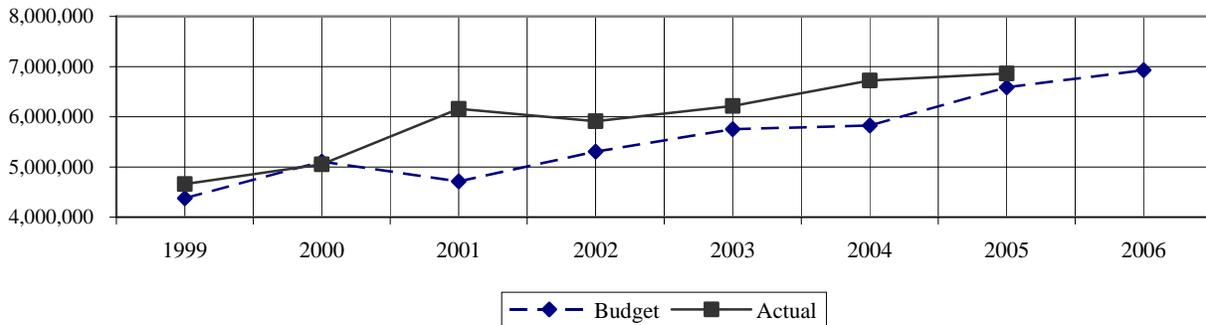
Revenue - Property Taxes



Licenses and Franchise Fees

Licenses and franchise fees represent the second largest single revenue source for the General Fund. The most significant source is the business license tax levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. The Fiscal Year 2006 budget of \$6,391,710 in business license receipts is 5.1% greater than the Fiscal Year 2005 budget of \$6,082,240. The reason for the anticipated increase in business license revenue is due to a favorable trend in gross receipts for businesses on the Island as well as increased enforcement. Franchise fee revenue is anticipated to be \$454,200 in Fiscal Year 2006, the same as projected for Fiscal Year 2005. It should be noted that the electricity franchise fee the Town receives is no longer budgeted in the General Fund. It is budgeted in a separate fund and will be used to bury power lines within Town limits.

Revenue - Business License and Franchise Fees



Local Accommodations Tax

The local accommodations tax is the third largest single revenue source for the General Fund. A local accommodations tax equal to one (1) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days are not considered "proceeds from transients." The revenue generated by the local accommodations tax must be used exclusively for the following purposes:

- Tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums;
- Tourism-related cultural, recreational, or historic facilities;
- Beach access and renourishment;
- Highways, roads, streets, and bridges providing access to tourist destinations;
- Advertisements and promotions related to tourism development;
- Water and sewer infrastructure to serve tourism-related demand; and,
- The operation and maintenance of those items identified above, including police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

Local Accommodations Tax (continued)

- ***Festival fund*** - The Town shall set 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 consist 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 shall review and make recommendations to the Town Council by May 15 of each calendar year. Funds shall be 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 shall set 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. Fund expenditures shall be used to provide for post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the town manager.

The Fiscal Year 2006 budget of \$1,860,000 in local accommodations taxes is 2.3% greater than the prior fiscal year budget of \$1,818,000. The anticipated increase in revenue is based on anticipated receipts for the current fiscal year being slightly above the budget.

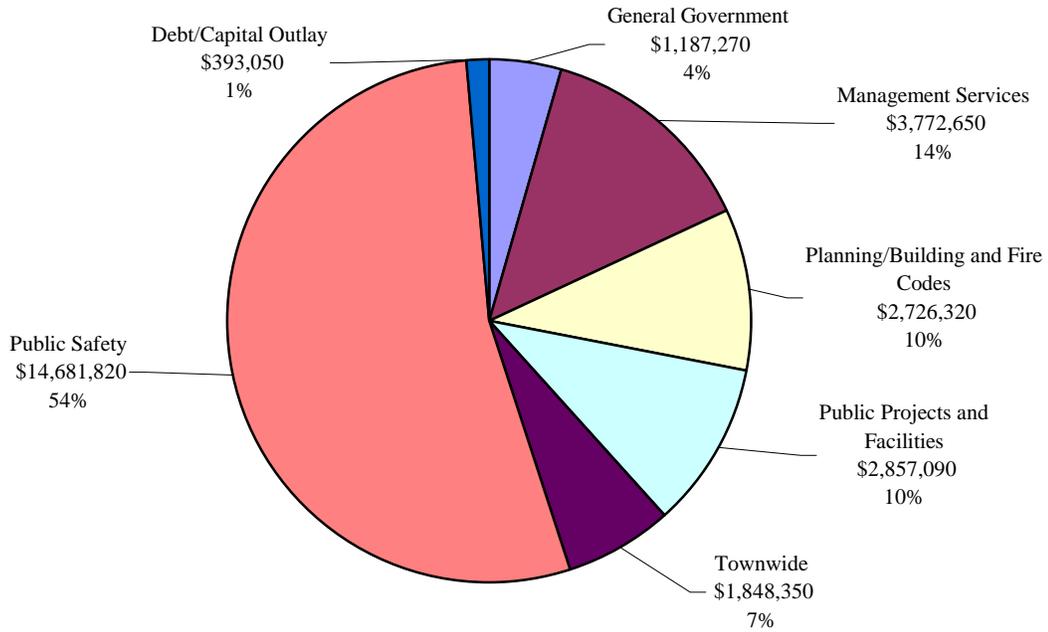
Other Sources of Revenue (estimates for these revenues are based on historical trend analysis and anticipated development within the community)

- ***EMS*** - Funds received through Fire and Rescue for medical services rendered. (\$911,120)
- ***Hospitality Tax*** - A uniform tax levied by the Town on the gross sales of prepared meals and beverages sold in establishments and also on the gross sales price of sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine. (\$1,998,880)
- ***Permit Fees*** - Funds received for permits from construction and development. (\$1,360,000)

General Fund Expenditures

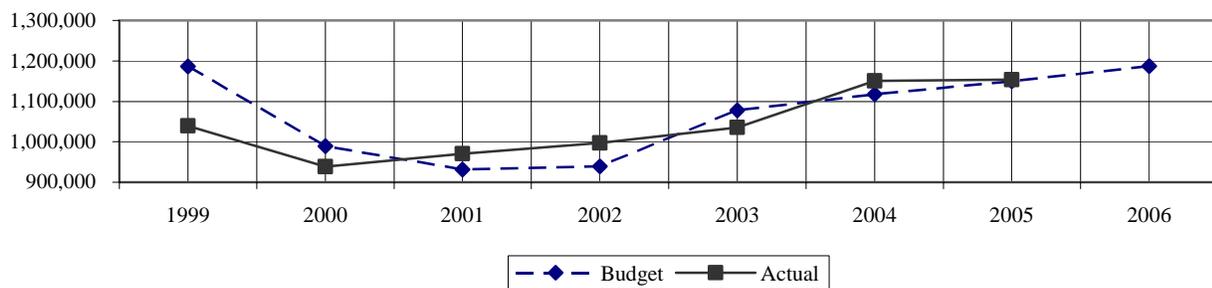
The Fiscal Year 2006 budgeted expenditures are programmed at \$27,466,550.

General Fund Expenditures by Program



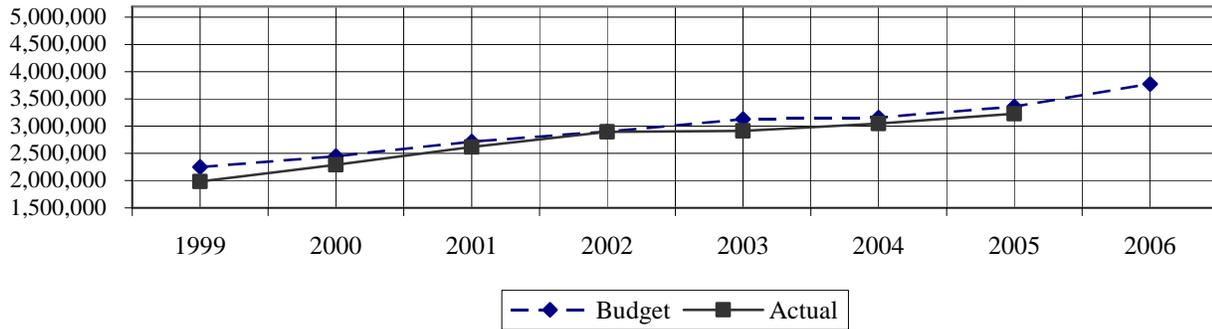
Trend Analysis - Expenditures by Program

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

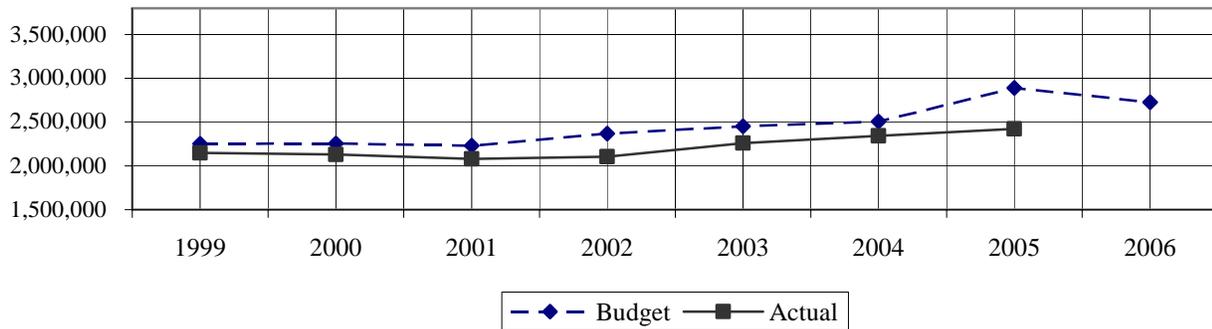


Trend Analysis - Expenditures by Program (continued)

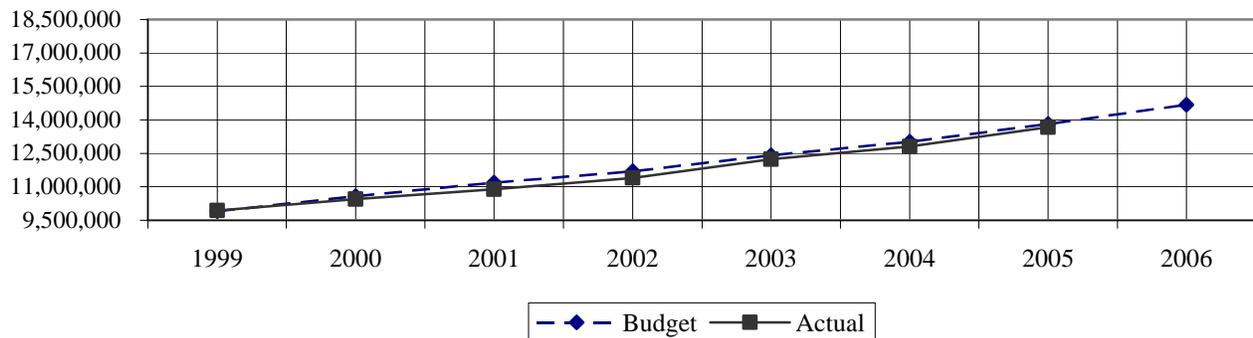
**Expenditures - Management Services
(Finance, Municipal Court, Legal/Administration)**



**Expenditures - Planning/Building and Fire Codes
(Fire and Rescue, Police)**

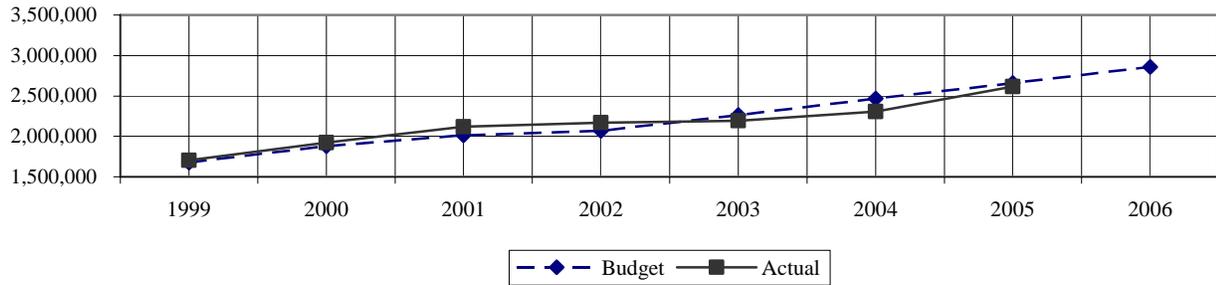


Expenditures - Public Safety



Trend Analysis - Expenditures by Program (continued)

Expenditures - Public Projects and Facilities



Program: General Government
Department: Town Council

Mission

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

Core Services

Open Town Government

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

Financial Stability and Economic Development

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

Community and Environmental Vitality

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

World-Class Leisure and Recreational Opportunities for Residents and Guests

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

Promoting Unity while Supporting Diversity in the Community

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

Program: General Government
Department: Town Council (continued)

2005 Accomplishments

Franchise Agreements

- Palmetto Electric Franchise Agreement: Includes provisions for providing underground cable
- Adelphia Rate: Lower rate; refund to subscribers; example for state
- Hargray CATV Franchise Agreement: Cable competition and alternatives for the community

CIP

- Park Development
- Bike Path Development
- Drainage: Major Projects Underway
- Dispatch Center: Completion
- Recycling Center: Improvement Plans
- Redevelopment Initiatives
- Comprehensive Plan: Revision
- Sewer Plan and Improvement
- Fire Master Plan: Adoption

Miscellaneous

- Maintain Financial Condition of Town: Bond Ratings
- Land Acquisition
- Leadership on Local, Regional, and State Issues
- Change in Election Cycle
- Emergency Access Points: Reduced Response Time

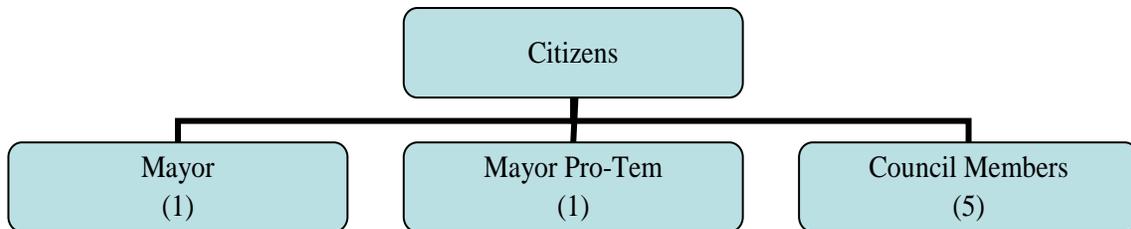
2006 Objectives

- Beach Renourishment Design and Permitting
- Sewer and Water Master Plan
- Chaplin Redevelopment Plan Implementation
- Stoney Redevelopment Plan Implementation
- Land Management Ordinance (L.M.O.) Revisions for Redevelopment and Disaster Recovery
- Bridge to the Beach Redevelopment Plan Implementation
- Stormwater Utility Management Plan
- U.S. 278 Mainland Widening Project

Program: General Government
 Department: Town Council

2006 Objectives (continued)

- Post Sales Tax Planning and Actions
- Dredging: Global Solutions for Future Dredging Requirements on Island
- Coastal Discovery Museum Direction
- Recreation and Open Space Plan Update
- Guidelines for Commercial Use of Parks
- Fire & Rescue Master Plan Update and Implementation



Expenditures by Program/Category

Town Council	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Summary By Category								
Personnel	\$ 79,610	\$ 76,650	\$ 85,040	\$ 85,040	\$ 85,180	\$ 140	0.16%	0.16%
Operating	163,460	186,800	166,500	166,000	173,300	6,800	4.08%	4.40%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 243,070	\$ 263,450	\$ 251,540	\$ 251,040	\$ 258,480	\$ 6,940	2.76%	2.96%
Positions	7.0	7.0	7.0	7.0	7.0	-	0.00%	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.

2005 Accomplishments

- Successfully implemented many of the Targets and Policies for calendar year 2004 and made significant progress on the others.
- Successfully conducted a three-day strategic planning workshop in late November and established Targets and Policy Agenda for calendar year 2005. Began planning and implementation of those targets and policies.
- Renegotiated Franchise Agreement with Palmetto Electric.
- Negotiated Franchise Agreement with Hargray Cable, becoming one of only a few communities in the nation with cable competition.

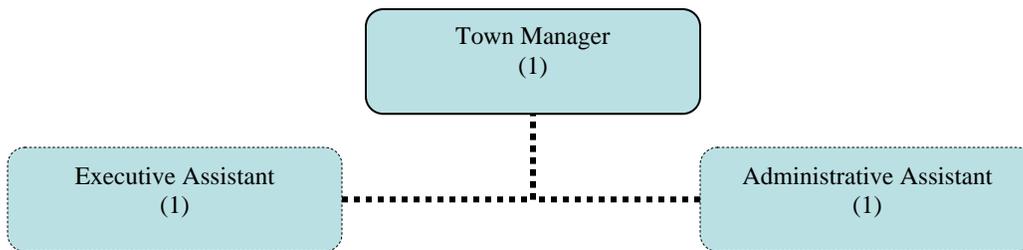
2006 Objectives

- Provide support to Town Council to ensure the Policy, Management, Intergovernmental, and CIP Agendas for 2005 are met. Begin work on 2006 Agendas when adopted.
- Implement Town Council approved Management Agenda for 2005 and begin work on 2006 Agenda.

Program: General Government
 Department: Town Manager

2006 Objectives (continued)

- Ensure that each department meets their stated goals and objectives.
- Ensure employees are well-trained, enthusiastic, and committed to providing excellent customer service.
- Ensure that Town Council is aware of events/issues in a timely manner.



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

Expenditures by Program/Category

Town Manager	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Summary By Category								
Personnel	\$ 255,980	\$ 265,970	\$ 263,500	\$ 277,610	\$ 291,920	\$ 28,420	10.79%	5.15%
Operating	81,150	87,560	90,100	90,200	90,800	700	0.78%	0.67%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 337,130	\$ 353,530	\$ 353,600	\$ 367,810	\$ 382,720	\$ 29,120	8.24%	4.05%
Positions	3.0	3.0	3.0	3.0	3.0	-	0.00%	0.00%

Program: General Government

Department: Human Resources

Mission

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

Core Services

Recruitment and Selection

Manage position recruitment and selection activities including advertising, screening, interviewing, testing and selection.

Employee Development

Manage employee development programs including new employee orientation and other training as identified through needs analysis.

Classification and Compensation

Develop and maintain Town-wide classification and compensation systems including maintaining job descriptions, evaluating positions, completing salary surveys, and managing salary increase budget and allocation.

Employee Benefits Administration

Manage programs and activities related to employee benefits administration.

General Personnel

Administer and manage Town-wide personnel policies, performance management program, employee relations issues, employee database, and other general Human Resource functions.

2005 Accomplishments

- A comprehensive evaluation of 2005 health and welfare plan alternatives was completed. Based primarily on cost, the Town chose to renew with the State Health Plan for 2005. Town-provided benefits were enhanced to address State Plan design deficiencies. The 2005 benefit enrollment process was successfully completed by January 1.
- Developed and implemented the Town's first employee total rewards statements communicating employer and employee benefits and compensation costs.

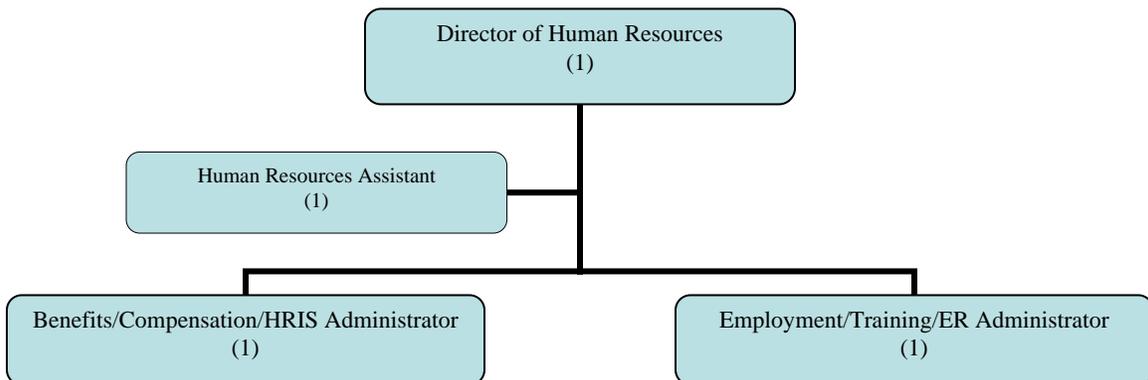
Program: General Government
Department: Human Resources

2005 Accomplishments (continued)

- Served as Town’s pilot program for implementation of electronic document management technology. The objectives of improved records protection, expedited research and information retrieval, enhanced records accessibility and reduced file space needs have been achieved.

2006 Objectives

- Conduct workforce planning to analyze current workforce competencies, identify future workforce needs, establish the gap between present and future, and implement solutions enabling the Town to accomplish its objectives.
- Create and implement new strategies to effectively recruit and retain high quality staff while managing rising compensation and benefit costs.
- Implement new approaches to enable the Human Resource Department to operate more effectively and efficiently.
- Implement new initiatives to increase bi-lingual capability in Spanish through the organization.



Program: General Government
 Department: Human Resources (continued)

Expenditures by Program/Category

Human Resources	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Summary By Category								
Personnel	\$330,055	\$356,630	\$408,330	\$400,070	\$406,690	(\$1,640)	-0.40%	1.65%
Operating	125,035	174,810	136,100	135,000	139,380	3,280	2.41%	3.24%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$455,090	\$531,440	\$544,430	\$535,070	\$546,070	\$1,640	0.30%	2.06%
Positions	4	4	4	4	4	0	0.00%	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 Services

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.

Accounting Services

Provide administration of payroll, accounts payable, EMS billing and collections, Town audits, State reporting and grants. Provide accounting functions for the Island Recreation Association. Manage and/or monitor Accommodations Tax Fund, Beach Preservation Fees, General Fund, Capital Projects, Land Bank Account, and Impact Fees. Provide effective accounting support to staff and committees.

Revenue Collections

Collection of various Town-wide funds including business license fees, beach preservation fees and insurance payments. Monitor the setoff debt collection program, maintain business license database, and ensure compliance with the business license ordinance through on-site inspections and audits.

Program: Management Services
Department: Finance (continued)

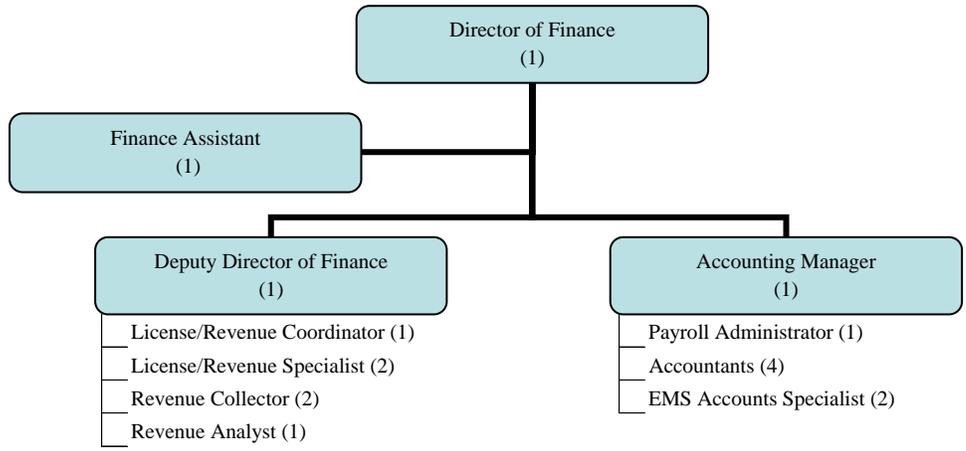
2005 Accomplishments

- Awarded a Certificate of Achievement for Excellence in Financial Reporting for the fifteenth consecutive year.
- Developed and hired a Revenue Analyst to adequately address the Town Council goal of monitoring the Town's tax roll.
- Issued a Request for Proposal for Banking Services for the Town and awarded a three-year contract to Wachovia Bank.
- Issued a Request for Proposal for a new business license software system to take advantage of advanced technology to improve productivity, efficiency, and reporting.
- Refunded three (3) bond series resulting in significant savings in interest.
- Implemented a new Procurement Card Program to provide a streamlined process for small material purchases and cost efficient purchasing.
- Completed operations review for Payroll Process Program.

2006 Objectives

- Provide fiscal management support to Town Council through the Town Manager and to other Town staff and committees. Manage the fiscal planning process for the bond issuance and funding of the five-year Capital Improvement Program.
- Complete audit and provide Comprehensive Annual Financial Report in compliance with GASB 34 by November 30, 2006.
- Implement a new business license software system and financial management package for business licenses and other revenues.
- Enhance technological capabilities for revenue collectors in the field in order to improve productivity and efficiency.
- Implement process improvements to increase service, reduce costs, and improve organization effectiveness.
- Implement electronic document management technology beginning with the purchasing process in order to streamline purchasing and reduce costs.

Program: Management Services
 Department: Finance (continued)



Expenditures by Program/Category

Finance	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Program Summary								
Administration	\$ 157,825	\$ 184,466	\$ 193,220	\$ 186,740	\$ 202,110	\$ 8,890	4.60%	8.23%
Accounting	504,720	532,204	529,570	506,910	554,840	25,270	4.77%	9.46%
Revenue Collections	313,635	315,970	394,520	373,350	489,090	94,570	23.97%	31.00%
Total	\$ 976,180	\$ 1,032,640	\$ 1,117,310	\$ 1,067,000	\$ 1,246,040	\$ 128,730	11.52%	16.78%
Summary By Category								
Personnel	\$ 846,225	\$ 891,689	\$ 992,500	\$ 959,180	\$ 1,104,670	\$ 112,170	11.30%	15.17%
Operating	129,955	140,951	124,810	107,820	141,370	16,560	13.27%	31.12%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 976,180	\$ 1,032,640	\$ 1,117,310	\$ 1,067,000	\$ 1,246,040	\$ 128,730	11.52%	16.78%
Positions	16.0	16.0	17.0	17.0	17.0	-	0.00%	0.00%

Program: Management Services Department: Municipal Court

Mission

To serve the public by providing an accessible and neutral forum. Provide timely, knowledgeable, and unbiased decisions; treat all persons equally and courteously; and be accountable for the public resources entrusted to the Court. Perform functions with integrity, efficiency, and in a manner that instills public trust and confidence in the Court and its administration of justice.

Core Services

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

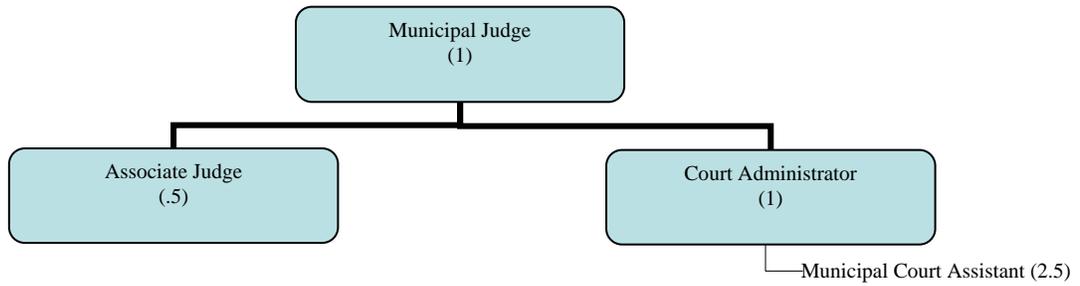
2005 Accomplishments

- Bi-lingual signs posted in the Courtroom.
- Two court sessions held simultaneously (when space available) for high volume court sessions.
- Exploring the application/technology of issuing electronic municipal citations.
- On-going improved customer service by way of IVR telephone access info line and accepting payments via credit card and on-line capability to pay citations.

2006 Objectives

- Implement adopted Municipal Court Study recommendations.
- Improve initial contact with the public (face to face, telephone, postal service, etc.) while improving ability of staff to handle critical, time sensitive requests in a more efficient time utilization manner.
- Support continued participation with the PCSS Software Training Program to maintain reporting and collecting systems.
- Pursue a more user friendly translation service and achieve a more cost effective program with volunteer translators for bench and jury trials, in lieu of Language Line, when workable.

Program: Management Services
 Department: Municipal Court (continued)



Expenditures by Program/Category

Municipal Court	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Budget % Change
Summary By Category								
Personnel	\$ 292,220	\$ 308,880	\$ 335,720	\$ 322,920	\$ 344,790	\$ 9,070	2.70%	6.77%
Operating	72,420	69,980	81,400	81,300	99,900	18,500	22.73%	22.88%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 364,640	\$ 378,860	\$ 417,120	\$ 404,220	\$ 444,690	\$ 27,570	6.61%	10.01%
Positions	5.0	5.0	5.0	5.0	5.0	-	0.00%	0.00%

Program: Management Services Department: Legal/Administration

Mission

To provide sound legal advice and services to the Town Manager, Town Staff, Town Council, and Boards and Commissions of the Town of Hilton Head Island. Achieve excellent customer service by fairly and equitably interpreting, researching, reviewing, and enforcing the Town Codes to the benefit of the Town's citizens and visitors. Promote Town news and publish Town-related articles in various Island publications. Provide administrative leadership, supervision, support and direction to the Administrative Support Division, Code Enforcement, the Operations Division, and Legal Department.

Core Services

Legal Services

Provide effective legal representation for the Town, provide continuing legal updates to Town Staff, draft and review contracts, draft and review ordinances and resolutions, update Town Codes, promote Town news and publish Town-related articles in various Island publications, and manage overall Code Enforcement Program.

Administrative Services

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

Operations Services

Manage Town's Wide Area Network to include all required hardware and software that support basic connectivity/services. Oversee all aspects of contracting and purchasing. Manage risk management, fixed assets and logistics for emergency management. Design and maintain 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.

2005 Accomplishments

- Drafted over 20 letters of opposition or support regarding priority legislation. Sent over 400 copies to the SC General Assembly members, MASC staff members and other officials. The Town was able to impact several bills, i.e. hog bill, wetlands regulations, telecommunications business license tax, etc.
- Assisted with various Town, Management, and Intergovernmental agenda items, i.e. Disaster Recovery Plan, Municipal Court Performance Audit, E-government actions, land acquisition, State Legislative Agenda, community safety strategy, recruitment of Board and Commission members, etc.

Program: Management Services
Department: Legal/Administration

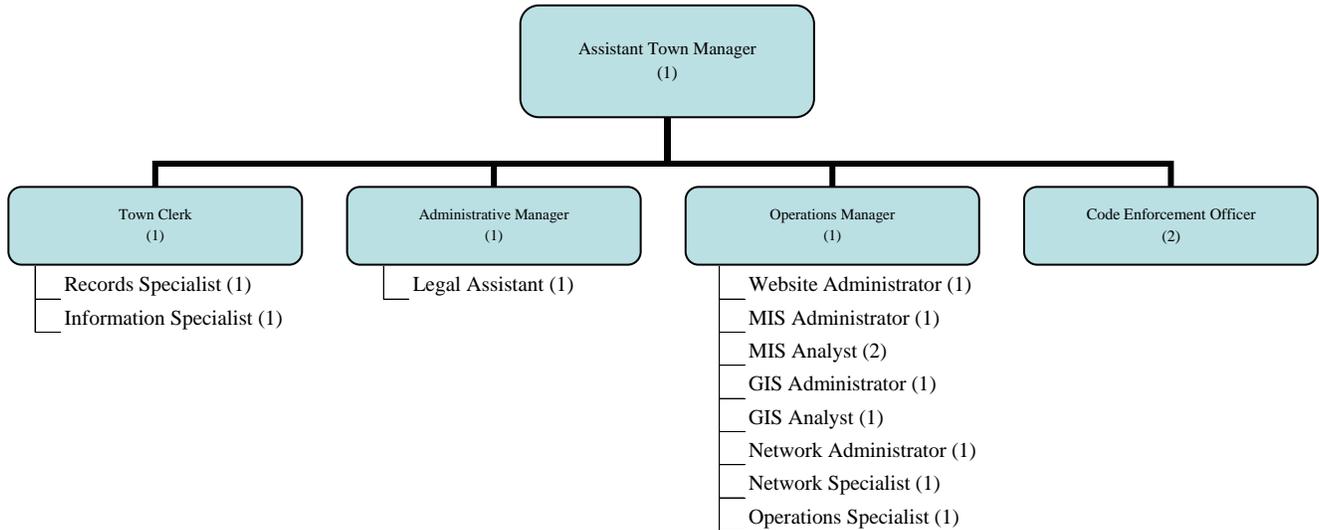
2005 Accomplishments (continued)

- Negotiated the renewal of an agreement with Beaufort County/Beaufort County Sheriff's Office for police services.
- Town Council adopted an ordinance approving the renewal of a non-exclusive franchise agreement with Palmetto Electric Cooperative. The new agreement is for a 20-year term with Palmetto Electric charging its customers a 3% franchise fee in their electric bills. The money generated by the franchise fee shall be used exclusively for placing existing and future non-transmission power lines underground.
- Town Council adopted an ordinance granting Hargray CATV a non-exclusive Franchise Agreement to enter into the cable TV market in competition with Adelphia. In exchange for a franchise fee paid to the Town, the 10-year agreement will give Hargray the right to use public streets and roads to construct, operate and maintain a cable TV system on the Island.

2006 Objectives

- Oversee the State Legislative Agenda and strategies and provide assistance to support the Town's position(s) on 2005-2006 State Legislation.
- Assist with the development and implementation of the following:
 - 1) Town Council Policy Agenda for 2005;
 - 2) Management Agenda 2005; and
 - 3) Intergovernmental Agenda 2005.
- Review and analyze the results of the pilot program for automating traffic tickets and document management.

Program: Management Services
 Department: Legal/Administration (continued)



Note: The Executive Assistant and Administrative Assistant budgeted and accounted for in the Town Manager’s section are direct reports to the Legal Department’s Administrative Manager.

Expenditures by Program/Category

Legal/Administration	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Program Summary								
Legal	\$ 365,130	\$ 382,690	\$ 403,630	\$ 388,030	\$ 428,470	\$ 24,840	6.15%	10.42%
Administrative Support	142,720	165,340	167,940	162,430	199,110	31,170	18.56%	22.58%
Operations	1,198,850	1,239,650	1,465,817	1,420,000	1,736,390	270,573	18.46%	22.28%
Total	\$ 1,706,700	\$ 1,787,680	\$ 2,037,387	\$ 1,970,460	\$ 2,363,970	\$ 326,583	16.03%	19.97%
Summary By Category								
Personnel	\$ 1,101,710	\$ 1,136,390	\$ 1,276,040	\$ 1,209,110	\$ 1,337,860	\$ 61,820	4.84%	10.65%
Other	472,740	515,290	551,290	551,290	744,060	192,770	34.97%	34.97%
Capital Outlay	132,250	136,000	210,057	210,060	282,050	71,993	34.27%	34.27%
Total	\$ 1,706,700	\$ 1,787,680	\$ 2,037,387	\$ 1,970,460	\$ 2,363,970	\$ 326,583	16.03%	19.97%
Positions	18.0	18.0	18.0	18.0	18.0	-	0.00%	0.00%

Program: Planning/Building and Fire Codes

Department: Building and Fire Codes

Mission

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

Core Services

Building Permits

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

Flood Damage Controls

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

Public Information

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

2005 Accomplishments

- Fully implemented hand-held computerized field inspections program.
- Created quarterly publication titled, "Under Construction," improving communications with construction community.

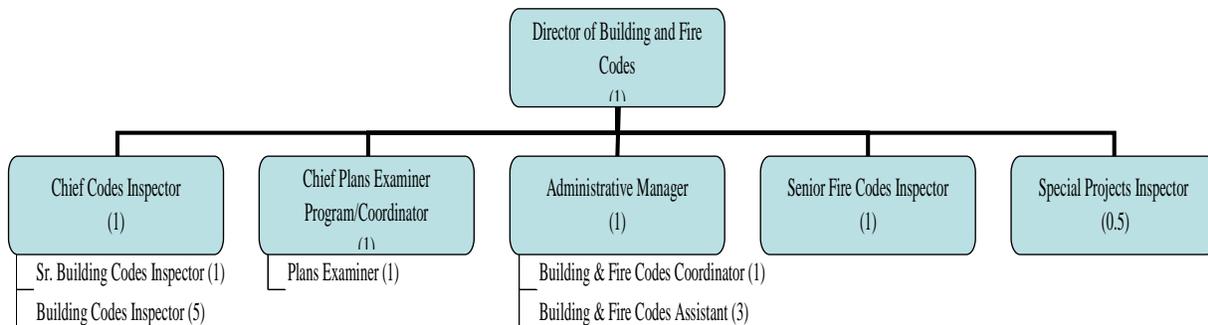
Program: Planning/Building and Fire Codes
 Department: Building and Fire Codes

2005 Accomplishments (continued)

- Conducted public workshops and seminars regarding code interpretations and changes to codes.
- Increased issuance of Stop Work Orders.
- Implemented a process for requiring foundation surveys and “as built” for new construction.
- Implemented an updated permit version in PermitsPlus System.
- Revised the trade certification process to make it easier for contractors to register with the Town for verification of proper state/municipal licensing.

2006 Objectives

- Implement program to convert overhead electrical services to underground services.
- Ensure staff is trained and prepared for new editions of codes.
- Certification of administration and technical staff by International Code Council.
- Develop procedures to implement duties assigned in the Town Disaster Plan.
- Obtain a Level 5 Classification in the Community Rating System which will result in an additional 5% discount in flood insurance rates for residents and businesses located on the Island.
- Improve the Building Department website to include easier customer access to more detailed information.



Program: Planning/Building and Fire Codes
 Department: Building and Fire Codes (continued)

Expenditures by Program/Category

Building & Fire Codes	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Summary By Category								
Personnel	\$ 933,825	\$ 975,185	\$ 1,037,050	\$ 998,130	\$ 1,124,870	\$ 87,820	8.47%	12.70%
Operating	44,685	72,225	82,120	80,990	86,390	4,270	5.20%	6.67%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 978,510	\$ 1,047,410	\$ 1,119,170	\$ 1,079,120	\$ 1,211,260	\$ 92,090	8.23%	12.25%
Positions	16.0	16.0	16.5	16.5	16.5	-	0.00%	0.00%

Program: Planning/Building and Fire Codes

Department: Planning

Mission

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

Core Services

Administration

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

Development, Review and Rezoning

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

Comprehensive Planning

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

Natural Resources

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

Program: Planning/Building & Fire Codes
Department: Planning (continued)

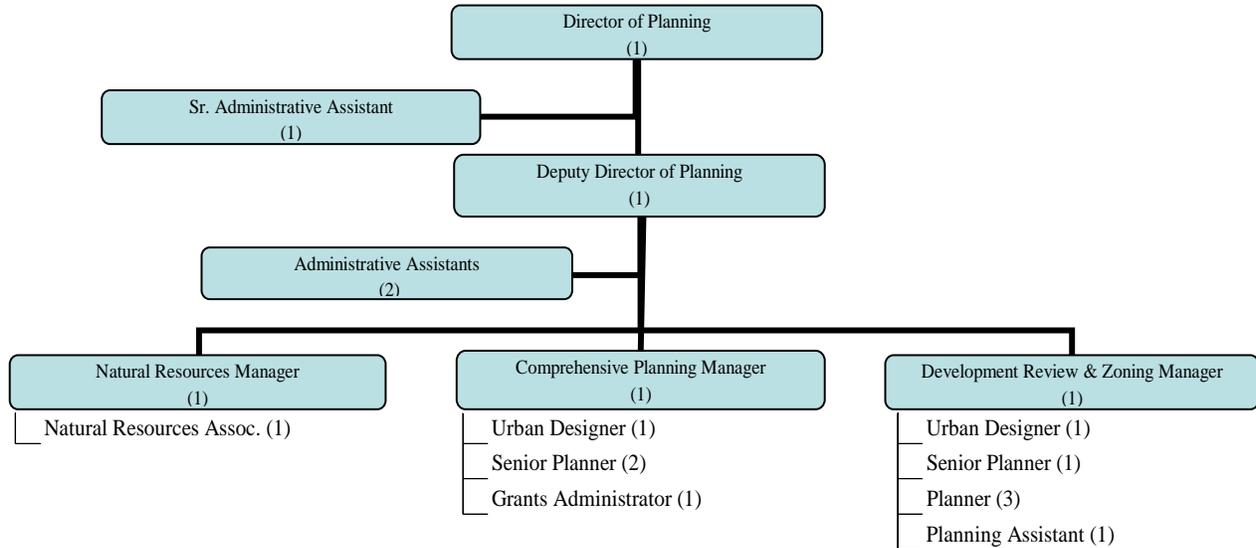
2005 Accomplishments

- Staff assisted with Southern Beaufort County Regional Plan on a monthly basis. Transportation planning assistance, particularly associated with the US 278 corridor, was coordinated with regional entities and the SCDOT. Staff has given technical assistance as the Town of Bluffton develops regulations on growth management, natural resources, and other development issues.
- Muddy Creek Sewer Project was complete with 47 homes connected. The Sewer Plan was complete and recommended implementation strategies were developed.
- The Development Review and Zoning staff reviewed numerous Development Plans, Subdivisions, Public Projects, BZA Cases, and Zoning Map Amendments. Certificate of Compliance inspections were undertaken, as necessary, to ensure all development was approved and constructed in a manner compliant with the LMO and Comprehensive Plan.
- Several sets of LMO amendments were drafted, reviewed and presented for adoption during the year. These amendments included changes to allow flexibility during public projects and the addition of regulations for the Tattoo Facilities and changes to the minor subdivision regulations. Violations of the LMO are coordinated with Codes Enforcement and the Town Attorney.

2006 Objectives

- Continuously review and revise the elements of the Comprehensive Plan on an annual basis and Land Management Ordinance on a tri-annual basis to improve their effectiveness.
- Actively participate in regional issues with Beaufort County, the Town of Bluffton and other agencies regarding growth management, development regulations, transportation planning, recreation planning, land acquisition, natural protection with regional impacts.
- Manage and coordinate efforts to implement the Redevelopment Strategies, coordinate identified Capital Improvement Program projects, seek various funding sources, and draft Land Management Ordinance amendments to implement these strategies and to guide disaster recovery.
- Efficiently coordinate 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 LMO and the Comprehensive Plan.
- Guide the development of the Island. Protect the Town's natural resources by guiding development to minimize its impact on the environment and educating the public on pertinent environmental issues.

Program: Planning/Building & Fire Codes
 Department: Planning (continued)



Expenditures by Program/Category

Planning	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Program Summary								
Administration	\$ 174,085	\$ 366,380	\$ 393,100	\$ 379,010	\$ 419,580	\$ 26,480	6.74%	10.70%
Comprehensive	427,690	429,130	755,250	487,910	409,230	(346,020)	-45.82%	-16.13%
Development, Review & Zoning	514,090	333,950	436,990	386,310	493,610	56,620	12.96%	27.78%
Natural Resources	165,110	164,480	182,560	88,070	192,640	10,080	5.52%	118.74%
Total	\$ 1,280,975	\$ 1,293,940	\$ 1,767,900	\$ 1,341,300	\$ 1,515,060	\$ (252,840)	-14.30%	12.95%
Summary By Category								
Personnel	\$ 1,171,030	\$ 1,127,290	\$ 1,337,490	\$ 1,210,110	\$ 1,384,510	\$ 47,020	3.52%	14.41%
Operating	109,945	166,650	430,410	131,190	130,550	(299,860)	-69.67%	-0.49%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 1,280,975	\$ 1,293,940	\$ 1,767,900	\$ 1,341,300	\$ 1,515,060	\$ (252,840)	-14.30%	12.95%
Positions	19.0	19.0	19.0	19.0	19.0	-	0.00%	0.00%

Program: Public Safety

Department: Fire and Rescue

Mission

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

Core Services

- Respond to emergencies such as fire, medical, hazardous material, a wide variety of rescues and natural disasters. Provide a wide variety of services to the public such as water clean up and lock-out service; assisting the elderly when no one else will provide assistance...Fire and Rescue is truly the community "Safety Net."
- Operate seven fire stations, a dispatch center and headquarters located at Hiltech. 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 old, fire extinguisher use, First Aid, AED use and child car seat inspections, etc.).
- Administer Town-wide Safety Program including safety inspections for Town-owned facilities; conduct required fire and EMS employee training; administer the Town's Comprehensive Emergency Management Program; provide maintenance for all Town-owned vehicles and building maintenance for all Fire and Rescue facilities.

2005 Accomplishments

- A Household Hazardous Waste Round-Up was designed and hosted during the spring of 2005. It was such a huge success that it will become an annual event.
- The Fire Rescue Master Plan adopted an annual report process with quarterly reports to the Public Safety Committee. Thus far, 5 emergency access points have been designed and constructed to enhance response times and 18 radio-controlled gate opening devices have been installed to allow access to communities that have gates blocking access roads.
- The new 911 Communications Center and EOC was designed, constructed and became operational on August 12, 2004. With the opening of this new center, policies and procedures were updated to accommodate the new equipment and location.
- A prototype survey was developed and tested February through May. The survey is currently being utilized to obtain customer opinion regarding the services provided by the Fire and Rescue Department.

Program: Public Safety
 Department: Fire and Rescue (continued)

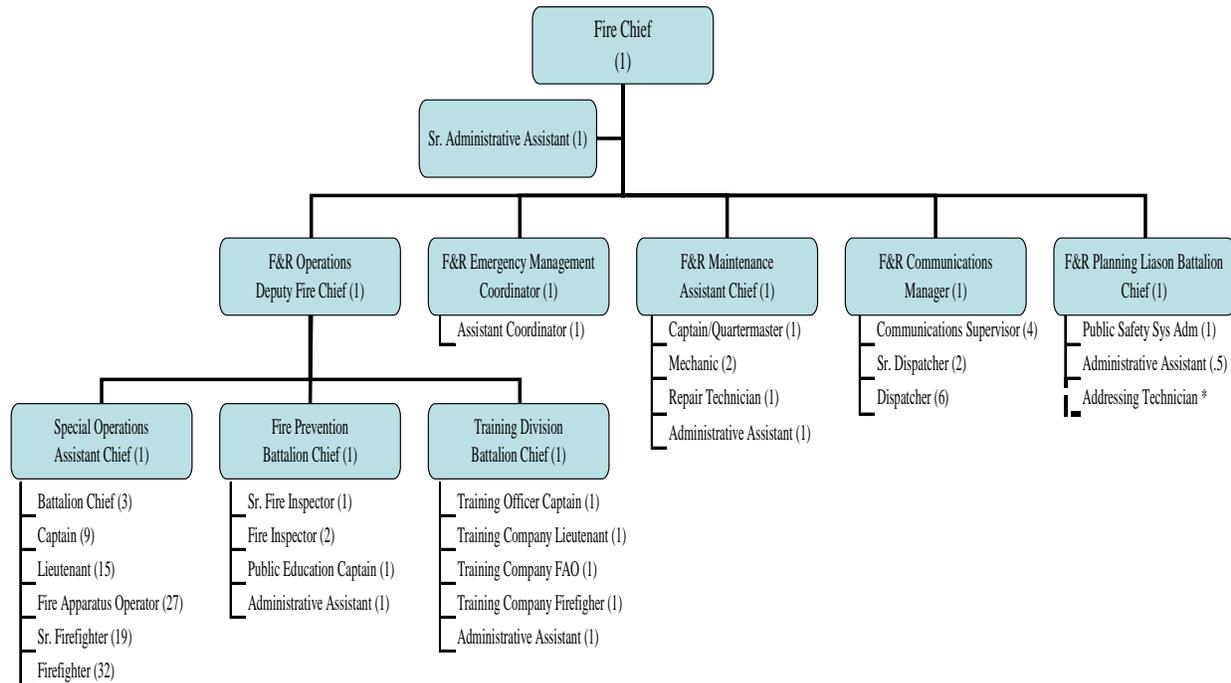
2006 Objectives

- Continue correcting addresses to enhance emergency response and enforce a standard addressing system.
- Host at least one Household Hazardous Waste Round-Up annually to provide our citizens with a safe method of disposal for household hazardous waste.
- Reduce emergency response times through strategies identified in the Master Plan, taking every effort to interconnect streets and use technology to make quicker responses to emergency calls.
- Achieve an ISO (Insurance Services Office) rating of Class II or better during the next rating review which is anticipated in 2006.
- Design, purchase and implement an electronic (paperless) field data/records management system.

2006 Performance Measures

Fire and Rescue	FY 2003 Actual	FY 2004 Actual	FY 2005 Estimate	FY 2006 Budget	% Change
Calls for Service					
Fire Calls	181	169	175	175	0.00%
False Calls	1,185	1,149	1,100	1,050	-4.55%
Rescue/EMS Calls	3,183	3,724	3,750	3,780	0.80%
Other Calls	1,238	739	765	800	4.58%
Total	5,787	5,781	5,790	5,805	0.26%
Total responses to calls for service	8,846	8,944	9,000	9,000	0.00%
Maintenance Work Orders	637	1,368	1,650	1,850	12.12%
Fire Inspections					
Fire Inspections/re-inspections	2,174	2,379	2,600	2,820	8.46%
Self inspectinos	-	655	600	600	0.00%
Total	2,174	3,034	3,200	3,420	6.88%
Public Training Programs					
CPR/first aid/aed/health care provider students	532	537	550	570	3.64%
File of life recipients	-	1,731	2,000	2,100	5.00%
Risk watch programs	120	104	104	105	0.96%
Public education presentations	82	142	209	200	-4.31%
Total	734	2,514	2,863	2,975	3.91%
Total Telephone requests received					
7 digit call for service line	3,682	3,779	3,923	4,023	2.55%
911 calls for service line	17,628	17,719	17,914	18,093	1.00%
Dispatch other business line	33,135	34,368	35,894	36,094	0.56%
Total	54,445	55,866	57,731	58,210	0.83%

Program: Public Safety
 Department: Fire and Rescue (continued)



*This position is contracted through Beaufort County.

Expenditures by Program/Category

Fire and Rescue	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Program Summary								
Administration	\$ 561,950	\$ 547,815	\$ 720,150	\$ 701,030	\$ 759,770	\$ 39,620	5.50%	8.38%
Communications	819,965	894,860	982,010	1,098,160	958,540	(23,470)	-2.39%	-12.71%
Emergency Management	152,345	119,425	116,320	130,180	203,230	86,910	74.72%	56.11%
Fire Prevention	420,730	415,230	457,420	429,880	452,620	(4,800)	-1.05%	5.29%
Logistics/Maintenance	830,140	959,510	1,210,662	1,214,040	1,095,150	(115,512)	-9.54%	-9.79%
Operations	7,216,450	7,510,140	7,787,350	7,672,890	8,219,140	431,790	5.54%	7.12%
Training	419,050	295,140	527,960	429,350	640,680	112,720	21.35%	49.22%
Total	\$ 10,420,630	\$ 10,742,120	\$ 11,801,872	\$ 11,675,530	\$ 12,329,130	\$ 527,258	4.47%	5.60%
Summary By Category								
Personnel	\$ 8,843,530	\$ 9,294,160	\$ 9,864,350	\$ 9,751,400	\$ 10,600,050	\$ 735,700	7.46%	8.70%
Operating	1,194,940	1,198,720	1,564,542	1,538,050	1,618,080	53,538	3.42%	5.20%
Capital Outlay	382,160	249,240	372,980	386,080	111,000	(261,980)	-70.24%	-71.25%
Total	\$ 10,420,630	\$ 10,742,120	\$ 11,801,872	\$ 11,675,530	\$ 12,329,130	\$ 527,258	4.47%	5.60%
Positions	143.0	143.0	144.0	144.0	144.5	0.5	0.35%	0.35%

Program: Public Safety Department: Police

Mission

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

Core Services

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

Ancillary Services

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

Basic Law Enforcement Services

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

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

Program: Public Safety
 Department: Police

Basic Law Enforcement Services (continued)

- Drug Investigators to enforce narcotics laws within Town boundaries.
- Victim’s Advocate to work with victims of crimes occurring with Town boundaries in compliance with state statutes.

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
- 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 (2) Evidence Technician
- Three (3) Criminal Investigators
- Two (2) Drug Investigators
- Two (2) Clerks
- One (1) Victim’s Advocate

Expenditures by Program/Category

Police	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Summary By Category								
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A
Operating	2,178,340	2,322,800	2,383,150	2,383,150	2,463,690	80,540	3.38%	3.38%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 2,178,340	\$ 2,322,800	\$ 2,383,150	\$ 2,383,150	\$ 2,463,690	\$ 80,540	3.38%	3.38%
Expenditure Detail								
Police Service Contract	\$ 1,899,425	\$ 2,016,652	\$ 2,065,810	\$ 2,065,810	\$ 2,144,460	\$ 78,650	3.81%	3.81%
Shore Enterprises	123,537	141,766	146,690	146,690	146,690	-	0.00%	0.00%
Victims' Services	49,534	42,232	44,650	44,650	46,540	1,890	4.23%	4.23%
Stipend	105,844	122,150	126,000	126,000	126,000	-	0.00%	0.00%
Total	\$ 2,178,340	\$ 2,322,800	\$ 2,383,150	\$ 2,383,150	\$ 2,463,690	\$ 80,540	3.38%	3.38%
Positions*	-	-	-	-	-	-	N/A	N/A

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

Program: Public Projects and Facilities

Mission

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

Core Services

Administration

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

Engineering Services

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

Facilities Services

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

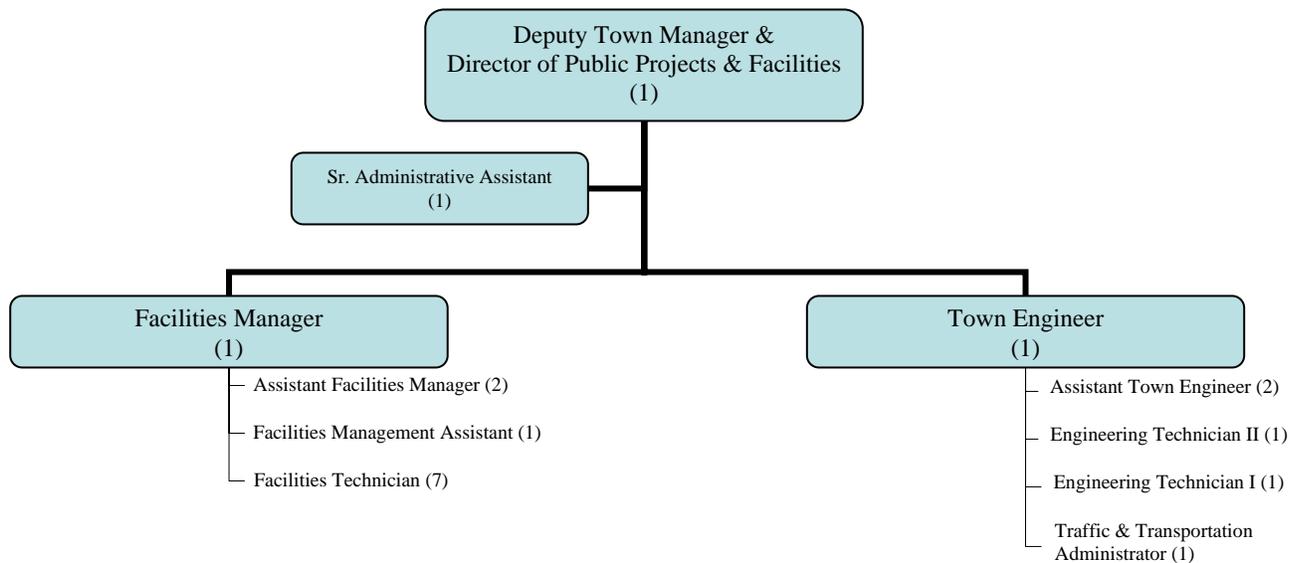
2005 Accomplishments

- Key support for implementation of the Comprehensive Plan with supporting plans including the Town Council's Policy Agenda, Management Targets, County Agenda and Legislative Agenda 2004 and 2005. Sewer and Master Plan draft is complete and the Town is working with PSD #1 on reviewing and presenting the plan for public review. Traffic Safety Strategy Actions have been approved by Town Council. The Town will work with the county and the Town of Bluffton to develop a plan to better coordinate land use, transportation and recreational plans and policies. Key Capital Improvement Projects (CIP) completed include: Opened new Fire Station #7 adjacent to Cross Island Parkway Toll Facility; Marshland Road Pathway et al, Barker Field Expansion, and in-house design support of Shelter Cove Linear Park. Completed construction of the County's solid waste and recycling Drop-Off Center.
- Software was purchased that will allow for long-term maintenance and financial planning to bring all facilities and infrastructure up to standards and maintain them at that level.

Program: Public Projects and Facilities (continued)

2006 Objectives

- Provide resource support for implementation of the Comprehensive Plan with supporting plans, the Town council's Policy Agenda, Management Agenda, Intergovernmental Agenda, and Legislative Agenda for 2005 and 2006.
- Focus on timely completion of all CIP projects via construction management contracts, design/build concept, project manager's updates and regular progress reports; use Gantt charts as appropriate. Pursue grants and other funding sources for the CIP. Conduct semi-monthly CIP update meetings.
- Ensure implementation of all CIP pathway and secondary road improvement projects. Emphasize completion of planning, design, rights-of-way acquisition and land acquisition prior to fiscal year for which implementation is scheduled. Combine and accelerate where feasible.
- Continue implementation of the CIP Drainage Plan.



Program: Public Projects and Facilities (continued)

Expenditures by Program/Category

Public Projects & Facilities	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Expenditures:								
Program Summary								
Administration	\$ 183,535	\$ 192,870	\$ 206,320	\$ 201,940	\$ 220,260	\$ 13,940	6.76%	9.07%
Engineering	552,360	548,330	632,510	610,130	647,840	15,330	2.42%	6.18%
Facilities Management	1,455,650	1,566,525	1,819,870	1,802,380	1,988,990	169,120	9.29%	10.35%
Total	\$ 2,191,545	\$ 2,307,725	\$ 2,658,700	\$ 2,614,450	\$ 2,857,090	\$ 198,390	7.46%	9.28%
Summary By Category								
Personnel	\$ 1,141,575	\$ 1,241,613	\$ 1,333,260	\$ 1,294,120	\$ 1,414,760	\$ 81,500	6.11%	9.32%
Operating	1,049,970	1,066,112	1,325,440	1,320,330	1,442,330	116,890	8.82%	9.24%
Capital Outlay	-	-	-	-	-	-	N/A	N/A
Total	\$ 2,191,545	\$ 2,307,725	\$ 2,658,700	\$ 2,614,450	\$ 2,857,090	\$ 198,390	7.46%	9.28%
Positions	18.0	19.0	19.0	19.0	19.0	-	0.00%	0.00%

Townwide

Expenditures by Program/Category

Non-Departmental (Townwide)	FY 2003 Actual	FY 2004 Actual	FY 2005 Budget	FY 2005 Estimate	FY 2006 Budget	Budget \$ Change	Budget % Change	Estimated % Change
Expenditures:								
Summary By Category								
Operating								
Post Employment	\$ 9,030	\$ 10,170	\$ 15,000	\$ 15,000	\$ 15,000	\$ -	0.00%	0.00%
Retiree Medical	160	190	300	300	300	-	0.00%	0.00%
COBRA	190	160	300	300	300	-	0.00%	0.00%
Photocopying	8,100	9,010	9,000	7,440	9,000	-	0.00%	20.97%
Courier	12,900	15,020	13,000	12,290	15,000	2,000	15.38%	22.05%
Insurance	186,850	188,040	233,450	233,450	251,960	18,510	7.93%	7.93%
Telephone	132,350	141,380	145,000	137,480	145,000	-	0.00%	5.47%
Cell Phones	29,150	32,570	38,000	27,000	35,000	(3,000)	-7.89%	29.63%
Electricity	65,380	75,850	74,000	70,890	75,000	1,000	1.35%	5.80%
Utilities	16,490	13,270	14,750	14,710	15,000	250	1.69%	1.97%
Postage	32,640	24,260	32,000	39,350	40,000	8,000	25.00%	1.65%
Equipment Maintenance	4,380	24,810	40,950	33,980	52,250	11,300	27.59%	53.77%
Furniture/Fixtures < \$5,000	-	-	-	-	10,000	10,000	N/A	N/A
General Contingency	79,720	51,900	55,350	74,490	44,400	(10,950)	-19.78%	-40.39%
Total Operating	\$ 577,340	\$ 586,630	\$ 671,100	\$ 666,680	\$ 708,210	\$ 37,110	5.53%	6.23%
Capital Outlay								
Furniture/Fixtures ≥ \$5,000	\$ 11,390	\$ 1,260	\$ 7,505	\$ 7,505	\$ -	\$ (7,505)	-100.00%	-100.00%
Total Capital Outlay	\$ 11,390	\$ 1,260	\$ 7,505	\$ 7,505	\$ -	\$ (7,505)	-100.00%	-100.00%
Grants								
Recreation Center	\$ 456,750	\$ 485,520	\$ 570,240	\$ 570,240	\$ 570,240	\$ -	0.00%	0.00%
Recreation Center - Capital	66,620	106,870	56,375	56,375	107,450	51,075	90.60%	90.60%
Low Country Recycling	92,000	111,000	-	-	-	-	N/A	N/A
Low Country (Truck Expense)	8,910	3,800	-	320	-	-	N/A	-100.00%
Disaster Advertising Reserve	13,440	-	188,000	188,000	195,890	7,890	4.20%	4.20%
Hospitality Promotion	96,370	92,470	90,900	81,090	93,000	2,100	2.31%	14.69%
Beaufort HAZMAT	4,950	9,490	5,000	1,650	5,000	-	0.00%	203.03%
DEHC Grant	8,110	6,990	-	-	-	-	N/A	N/A
LRTA Grant	125,000	100,000	110,000	110,000	125,000	15,000	13.64%	13.64%
Community Development Corp.	5,000	-	-	-	-	-	N/A	N/A
Drug Court	35,000	33,500	38,430	38,430	43,560	5,130	13.35%	13.35%
E911 Beaufort County	136,370	126,640	-	-	-	-	N/A	N/A
Low Country Reimbursement	67,780	52,020	-	-	-	-	N/A	N/A
Transfer to Capital Projects	43,690	-	-	-	-	-	N/A	N/A
FEMA Grant	-	-	25,000	32,000	-	(25,000)	-100.00%	-100.00%
Total Grants	\$ 1,159,990	\$ 1,128,300	\$ 1,083,945	\$ 1,078,105	\$ 1,140,140	\$ 56,195	5.18%	5.75%
Total	\$ 1,748,720	\$ 1,716,190	\$ 1,762,550	\$ 1,752,290	\$ 1,848,350	\$ 74,220	4.87%	5.48%
Positions	-	-	-	-	-	-	-	-

General Fund Debt

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

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

General Fund Five-Year Plan

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

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

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

Revenue Assumptions:

- Property taxes - growth in assessed value of 5.5% per year with an additional 2.5% in Fiscal Year 2008 for reassessment
- Local ATAX public safety - increased by \$40,000 in Fiscal Year 2007 and no increase from Fiscal Years 2008-2011
- Business license fees - growth rate of 3% per year
- Franchise fees - budgeted/estimated the same revenue per year for Fiscal Years 2006-2011
- Permit fees - budgeted/estimated the same revenue per year for Fiscal Years 2006-2011
- Intergovernmental - growth rate of 2% per year
- Grants - budgeted/estimated the same revenue per year for Fiscal Years 2006-2011
- Miscellaneous - growth rate of 3% per year
- Transfers in - growth rate of 5% per year
- Investments - budgeted/estimated the same revenue per year for Fiscal Years 2006-2011

Expenditure Assumptions:

Personnel Expenditures

- Salary range adjustments will be 2.5% for each year
- Increase in salaries - 4.5% increase year over year
- VantageCare - 10% increase year over year
- MedFlex - Flat contribution of \$500 per employee per year
- Medical & Life Insurance -7% increase year over year
- Workers' Compensation -10% increase year over year
- All positions other than Firefighters will be hired at 10% above the minimum
- Firefighters will be hired at the minimum
- Currently established positions will retain the same salary grade in future years
- Staffing increases

General Fund Five-Year Plan (continued)

Personnel Expenditures (continued)

<u>YEAR</u>	<u>TITLE</u>	<u>DEPARTMENT</u>
Fiscal Year 2007	Captain	Fire and Rescue - Operations
	Captain	Fire and Rescue - Operations
	Lieutenant	Fire and Rescue - Operations
	FAO	Fire and Rescue - Operations
	FAO	Fire and Rescue - Operations
	FAO	Fire and Rescue - Operations
	Assistant CRS Coordinator	Building and Fire Codes
	Sign Administrator	Planning - Development Review and Zoning
Fiscal Year 2008	Firefighter	Fire and Rescue - Operations
	Firefighter	Fire and Rescue - Operations
	Firefighter	Fire and Rescue - Operations

Operating Expenditures

- Operating supplies and consulting services projected to increase by 3% per year or as projected by the department
- Capital outlay - \$185,000 per year
- Debt service - \$71,000 per year

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

	Fiscal Year Ending June 30												
	Actual					2005	2006	Projected					
	2000	2001	2002	2003	2004	Est. Actual	Budget	2007	2008	2009	2010	2011	
REVENUES													
Property Taxes	\$ 8,204	\$ 8,528	\$ 8,684	\$ 9,266	\$ 10,366	\$ 10,641	\$ 10,121	\$ 10,677	\$ 11,531	\$ 12,166	\$ 12,835	\$ 13,541	
Local ATAX	1,813	1,805	1,803	1,729	1,861	1,825	1,860	1,900	1,900	1,900	1,900	1,900	
Business Licenses	4,719	5,823	5,532	5,679	6,218	6,230	6,392	6,583	6,781	6,984	7,194	7,410	
Franchise Fees	323	336	379	535	504	521	454	454	454	454	454	454	
Permit Fees	1,389	1,434	1,425	1,115	1,257	1,397	1,360	1,360	1,360	1,360	1,360	1,360	
Intergovern. Revenue	797	852	893	873	880	886	922	941	959	979	998	1,018	
Grants	298	61	143	226	186	143	145	145	145	145	145	145	
Miscellaneous Revenue	1,896	1,734	1,592	1,741	1,909	1,884	1,936	1,994	2,054	2,116	2,179	2,245	
Transfers In	1,379	1,504	1,543	2,000	1,884	3,090	4,157	4,364	4,583	4,812	5,052	5,305	
Investments	266	305	207	101	92	100	120	120	120	120	120	120	
TOTAL REVENUES	\$ 21,084	\$ 22,380	\$ 22,200	\$ 23,265	\$ 25,157	\$ 26,717	\$ 27,467	\$ 28,539	\$ 29,888	\$ 31,035	\$ 32,238	\$ 33,497	
EXPENDITURES													
General Government	\$ 939	\$ 971	\$ 997	\$ 1,035	\$ 1,151	\$ 1,154	\$ 1,187	\$ 1,234	\$ 1,334	\$ 1,323	\$ 1,369	\$ 1,469	
Management Services	2,290	2,617	2,896	2,915	3,046	3,225	3,773	3,892	4,086	4,186	4,363	4,589	
Planning	1,152	1,126	1,164	1,281	1,294	1,341	1,515	1,645	1,719	1,797	1,878	1,963	
Building and Fire Codes	978	952	940	979	1,047	1,079	1,211	1,335	1,405	1,479	1,559	1,643	
Public Safety	10,455	10,897	11,406	12,237	12,812	13,673	14,682	15,556	16,328	17,026	17,737	18,476	
Public Projects/Facilities	1,921	2,117	2,168	2,192	2,308	2,614	2,857	2,989	3,085	3,179	3,287	3,375	
Townwide	1,685	1,525	1,557	1,737	2,775	1,745	1,848	1,932	1,966	1,945	1,939	2,028	
Capital Outlay	902	511	576	412	316	504	322	185	185	185	185	185	
Debt Service	88	98	98	98	98	100	71	71	71	71	71	71	
TOTAL EXPENDITURES	\$ 20,410	\$ 20,813	\$ 21,802	\$ 22,886	\$ 24,847	\$ 25,435	\$ 27,467	\$ 28,839	\$ 30,178	\$ 31,191	\$ 32,387	\$ 33,800	
EXCESS OF REVENUES OVER EXPENDITURES	\$ 674	\$ 1,567	\$ 399	\$ 379	\$ 310	\$ 1,283	\$ (0)	\$ (300)	\$ (291)	\$ (156)	\$ (149)	\$ (302)	
Fund Balance July 1	\$ 4,275	\$ 4,949	\$ 6,515	\$ 6,914	\$ 7,293	\$ 7,604	\$ 8,886	\$ 8,886	\$ 8,586	\$ 8,296	\$ 8,140	\$ 7,991	
Prior Period Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	
Fund Balance June 30	\$ 4,949	\$ 6,515	\$ 6,914	\$ 7,293	\$ 7,604	\$ 8,886	\$ 8,886	\$ 8,586	\$ 8,296	\$ 8,140	\$ 7,991	\$ 7,688	

Capital Improvements Program (CIP) Fund

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

In accordance with State law, the proposed Capital Improvements Program (CIP) for Fiscal Year (FY) 2006 was developed by the Planning Commission's CIP Committee with staff support. Of note, the pathways and parks development portion was approved by the Parks & Recreation Commission.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. In addition, a ten-year capital plan is included that identifies anticipated capital expenditures with funding sources to be determined. The development of the CIP is based on information from a variety of sources. Sources are Town Council's Policy and Management Agendas 2005 and with input from the public and the Town's Boards, Commissions and Committees. Source documents include: The 2004 Comprehensive Plan update which incorporates the Ward 1 Master Land Use Plan and Initiative Area Plans; the updated Transportation Plan which includes pathways as well as roads; the 1996 Town-Wide Drainage Study which will be updated during the Countywide Drainage Study; the 2004 Updated Fire & Rescue Master Plan which has been recommended to Council by the Planning Commission and Public Safety Committee for approval; the 1996 Recreation and Open Space Plan (as amended) which is also being updated this year; the Countywide All Hazard Mitigation Plan adopted by Council; the Comprehensive Emergency Management Plan which is being updated as a part of the Disaster Recovery Task Force's work program; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and an recently initiated maintenance assessment of all Town facilities and properties to include Town Hall, all parks, and Fire & Rescue stations and structures.

Revenues

Previously, Town Council directed that we "minimize reliance on property tax while expanding alternative revenue sources." The CIP continues to be an excellent example of that approach. It consistently reduces reliance on ad valorem property taxes and shares the costs of infrastructure requirements with the beneficiaries. The proposed CIP incorporates 19 funding sources; some of those sources are identified below.

1. ***Impact Fees*** are assessed against new develop 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, e.g. Shelter Cove, Marshland Rd, Jenkins Island, etc.

Capital Improvements Program (CIP) Fund (continued)

2. **Fund Balance** which is un-obligated and obligated monies that are rolled over from previously approved but incomplete projects.
3. **New Fiscal Year Taxes** are ad valorem property taxes collected during the up coming fiscal year. The amount dedicated to the CIP has been reduced to about 1 mill (.96) due to the transfer of the Debt Service of Certificates of Participation to Debt Service Fund.
4. **Sunday Liquor Sales Permit Fees** that are derived from the sale of permits to sell alcohol on Sunday. These fees are a rebate from the State and are expected to generate approximately \$225,000 in the upcoming year plus an additional \$79,000 from prior years.
5. **Storm Water Utility (SWU) Fees** that are derived from the Storm Water Utility. The Utility collects approximately \$1.6 million from the Town. During the first three years of the Utility, the Town provided \$456,000 per year to fund two studies: The Countywide Drainage Study which will include updating the Town's 1996 Island-wide Drainage Study and a Rate Equity Study. The two studies cost the Utility \$1.2 million per year. The Town also provides 5% (\$80,000) to the Utility for administrative overhead. Now that the studies have been funded during the first three years, the Utility will return the entire \$1.6 million of fees for maintenance and debt service of a \$17 million SWU Revenue Bond for aggressive implementation of our drainage projects.
6. **County Contributions** such as their bond issue for CIP projects. It is anticipated that the County will provide approximately \$500,000 for Town parks during this next year.
7. **Developer Funding** such as the \$50,000 that will be required from the Long Cove Property Owners Association for entrance improvements and an acceleration lane on US 278.
8. **Donations** such as the \$70,000 from People for Parks (Tennis Group) for two additional tennis courts at the Chaplin Community Park.
9. **General Obligation (GO) Bonds** are issued and secured by the full faith and credit (taxing powers) of the Town. The Town actively pursues the highest achievable rating. The Town's current bond rating is as follows: Moody's to Aa², Standard & Poor's AA, and Fitch to AA.
10. **Revenue Bonds** are supported by fees or special assessments and differ from General Obligation Bonds in that they do not pledge the full faith and credit of the Town. Likewise, they do not count against the Town's debt limit cap of 8% of assessed value. Sufficient rates must be maintained to support the bond debt service requirements. Council authorized issuance of a \$17 million Revenue Bond for Island-wide drainage projects and \$10 million Revenue Bond for Public Safety projects. Debt service will be paid with Storm Water Utility Fees and Hospitality Tax respectively.

Capital Improvements Program (CIP) Fund (continued)

11. **Accommodation Tax (ATAX)** grants that are derived from a State mandated two-percent tax on short-term rentals, hotels and motel accommodations. Each percent of ATAX derives approximately \$1.6 million from the state per year and the CIP has applied for about \$68,000 for tourist related projects.
12. **Beach Fees** are derived from an additional two-percent Local Accommodations Tax levied by Town Council. Funding for the upcoming year will be \$3.8 million of new revenue plus funds held in reserve. These funds are dedicated to beach renourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities.
13. **Hospitality Tax** which is a two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses for on-premise consumption of alcoholic beverages, beer or wine. This source generates approximately \$4.8 million annually, some of which is used to pay debt service on a \$10 million bond for public safety projects. Hospitality taxes are expected to provide approximately \$616,000 for CIP projects in the upcoming year.
14. **Tax Increment Financing (TIF)** which is funds derived 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. Approximately \$11.6 million has been earmarked for CIP projects in the up coming fiscal year.
15. **Real Estate Transfer Fee** which is .25 of 1% on each real estate transaction in the Town. It generates approximately \$4.2 million each year that is dedicated to the Land Acquisition Program and its debt service.
16. **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 \$110,000 derived from those leases has been assigned to pay for maintenance and clean up of Town property.
17. **SCDOT "RISE" Funds** is a new category derived from the Department of Transportation's "Resurfacing and Improvement for Safety and Efficiency" program which entails the resurfacing of state roads via a local one-for-one match. This source will provide \$809,000 in the upcoming year.
18. **In Lieu of Open Space** is derived from developers in accordance with the LMO open space requirements. This source provided about \$4,300 last year.

Expenditures

In the **Pathways** category, there are 21 projects programmed during the next ten years. Of those 21 projects, 6 are funded for about \$2.0 million for the Fiscal Year 2006. Funded projects may involve land acquisition, legal work, design, concept and survey, and/or construction. All 6 projects funded for Fiscal Year 2006 involve construction or repairs.

Capital Improvements Program (CIP) Fund (continued)

In the *Drainage Improvements* category, there are 6 projects or sub-projects programmed during the next ten years, 5 projects are funded for about \$1.7 million for Fiscal Year 2006, and all involve construction or repairs.

In the category of *Roadway Improvements* there are 80 projects or sub-projects programmed during the next ten years, 36 of them are funded for about \$9 million for Fiscal Year 2006, and all involve construction.

In the category of *Park Development*, 29 projects or sub-projects are programmed during the next ten years, 11 projects are funded for about \$2.8 million for Fiscal Year 2006, and 5 involve construction.

In the *Existing Facilities* category, there are 40 projects or sub-projects programmed during the next ten years, 20 of them are funded for about \$5.2 million for Fiscal Year 2006, and 18 involve construction or repairs.

In the *New Facilities* category, there are 8 projects or sub-projects programmed during the next ten years. One (1) project along with the ongoing lease-purchase of dispatch equipment and upgrade of computer systems are funded for about \$1.9 million during FY 2006, and both projects involve construction.

In the *Beach Maintenance* category, we are in the design and permitting phase for our next beach renourishment. This project and associated studies are funded to the tune of \$15.6 million. Two additional sub-projects involve construction or repairs. The major project will be Beach Renourishment which has been allocated \$15.3 million.

In total, there are 187 projects or sub-projects programmed over the next ten years. Of those 187 projects, 83 will be funded and managed during the next fiscal year. Seventy-nine of these projects involve construction or repairs.

Of the 83 projects programmed for FY 2006, staff will manage all but 15 of them at no additional cost to the taxpayers. In the category of Land Acquisition, using Council's guidance, staff will continue to research and recommend pertinent acquisitions, again at no extra cost to the taxpayers.

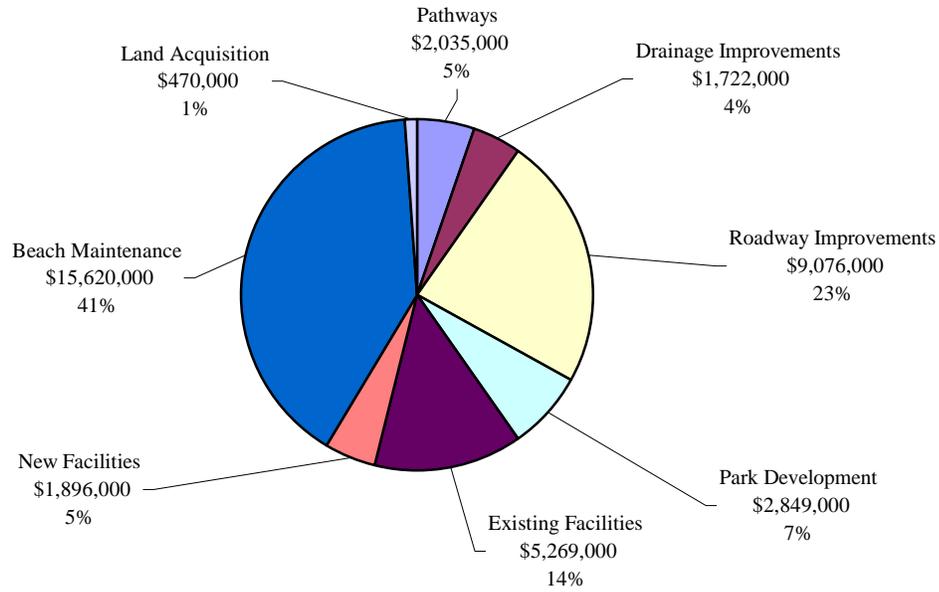
If you add up collected but un-obligated taxes that are included in the fund balance rollover and new fiscal year taxes, less than 3% of that amount of proposed funding is derived from ad valorem property taxes.

The ten-year projection for the CIP will require over \$110 million to implement with approximately \$39 million proposed for Fiscal Year 2006 projects.

Fiscal Year 2006 CIP

The CIP element for Fiscal Year 2006 totals \$38,937,000 and consists of the following program funding levels:

Capital Projects Fund Expenditures by Program



Capital Projects Fund (CIP) Two-Year Comparison

	FY 2005 Revised Budget	FY 2005 Est. Actual	FY 2006 Budget	Budget Diff. % FY 2005	Estimate Diff. % FY 2005
<u>Revenues</u>					
Property Taxes	\$ 1,467,000	\$ 1,452,330	\$ 697,000	-52.49%	-52.01%
Grants	1,021,000	176,696	809,000	-20.76%	357.85%
Contributions	170,000	19,000	213,000	25.29%	1021.05%
State Taxes - Sunday Permit Fee	550,000	56,900	304,000	-44.73%	434.27%
Hospitality Tax	1,091,860	1,254,175	616,000	-43.58%	-50.88%
County - Impact Fees - Parks/Misc.	452,472	400,743	500,000	10.50%	24.77%
County - Stormwater	394,000	394,000	300,000	-23.86%	-23.86%
Miscellaneous	165,000	103,009	388,000	135.15%	276.67%
Lease	38,000	73,020	110,000	100.00%	50.64%
Investment Income	-	310,000	-	0.00%	-100.00%
Bond Proceeds	6,644,744	2,857,240	6,014,000	-9.49%	110.48%
Funds from Prior Years	1,907,716	1,907,716	413,000	-78.35%	-78.35%
Transfers	11,425,910	6,049,113	28,573,000	150.07%	372.35%
Total Revenues	\$ 25,327,702	\$ 15,053,942	\$ 38,937,000	53.73%	158.65%
<u>Expenditures</u>					
Debt Service *	422,000	424,000	-	-100.00%	-100.00%
Capital Outlay					
Pathways	2,808,969	1,649,473	2,035,000	-27.55%	23.37%
Drainage Improvements	4,089,311	2,016,088	1,722,000	-57.89%	-14.59%
Road Improvements	5,700,015	2,400,006	9,076,000	59.23%	278.17%
Park Development	3,234,536	1,527,675	2,849,000	-11.92%	86.49%
Existing Facilities	1,974,089	1,235,997	5,269,000	166.91%	326.30%
New Facilities	2,740,997	2,058,809	1,896,000	-30.83%	-7.91%
Beach Maintenance	1,122,785	842,089	15,620,000	1291.18%	1754.91%
Land Acquisition	3,235,000	2,899,805	470,000	-85.47%	-83.79%
	24,905,702	14,629,942	38,937,000	56.34%	166.15%
Total Expenditures	\$ 25,327,702	\$ 15,053,942	\$ 38,937,000	153.73%	258.65%

* For FY 2006 these expenditures have been moved to the Debt Service Fund.

CIP Expenditures by Funding Source - 2006

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY 2006 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Summary												
CARRY-OVER PROJECTS												
Pathways	1,917						1,857					60
Drainage Improvements	1,722					1,422						300
Roadway Improvements	8,204	535	25	304		340	5,748	250		809		193
Park Development	1,849	245	22		410	92			304		500	276
Existing Facilities	1,019		36	393		22	100	313				155
New Facilities	221											221
Beach Maintenance	285				285							
Land Acquisition	470		330									140
SUBTOTAL	15,687	780	413	697	695	1,876	7,705	563	304	809	500	1,345
NEW PROJECTS												
Pathways	118						118					
Drainage Improvements	0											
Roadway Improvements	872	70					802					
Park Development	1,000						1,000					
Existing Facilities	4,250						2,000	2,150				100
New Facilities	1,675							1,425				250
Beach Maintenance	15,335				15,335							
SUBTOTAL	23,250	70	0	0	15,335	0	3,920	3,575	0	0	0	350
TOTAL	38,937	850	413	697	16,030	1,876	11,625	4,138	304	809	500	1,695

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				2006 Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Pathways												
CARRY-OVER PROJECTS												
Pathway Rehabilitation	60											60
Mathews Drive (Islanders Drive North to US 278)	400						400					
Pope Avenue (Off Road)	1,351						1,351					
Palmetto Bay Road	106						106					
SUBTOTAL	1,917	0	0	0	0	0	1,857	0	0	0	0	60
NEW PROJECTS												
Mathews Drive (US 278 North to Beach City Road)	106						106					
Target Road	12						12					
SUBTOTAL	118	0	0	0	0	0	118	0	0	0	0	0
TOTAL	2,035	0	0	0	0	0	1,975	0	0	0	0	60

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				2006 Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Drainage Improvements												
CARRY-OVER PROJECTS												
Drainage System Rehabilitation	300											300
Northridge	405					405						
Beach City Road / Airport	385					385						
Club Course Outfall	212					212						
Squire Pope Road	420					420						
SUBTOTAL	1,722	0	0	0	0	1,422	0	0	0	0	0	300
NEW PROJECTS												
SUBTOTAL	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	1,722	0	0	0	0	1,422	0	0	0	0	0	300

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	FY					Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants/ Other
			Fund Balance	2006 Taxes	Beach Fees	SWU Bond	TIF					
Roadway Improvements												
CARRY-OVER PROJECTS												
Widen Mathews Drive (Marshland Road North to US 278)	1,230						1,230					
Coligny Circle Reconfiguration	500					30	470					
Widen and Realign Office Park Road	681						681					
Horseshoe Road Connector (Spanish Wells extension)	875						875					
SCDOT Road Resurfacing	1,818			154		310	545		809			
Intersection Improvements	1,840	205	25				1,467					143
Pedestrian Crosswalks and Refuges	180						180					
Traffic Signal Mast Arms	680	280		100			300					
F & R Emergency Access Points	250							250				
Long Cove Lane Extension	100	50										50
Directional Neighborhood Signage	50			50								
SUBTOTAL	8,204	535	25	304	0	340	5,748	250	0	809	0	193
NEW PROJECTS												
Lemoyne Road (reconstruction and extension)	565						565					
Roadway Safety Improvements	170	70					100					
Widen Mathews Drive (US 278 to Beach City Road)	137						137					
SUBTOTAL	872	70	0	0	0	0	802	0	0	0	0	0
TOTAL	9,076	605	25	304	0	340	6,550	250	0	809	0	193

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY 2006			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				Taxes	Beach Fees	SWU Bond			Fees	SCDOT		
Park Development												
CARRY-OVER PROJECTS												
Park Upgrades	682		8			92			304		200	78
Port Royal Tract Beach Access	410				410							
Shelter Cove Linear Park Expansion	732	245									300	187
Yacht Cove Community Park	25		14									11
SUBTOTAL	1,849	245	22	0	410	92	0	0	304	0	500	276
NEW PROJECTS												
Rock's/Remy's Tract Park	500						500					
McKibben Tract Gateway Park	500						500					
SUBTOTAL	1,000	0	0	0	0	0	1,000	0	0	0	0	0
TOTAL	2,849	245	22	0	410	92	1,000	0	304	0	500	276

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY 2006 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Existing Facilities												
CARRY-OVER PROJECTS												
Rehabilitation and Renovation of Fixed Capital Assets	100			100								
Fire Station 2 and HQ Renovations	305					22		283				
Clean up, maintenance of properties & demolition of structures	350			240								110
Apparatus and Vehicle Replacement	134		36	53								45
McKibben Property Wetlands Restoration	100						100					
Fire Hydrant Upgrades	30							30				
SUBTOTAL	1,019	0	36	393	0	22	100	313	0	0	0	155
NEW PROJECTS												
Fire Station #5 Replacement	2,000							2,000				
Fire Station #1 Replacement	2,000						2,000					
Fire Station #6 Replacement	150							150				
Police Vehicle Replacements	100											100
SUBTOTAL	4,250	0	0	0	0	0	2,000	2,150	0	0	0	100
TOTAL	5,269	0	36	393	0	22	2,100	2,463	0	0	0	255

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY 2006 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
New Facilities												
CARRY-OVER PROJECTS												
Dispatch Center Equipment Upgrade	221											221
SUBTOTAL	221	0	0	0	0	0	0	0	0	0	0	221
NEW PROJECTS												
F & R Training Center	1,425							1,425				
F & R Computer Systems	250											250
SUBTOTAL	1,675	0	0	0	0	0	0	1,425	0	0	0	250
TOTAL	1,896	0	0	0	0	0	0	1,425	0	0	0	471

CIP Expenditures by Funding Source - 2006 (continued)

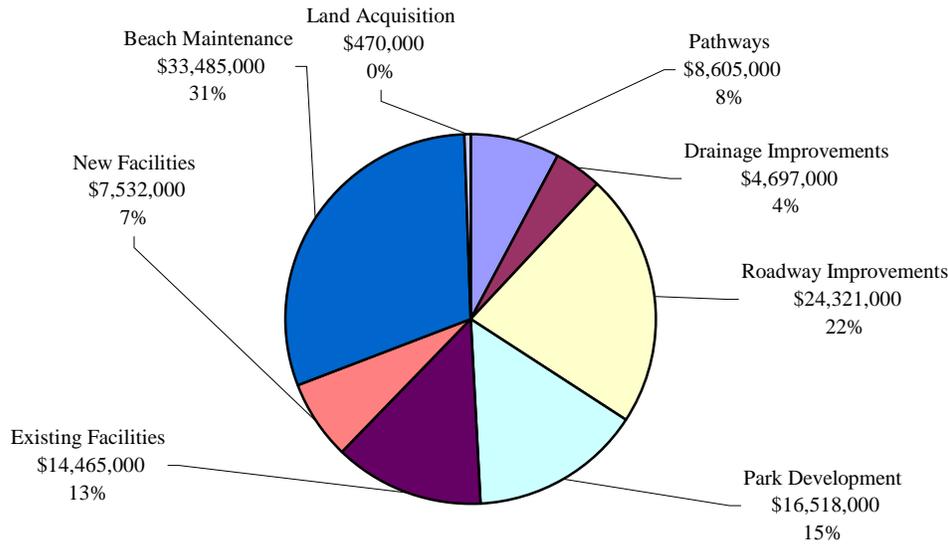
THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY 2006 Taxes	Beach Fees	SWU Bond	TIF	Hospitality Tax Bond	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Beach Maintenance												
CARRY-OVER PROJECTS												
Beach Management and Monitoring	185				185							
Beach Parks/Access Rehabilitation	75				75							
Dunes Refurbishment and Maintenance	25				25							
SUBTOTAL	285	0	0	0	285	0	0	0	0	0	0	0
NEW PROJECTS												
Beach Renourishment	15,335				15,335							
SUBTOTAL	15,335	0	0	0	15,335	0	0	0	0	0	0	0
TOTAL	15,620	0	0	0	15,620	0	0	0	0	0	0	0

CIP Expenditures by Funding Source - 2006 (continued)

THOUSANDS OF DOLLARS												
Category	FY 2006 Budget	Impact Fees	Fund Balance	FY			TIF	Hospitality Tax Bond	Sunday		County Bond	Grants / Other
				2006 Taxes	Beach Fees	SWU Bond			Liquor Fees	SCDOT		
Land Acquisition												
CARRY-OVER PROJECTS												
Land Acquisition	470		330									140
TOTAL	470	0	330	0	0	0	0	0	0	0	0	140

FY 2006 Capital Plan plus the Ten-Year CIP

The anticipated capital expenditures over the next ten years are anticipated to be \$110,093,000. The estimated expenditures by program are as follows:



THOUSANDS OF DOLLARS

Category	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
<u>Total Capital Improvement Program</u>						
Pathways	2,035	1,015	741	278	1,244	3,292
Drainage Improvements	1,722	300	300	365	510	1,500
Roadway Improvements	9,076	3,666	2,222	2,455	1,652	5,250
Park Development	2,849	1,934	8,125	875	1,325	1,410
Existing Facilities and Infrastructure	5,269	2,334	2,036	568	453	3,805
New Facilities and Infrastructure	1,896	4,106	900	120	50	460
Beach Maintenance	15,620	585	285	285	285	16,425
Land Acquisition	470	-	-	-	-	-
Total Capital Improvements Program	38,937	13,940	14,609	4,946	5,519	32,142

CIP Expenditures by Category 2006-2015 (continued)

Category	THOUSANDS OF DOLLARS					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
Pathways						
Pathway Rehabilitation	60	60	60	60	60	300
Mathews Drive (Islanders Drive North to US 278)	400					
Pope Avenue (Off Road)	1,351					
Palmetto Bay Road	106	445				
Target Road	12	45				
Mathews Drive (US 278 North to Beach City Road)	106	350				
Lagoon Road		32	144			
New Orleans Road		37	180			
Singleton Beach Road		15	154			
US 278 (Gum Tree Road to Squire Pope Road)		31	173			
Archer Road			11	40		
Dunnagann's Alley			19	60		
Greenwood to Target Road				20	265	
Arrow Road				98	522	
Gardner Drive					34	156
Pembroke Drive					51	310
Leg o' Mutton					29	160
Jonesville Road					70	325
US 278 (Squire Pope Road to Jenkins Island)					103	220
US 278 (south side phased)					110	1,528
US 278 (Jenkins Island to Bridge)						293
Total Pathways	2,035	1,015	741	278	1,244	3,292

CIP Expenditures by Category 2006-2015 (continued)

Category	THOUSANS OF DOLLARS					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
<u>Drainage Improvements</u>						
Drainage System Rehabilitation	300	300	300	300	300	1,500
Northridge	405					
Beach City Road / Airport	385					
Club Course Outfall	212					
Squire Pope Road	420					
Arrow Road				65	210	
Total Drainage Improvements	1,722	300	300	365	510	1,500

CIP Expenditures by Category 2006-2015 (continued)

Category	THOUSANDS OF DOLLARS					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
Roadway Improvements						
Widen Mathews Drive (Marshland Road North to US 278)	1,230			550		
Coligny Circle Reconfiguration	500					
Widen and Realign Office Park Road	681					
Horseshoe Road Connector (Spanish Wells extension)	875					
SCDOT Road Resurfacing	1,818	1,000	1,000	1,000	1,000	
Intersection Improvements	1,840	275	175	175	75	
Pedestrian Crosswalks and Refuges	180	150	300	100	200	
Traffic Signal Mast Arms	680	350	450			
Lemoyne Road Reconstruction and Extension	565					
Roads Safety Improvements	170	206	92			
F & R Emergency Access Points	250	135	80	80	80	250
Long Cove Lane Extension	100					
Directional Neighborhood Signage	50	50				
Widen Mathews Drive (US 278 to Beach City Road)	137	1,500				
Widen Folly Field Road			125	550		
Widen Squire Pope Road					149	1,000
Widen Gum Tree Road					148	1,000
Widen Pembroke Road						425
Widen Leg O' Mutton Road						425
Stoney Secondary Road (north)						1,075
Stoney Secondary Road (south)						1,075
Total Roadway Improvements	9,076	3,666	2,222	2,455	1,652	5,250

CIP Expenditures by Category 2006-2015 (continued)

THOUSANDS OF DOLLARS

Category	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
Park Development						
Park Upgrades	682	589	75	75	75	375
Port Royal Tract Beach Access	410					
Shelter Cove Linear Park Expansion	732					
Rock's/Remy's Park	500					
McKibben Tract Gateway Park	500					
Yacht Cove Community Park	25	250				
Chaplin Community Park Boardwalk		400				
Collier Beach Park		300				
Coligny Beach Park Parking Expansion with Community Park		285	6,850			
Chaplin Linear Park		75	750			
Taylor Park			10	100		
Driessen Tract Neighborhood Park		20	250			
Marshland and Spanish Wells Road Neighborhood Park		15	150			
Marshland Road Neighborhood Park			15	150		
Ford Shell Ring Park			25	300		
Jenkins Island Special Purpose Park				250	1,250	
Town Hall Park						270
Old School House Park						325
Central Church Neighborhood Park						220
South Forest Beach Neighborhood Park						110
North Forest Beach Neighborhood Park						110
Total Park Development	2,849	1,934	8,125	875	1,325	1,410

CIP Expenditures by Category 2006-2015 (continued)

Category	THOUSANDS OF DOLLARS					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
<u>Existing Facilities</u>						
Rehabilitaion and Renovation of Fixed Capital Assets	100					
Fire Station 2 and HQ Renovations	305					
McKibben Property Wetlands Restoration	100					
Clean up, maintenance of properties & demolition of structures	350	350	350	350	350	
Apparatus and Vehicle Replacement	134	129	1,581	218	103	655
Fire Hydrant Upgrades	30	30	30			
Fire Station #5 Replacement	2,000					
Fire Station #1 Replacement	2,000					
Fire Station #6 Replacement	150	1,750				
Fire & Rescue Headquarters						3,150
Police Vehicle Replacement	100	75	75			
Total Existing Facilities	5,269	2,334	2,036	568	453	3,805

Category	THOUSANDS OF DOLLARS					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
<u>New Facilities</u>						
Law Enforcement Center		3,700				
F&R Training Center	1,425					
Dispatch Center Equipment Upgrade	221	221	100	50	50	250
F&R Computer Systems	250	110	50	70		210
Community Warning System		75	750			
Total New Facilities	1,896	4,106	900	120	50	460

CIP Expenditures by Category 2006-2015 (continued)

	<u>THOUSANDS OF DOLLARS</u>					
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
<u>Beach Maintenance</u>						
Beach Management and Monitoring	185	185	185	185	185	925
Beach Parks/Access Rehabilitation	75	300	75	75	75	375
Dunes Refurbishment and Maintenance	25	100	25	25	25	125
Beach Renourishment	15,335					15,000
Total Beach Maintenance	15,620	585	285	285	285	16,425

	<u>THOUSANDS OF DOLLARS</u>					
Category	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011-2015
<u>Land Acquisition</u>						
Land Acquisition	470					
Total Land Acquisition	470	0	0	0	0	0

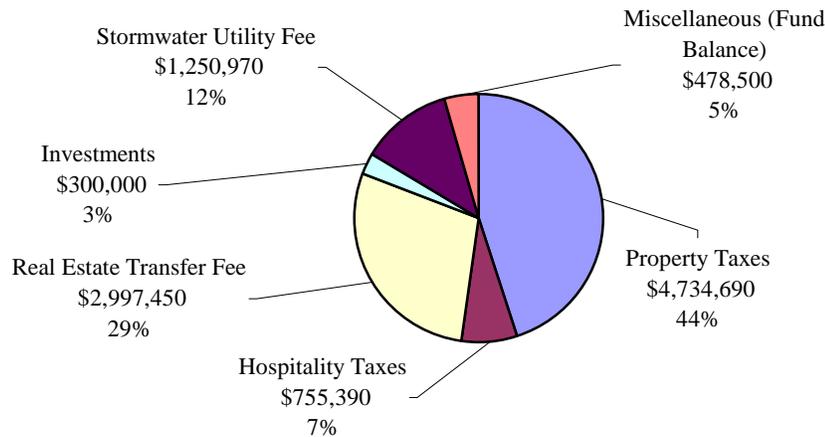
Debt Service Fund Two-Year Comparison

	FY 2005 Revised Budget	FY 2005 Est. Actual	FY 2006 Budget	Budget Diff. % FY 2005	Estimate Diff. % FY 2005
<u>Revenues</u>					
Property Taxes	\$ 4,029,560	\$ 3,989,260	\$ 4,734,690	17.50%	18.69%
Investment Income	149,500	200,000	300,000	100.67%	50.00%
Transfers	4,066,170	4,066,170	5,003,810	23.06%	23.06%
Funds from Prior Years	447,970	97,280	478,500	6.82%	391.88%
Total Revenues	\$ 8,693,200	\$ 8,352,710	\$ 10,517,000	20.98%	25.91%
<u>Expenditures</u>					
Debt Service					
Principal	\$ 3,757,970	\$ 3,460,000	\$ 5,270,000	40.24%	52.31%
Interest	4,924,730	4,884,210	5,232,000	6.24%	7.12%
	8,682,700	8,344,210	10,502,000	20.95%	25.86%
Administrative	10,500	8,500	15,000	42.86%	76.47%
Total Expenditures*	\$ 8,693,200	\$ 8,352,710	\$ 10,517,000	20.98%	25.91%

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

Debt Service Fund Revenues

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.



Debt Service Fund Revenues (continued)

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

1. ***Property taxes: \$4,734,690***

Property taxes represent a levy on the assessed value of real and personal property. These bonds are voter approved for a specific project/purchase. The debt service millage rate is calculated separately from the operating millage rate.

2. Transfer from: ***CIP Fund - hospitality taxes: \$755,390***

A uniform tax levied by the Town on the gross sales of prepared meals and beverages sold in establishments and also on the gross sales price of sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine.

3. Transfer from: ***CIP Fund - storm water utility fees: \$1,250,970***

The hospitality taxes and storm water utility fees are funds received by the Capital Improvements Fund (CIP) to fund capital improvements. This transfer between funds is necessary to cover the debt service costs associated with bonds obtained for the purpose undertaking capital improvements.

4. Transfer from: ***Real Estate Transfer Fees Fund: \$2,997,450***

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

5. ***Interest income: \$300,000***

Interest income is earned from available fund balance. The amount of interest earned fluctuates with the market and bond funds on hand.

Calculation of the Legal Debt Limit

Assessed Value as of December 2004		\$ 730,154,000 *
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval		58,412,320
Council Imposed 80% Cap		46,729,856
Amount of Debt Applicable to Debt Limit:		
General Bonded 1996A	\$ 800,000	
General Bonded 1996B	4,705,000	
General Bonded 1998B (Remaining after 2004 refunding)	650,000	
General Bonded 1999B	5,835,000	
General Bonded 2004B (Refunding of Series 1998B)	5,365,000	
Total Amount Applicable to Debt Limit		17,355,000
Legal Debt Margin without a Referendum		\$ 29,374,856

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.

*Note: The assessed value subject to change due to final numbers being provided by county during August/September 2005.

Outstanding Debt Issues

	Issue Amt.	Outstanding
<u>Certificates of Participation</u>		
2004A - Certificates of Participation	\$ 9,060,000	\$ 8,950,000
2005 - Certificates of Participation	1,055,000	1,055,000
Total Certificates of Participation	\$ 10,115,000	\$ 10,005,000
<u>General Obligation Bonds</u>		
Series 1996A - General Obligation Bonds	\$ 1,425,000	\$ 800,000
Series 1996B - General Ogligation Refunding Bonds	11,180,000	4,705,000
Series 1998A - General Obligation Referendum Bonds	15,000,000	13,380,000
Series 1998B - General Obligation Bonds (Remaining after 2004 refunding)	835,000	650,000
Series 1999A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	2,050,000	1,755,000
Series 1999B - General Obligation Bonds	6,000,000	5,835,000
Series 2001A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	3,990,000	3,265,000
Series 2004A - General Obligation Bonds	15,000,000	14,685,000
Series 2004B - General Obligation Bonds (Refunded portion of Series 1998B)	5,365,000	5,365,000
Series 2005A - General Obligation Bonds (Refunded portion of Series 1999A & 2001A)	24,265,000	24,265,000
Total General Obligation Bonds	\$ 85,110,000	\$ 74,705,000
<u>Revenue Bond</u>		
2002 Storm Water Bonds	\$ 17,000,000	\$ 17,000,000
2004 Hospitality Tax	10,775,000	10,500,000
2004 T.I.F. Bonds	8,000,000	8,000,000
Total Revenue Bonds	\$ 35,775,000	\$ 35,500,000
Grand Total	\$ 131,000,000	\$ 120,210,000

1. 2005 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. refunding the outstanding debt on 1995 Certificates of Participation. This refinancing resulted in a significant interest savings and removed certain properties "mortgaged" under the previous certificates.

During that time, the Town issued \$9,060,000 in refunding Certificates of Participation with an average interest rate of 3% to refund \$9,460,000 of Certificates of Participation with an average interest rate of 5.67%. The net proceeds of \$8,844,090 including \$126,926 in premiums (after payment of \$342,837 in issuance costs), plus funds on hand of \$420,927 were used to purchase United States government securities. This difference will be charged to operations. The certificates were refunded to reduce total debt service payments over the next ten (10) years by \$801,562 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately \$160,000.

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, 2004, \$907,135 was the fair value of the amount held in the reserve fund for the tax-exempt certificates. The Capital Projects Fund is repaying these certificates of participation.

Outstanding Debt Issues (continued)

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

On March 3, 2005, the Town issued \$1,055,000 in refunding Certificates of Participation. These funds were used refund the 2004B COPS in order to change the bonds from taxable to tax-exempt to take advantage of favorable interest rates.

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

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

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

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

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

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

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

On November 16, 1999, the Town issued \$12,000,000 general obligation bonds to finance capital projects. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$2,050,000. Refer to Series 2005A, Item 11.

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

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

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

On March 1, 2001, the Town issued \$20,000,000 general obligation bonds for purchasing developed and undeveloped land on Hilton Head Island, South Carolina for the public use or uses of management of growth and development, public facilities, passive and active parkland and preservation of historic sites, and to pay the cost of issuance of bonds. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$3,990,000. Refer to Series 2005A, Item 11.

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

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

Outstanding Debt Issues (continued)

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

On October 1, 2004, the Town issued \$5,365,000 in general obligation bonds. The bonds were issued for the purpose of refunding the 2007 through 2011, inclusive, maturities of the \$6,000,000 General Obligation Bonds, Series 1999B, and to call the 1998B Bonds for redemption on December 1, 2006; and to pay for the cost of issuance.

Series 2004B General Obligation Bonds; \$835,000

This is the non-refunded portion of the \$6,000,000 General Obligation Bonds, Series 1999B.

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

On March 1, 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.

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

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

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

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

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificate for any fiscal year or (c) 125% of average annual debt on the certificates. At June 30, 2004, \$758,158 was the fair value of the amount held in the reserve fund. The Town is required to maintain a debt service pledge account on July 1 each year which is equal to the principal and interest for that year. On June 30, 2004, the amount in the pledge account was \$745,071.

14. 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.

Debt Service Fund Expenditures

The Fiscal Year 2006 budgeted debt service expenditures are as follows:

Debt Service Payments

	Interest	Principal	Total
<u>Certificates of Participation</u>			
2004A - Certificates of Participation	\$ 258,443	\$ 900,000	\$ 1,158,443
2005 - Certificates of Participation	41,651	110,000	151,651
Total Certificates of Participation	\$ 300,094	\$ 1,010,000	\$ 1,310,094
<u>General Obligation Bonds</u>			
Series 1996A - General Obligation Bonds	\$ 38,782	\$ 145,000	\$ 183,782
Series 1996B - General Obligation Refunding Bonds	228,317	845,000	1,073,317
Series 1998A - General Obligation Referendum Bonds	685,488	455,000	1,140,488
Series 1998B - General Obligation Bonds (portion remaining)	23,250	275,000	298,250
Series 1999A - General Obligation Referendum Bonds (portion remaining)	113,822	315,000	428,822
Series 1999B - General Obligation Bonds	330,655	170,000	500,655
Series 2001A - General Obligation Referendum Bonds (portion remaining)	143,000	770,000	913,000
Series 2004A - General Obligation Bonds	692,750	400,000	1,092,750
Series 2004B - General Obligation Refunding Bonds	156,337	65,000	221,337
Series 2005A - General Obligation Refunding Bonds	1,312,144	25,000	1,337,144
Total General Obligation Bonds	\$ 3,724,545	\$ 3,465,000	\$ 7,189,545
<u>Revenue Bond</u>			
2002 Storm Water Bond	\$ 742,971	\$ 505,000	\$ 1,247,971
2004 Hospitality Tax	464,385	290,000	754,385
2004 TIF Bond *	357,004	645,000	1,002,004
Total Revenue Bonds	\$ 1,564,360	\$ 1,440,000	\$ 3,004,360
Grand Total	\$ 5,588,999	\$ 5,915,000	\$ 11,503,999

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

Planned Debt Position for the Next Five Years

	2007	2008	2009	2010	2011
<u>Certificates of Participation</u>					
2004A - Certificates of Participation	\$ 1,165,443	\$ 1,164,718	\$ 1,168,568	\$ 1,161,855	\$ 1,162,455
2005 - Certificates of Participation	152,517	142,951	143,584	139,019	139,453
Total Certificates of Participation	\$ 1,317,960	\$ 1,307,669	\$ 1,312,152	\$ 1,300,874	\$ 1,301,908
<u>General Obligation Bonds</u>					
Series 1996A - General Obligation Bonds	\$ 181,185	\$ 183,045	\$ 184,215	\$ 179,812	\$ -
Series 1996B - General Ogligation Refunding Bonds	1,073,630	1,070,712	1,074,205	1,073,737	-
Series 1998A - General Obligation Referendum Bonds	1,129,332	1,119,808	1,113,964	1,108,892	1,107,333
Series 1999A - General Obligation Referendum Bonds	425,666	416,263	410,613	398,716	-
Series 1999B - General Obligation Bonds	498,405	490,630	488,061	486,843	486,235
Series 2001A - General Obligation Referendum Bonds	910,275	906,275	903,925	-	-
Series 2004A - General Obligation Bonds	1,083,750	1,079,575	1,075,050	1,070,175	1,061,250
Series 2004B - General Obligation Bonds	234,163	720,775	804,306	922,800	2,292,125
Series 2004B - General Obligation Bonds (unrefunded)	383,531	-	-	-	-
Series 2005A - General Obligation Bonds	1,137,315	1,138,615	1,139,715	2,042,215	2,437,315
Total General Obligation Bonds	\$ 7,057,252	\$ 7,125,698	\$ 7,194,054	\$ 7,283,190	\$ 7,384,258
<u>Revenue Bond</u>					
2002 Storm Water Bond	\$ 1,247,596	\$ 1,247,708	\$ 1,247,369	\$ 1,244,938	\$ 1,245,665
2004 Hospitality Tax	757,970	753,970	754,820	753,008	756,633
2004 TIF Bond	1,001,314	1,004,113	1,000,400	1,000,176	998,325
Total Revenue Bonds	\$ 3,006,880	\$ 3,005,791	\$ 3,002,589	\$ 2,998,122	\$ 3,000,623
Grand Total	\$ 11,382,092	\$ 11,439,158	\$ 11,508,795	\$ 11,582,186	\$ 11,686,789

Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FTE (Full-Time Equivalent) - A decimal equivalent position equal to one staff person working a full-time schedule for one year (1,950 hours).

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

Fund Balance - Equals the equity in each fund.

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

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

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

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

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

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

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

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

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

Operating Budget - Is a budget for general revenues and expenditures such as salaries, utilities, and supplies.

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

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

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

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

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

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

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

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

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

Taxable Value - The assessed value of real property.

Ten-Year Capital Plan (also known as a Capital improvement Program (CIP))- A ten-year capital plan 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 - Amounts contributed to the unemployment compensation fund.

Workers' Compensation - Premium benefits paid for workers compensation insurance.