

Town of Hilton Head Island, South Carolina



**Consolidated Municipal Budget
Fiscal Year
July 1, 2008 through June 30, 2009**

TOWN OF HILTON HEAD ISLAND, SC
CONSOLIDATED MUNICIPAL BUDGET
FISCAL YEAR ENDED JUNE 30, 2009

ELECTED OFFICIALS

MAYOR

The Honorable Thomas D. Peeples

TOWN COUNCIL

Kenneth (Ken) S. Heitzke, Mayor Pro Tempore

Willie (Bill) Ferguson

W.J. (Bill) Mottel

John D. Safay

George W. Williams, Jr.

Drew Laughlin

ADMINISTRATION

Stephen G. Riley
Gregory DeLoach
Curtis Coltrane
Lavarn Lucas
Susan Summons
Charles F. Cousins
Scott Liggett

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



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Town of Hilton Head Island
South Carolina**

For the Fiscal Year Beginning

July 1, 2007

Oliver S. Cox

President

Jeffrey R. Egan

Executive Director

FY 2009 Consolidated Municipal Budget

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Reader's Guide

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

Town Manager's Letter

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

Town Vision

This section identifies goals for the upcoming fiscal year.

About Hilton Head Island

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

General Information

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

Accounting and Financial Policies

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

Budget Process Overview

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

Consolidated Budget

This section includes an introduction, Fiscal Year 2009 consolidated budget, where the money comes from (chart), where the money goes by program (chart), where the money goes by category (chart), trend analysis of expenditures by fund (chart), description of major governmental funds, description of restricted major governmental funds, description of other governmental funds, historical overview of revenues and expenditures (schedule), budget highlights, property tax analysis, millage rate historical analysis (chart), and staffing changes.

General Fund

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

Capital Projects Fund (CIP)

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

Debt Service Fund

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

Appendix

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

Also, there is a chart of all funds used by the Town to manage its financial resources. The chart reflects the anticipated revenues, expenditures, and fund balance for all funds.





Town Manager's Letter

Town Manager's Letter

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

June 3, 2008

Dear Council Members:

We respectfully present the Fiscal Year 2009 Budget for the Town of Hilton Head Island, South Carolina, to the Town Council for review. This year the budget proved to be particularly challenging due to the continued slow down in the real estate market and an overall sluggish economy. The effect on the Town's budget is less revenue from building permits and business licenses. This budget represents an annual funding plan which responds to the needs of the Town while maximizing a limited resource of funds.

Budget Summary

The Fiscal Year 2009 Budget represents a funding plan designed to meet the needs of the Town's citizens. The total consolidated budget amount is \$72,960,090.

The General Fund budget maintains the current level of high quality service with additional funds being provided for merit increases, new and replacement equipment, an increase in maintenance contract costs, and an increase in the police services contract with the Sheriff's Office. Expenditures in this fund are programmed at \$33.3 million for Fiscal Year 2009 compared to \$32.9 million last fiscal year.

The Capital Projects Fund (CIP) reflects the Town's continued focus on road and facility improvements accounting for 55% of the capital budget. The largest component is \$7.6 million earmarked for existing facility improvements. Expenditures in this fund are programmed at \$22.9 million for Fiscal Year 2009 compared to \$42.2 million last fiscal year.

The Debt Service Fund budget is estimated to be significantly higher than last fiscal year. Expenditures in this fund are programmed at \$16.8 million for Fiscal Year 2009 compared to \$13.3 million budgeted last fiscal year. The reason for the sharp increase is due to (1) existing TIF Fund (Tax Increment Financing) debt service payments are included in the proposed budget but were budgeted in the TIF Fund in previous years, and (2) an increase in TIF debt service payments associated with the issuance of a \$22.0 million bond in FY 2008 to fund capital projects. Also in FY 2008 the Town refunded the Series 1998A General Obligation Referendum Bonds offsetting some of the increase. In FY 2009 the savings from this refunding is approximately \$566,770.

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

Millage Rate

The total millage rate for Fiscal Year 2009 will increase by .36 mills in FY 2009. The chart below reflects the millage rates by fund for Fiscal Years 2008 and 2009.

	<u>FY 2008</u>	<u>FY 2009</u>
General Fund	12.48	12.84
Debt Service Fund	5.67	5.67
Capital Projects Fund (CIP)	0.85	0.85
Total Millage Rate	<u>19.00</u>	<u>19.36</u>

The increase in the General Fund millage rate is 2.9% . This is a consumer price index adjustment (CPI) as allowed by state code.

Financial Plan

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

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

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

Comparison of the Fiscal Year 2008 Revised Budget with the Fiscal Year 2009 Budget

	General Fund	Capital Projects Fund	Debt Service Fund	Consolidated Municipal Budget
FY 2008 Revised Budget	\$ 32,918,053	\$ 42,159,925	\$ 13,316,150	\$ 88,394,128
FY 2009 Budget	\$ 33,257,000	\$ 22,937,000	\$ 16,766,090	\$ 72,960,090
Amount of Increase/(Decrease)	\$ 338,947	\$ (19,222,925)	\$ 3,449,940	\$ (15,434,038)
Percent of Increase/(Decrease)	1.03%	-45.60%	25.91%	-17.46%

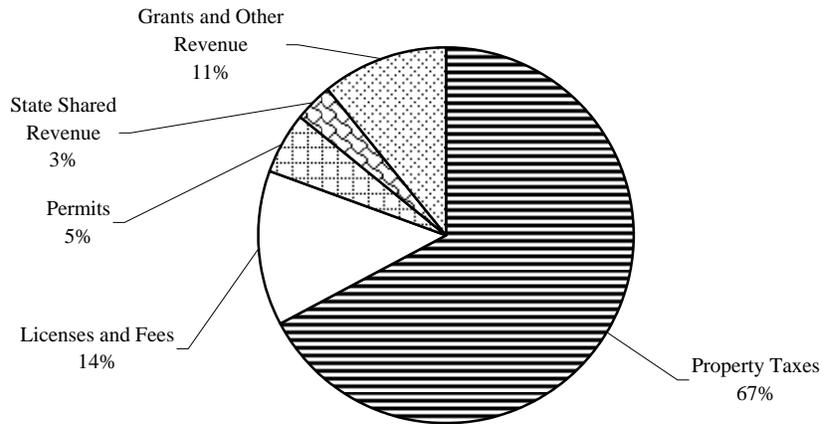
Budgets by Fund as a Percent of the Total Budget

	General Fund	Capital Projects Fund	Debt Service Fund	Consolidated Municipal Budget
FY 2008 Revised Budget	37.24%	47.70%	15.06%	100.00%
FY 2009 Budget	45.58%	31.44%	22.98%	100.00%

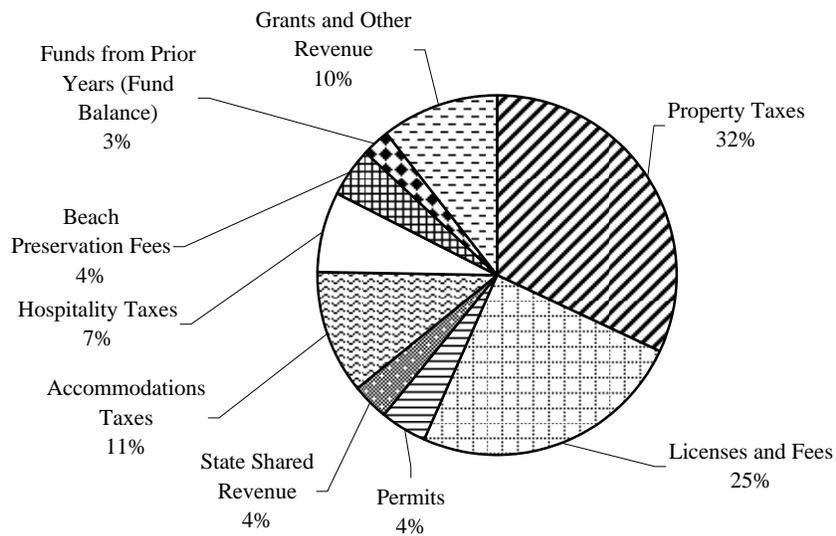
General Fund

A mix of property taxes, other fees and taxes, local accommodations tax for public safety, funds from prior years (fund balance) supports the General Fund budget of \$33,257,000. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund. The charts below provide a comparison of the actual revenues collected for Fiscal Year 1994 compared to the Fiscal Year 2009 Budget. These graphs highlight the progress made to lessen the reliance on a high percentage of property tax revenue from 67% in Fiscal Year 1994 as compared to 32% in Fiscal Year 2009. Additional funding is provided through, licenses and fees, local 1% accommodations tax, state accommodations tax, beach preservation fee, hospitality tax, stormwater fee, electricity franchise fee, funds from prior years (fund balance), and tax increment financing (TIF). The increase in funding provided through these other sources demonstrates the Town’s ability to expand the diversity of its funding sources through the years.

FISCAL YEAR 1994 GENERAL FUND BUDGET



FISCAL YEAR 2009 GENERAL FUND BUDGET



General Fund - Major Revenues

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

Revenue Source	FY 2008 Budget	FY 2009 Budget	\$ Change	% Change
Property Taxes	\$ 10,170,620	\$ 10,622,550	\$ 451,930	4.44%
Business Licenses & Franchise Fees	8,346,260	8,263,200	(83,060)	-1.00%
Permit Fees	1,640,000	1,321,000	(319,000)	-19.45%
Funds from Prior Years (Fund Balance)	1,775,223	893,130	(882,093)	-49.69%
Local Accommodations Tax	2,293,850	2,269,580	(24,270)	-1.06%
Transfers In:				
State Accommodations Tax	1,264,550	1,361,930	97,380	7.70%
Hospitality Tax	2,036,100	2,460,960	424,860	20.87%
Beach Preservation Fee	895,850	1,427,340	531,490	59.33%

General Fund - Expenditures

The chart below reflects the budgets by category for Fiscal Years 2008 and 2009:

Expenditure Category	FY 2008 Budget	FY 2009 Budget	\$ Change	% Change
Salaries	\$ 15,575,280	\$ 16,252,290	\$ 677,010	4.35%
Benefits	5,453,750	5,518,720	64,970	1.19%
Operating	8,371,344	8,057,260	(314,084)	-3.75%
Capital Outlay	432,938	268,210	(164,728)	-38.05%
Debt Service	70,650	-	(70,650)	-100.00%
Sheriff/Other Public Safety	3,014,091	3,160,520	146,429	4.86%
Total	\$ 32,918,053	\$ 33,257,000	\$ 338,947	1.03%

Personnel

The \$677,010 increase in total personnel costs represents no change in the number of equivalent full-time positions. It includes a proposed salary budget increase of 4.3% that includes a 4.5% increase for merit and miscellaneous pay adjustments and an additional 1.0% increase associated with the initial compensation study implementation in FY 2008. The overall increase is less than 5.5% due to a reduction in base salaries related to turnover. Medical premiums are expected to remain flat for FY 2009 while workers' compensation costs are expected to decrease by approximately 12.0%.

Capital Projects Fund - CIP

The Capital Projects Fund Budget (CIP) budget reflects revenues and expenditures for Fiscal Year 2009 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 \$22.9 million is funded with property taxes, transfers from special revenues, grants, funds from prior years (fund balance) and the 2% hospitality tax. Existing facility improvements is the largest element of the FY 2009 capital improvement plan.

The appropriations for this fund provide for:

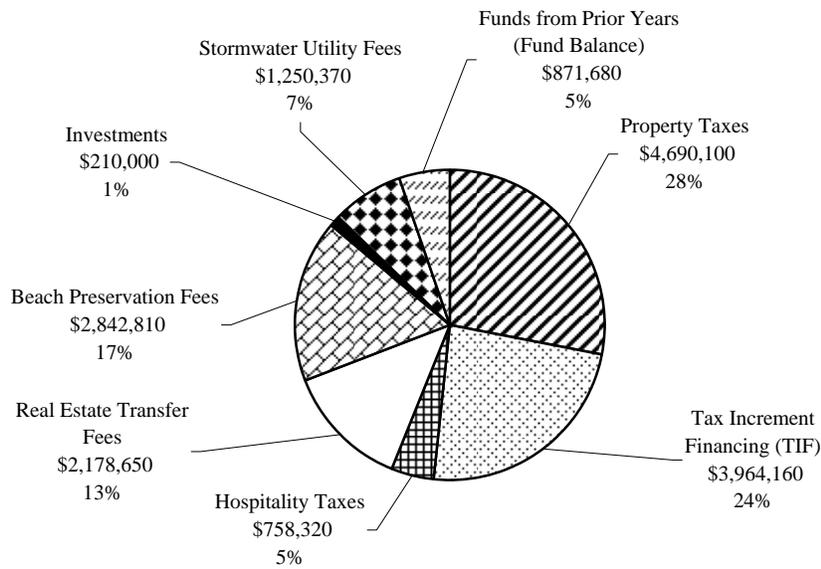
Project Category	FY 2008	FY 2009	\$	%
	Revised Budget			
Pathways	\$ 2,930,613	\$ 2,553,000	\$ (377,613)	-12.89%
Drainage Improvements	958,687	2,315,000	1,356,313	141.48%
Roadway Improvements	17,179,382	5,015,000	(12,164,382)	-70.81%
Park Development	2,197,062	1,765,000	(432,062)	-19.67%
Existing Facilities/Infrastructure	5,800,763	7,608,000	1,807,237	31.16%
New Facilities/Infrastructure	5,980,051	1,195,000	(4,785,051)	-80.02%
Beach Maintenance	1,700,490	1,995,000	294,510	17.32%
Land Acquisition*	5,412,877	491,000	(4,921,877)	-90.93%
Total	\$ 42,159,925	\$ 22,937,000	\$ (19,222,925)	-45.60%

*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.

Sources of funding for debt service in FY 2009 are as follows:



Debt service costs for Fiscal Year 2009 are as follows:

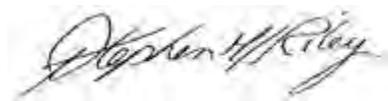
	Interest	Principal	Total
Certificates of Participation	\$ 232,150	\$ 1,080,000	\$ 1,312,150
General Obligation Bonds	2,652,290	3,975,000	6,627,290
Revenue Bonds	1,817,000	3,025,000	4,842,000
TIF Bonds	824,160	3,140,000	3,964,160
Grand Total	\$ 5,525,600	\$ 11,220,000	\$ 16,745,600

Town Council Members
Page 8
June 3, 2008

Summary

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

Sincerely,



TOWN OF HILTON HEAD ISLAND

Stephen G. Riley, AICP
Town Manager



Town Vision

TOWN VISION

“WORLD CLASS RESIDENTIAL AND RESORT COMMUNITY” MEANS:

- Great Natural Beauty
- World-Class Beach
- Pristine Waterways
- Preserving our Low Country Character and Heritage
- Well-Planned Community
- Sustainable Community through Continuous Revitalization
- Vibrant Community
- Exceptional Recreational Opportunities for All
- Community Welcomes All
- Hilton Head Island: Community Spirit and Pride

Goals

TOWN OF HILTON HEAD ISLAND 2013 OUR GOALS

- Sustainable Town – Preserving Our Character
- Unique Amenities for Residents and Guests
- Top Quality Services, Financially Sound Town
- Clean, Safe, Accessible Waterways
- Effective Regional Transportation System

Policy Agenda 2009: Targets for Action

TOP PRIORITY

- Review LMO: Environmental Issues
- LMO: Flexibility in Redevelopment
- Update the Comprehensive Plan
- Recycling Initiatives
- Dune Protection

HIGH PRIORITY

- Coligny Beach Park Redevelopment
- Town Space Needs
- “Green” Initiatives
- Stormwater Utility Management: Agreements with major PUD’s
- Mathews Drive Corridor Project (North)
- Dirt Roads Acquisition Policy

MODERATE PRIORITY

- LMO Signage and Outdoor Merchandising
- Port Royal Beach Shoreline Analysis
- Town Support of Coastal Discovery Museum
- Welcome Center Policy Direction
- Street Signs: Mast arm mounted signs
- Town Funding of Community Events
- Promote an expansion of Heritage-based Tourism

Management Agenda 2009

TOP PRIORITY

- Comprehensive Emergency Management Plan Update
- Customer Service Standards
- Beach Management Plan Update
- Drainage System Update
- Summit Drive Area Improvements
- Curb Improvements along portions of William Hilton Parkway Medians

HIGH PRIORITY

- State Legislative Program: Defend “Home Rule”
- Upgrading to allow Digital Plans Submission for planning and building plans and information
- Paper/Files/Records Reduction
- Property Tax Reconciliation



About Hilton Head Island

About Hilton Head Island

History¹

Early History

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

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

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

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

Hilton Head Discovered

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

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

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

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

Revolutionary War

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

¹ Information obtained from the Beaufort County Public Library

Revolutionary War (continued)

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

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

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

Civil War

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

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

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

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

Civil War (continued)

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

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

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

Modern Age

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

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

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

Geography/Industry

Hilton Head Island is a barrier island on the Atlantic coast of South Carolina. The Island is located about 45 miles from Savannah, Georgia and about 85 miles from Charleston, South Carolina. Approximately 54 miles in square area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor.

Tourism is the largest industry in the Island's economy. There are approximately 2.5 million visitors annually. The Island hosts a major sports event in the Verizon Heritage Golf Tournament. The Island has established world class accommodations, and the tourism industry continues to grow with a peak summer population of approximately 247,860.

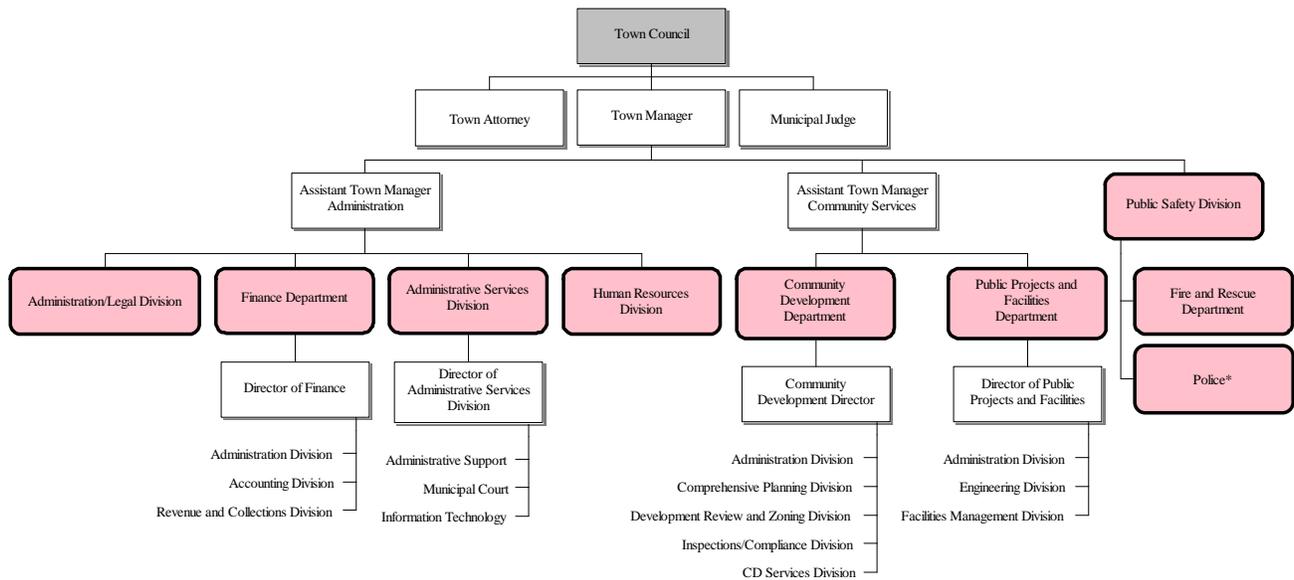




General Information

General Information

Town Organizational Chart

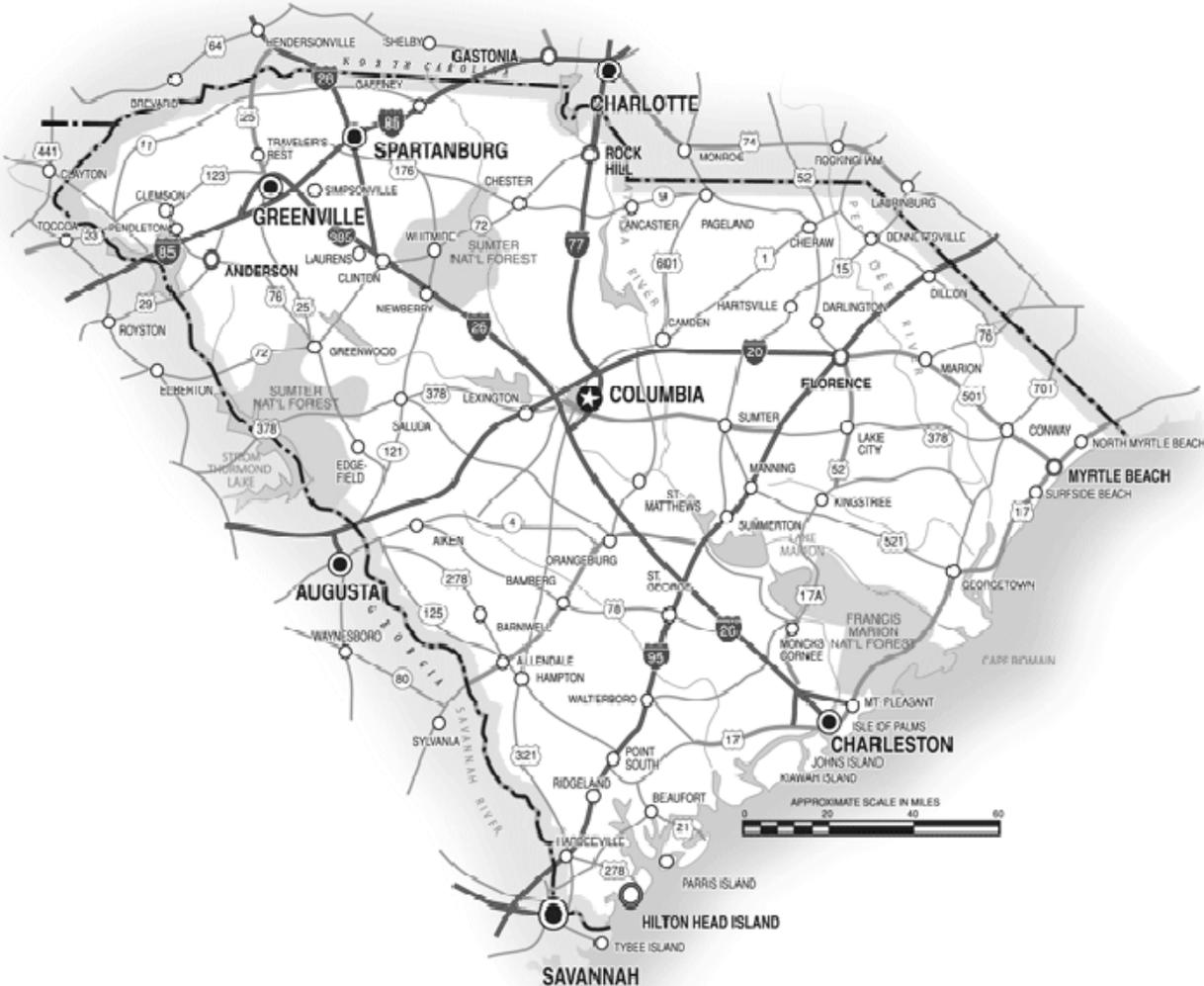


Budget Calendar and Map

Budget Calendar

December 12-14, 2007	Budget kick-off departmental budget packages distributed
February 6, 2008	Department budget package due to Finance
April 2, 2008	Proposed budget is submitted to the Town Manager for review
April 9, 2008	Town Manager reviews the proposed budget with department heads
May 6, 2008	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 6-27, 2008	Town Council workshops
June 3, 2008	Public hearing; revised first reading of the budget ordinance by Town Council
June 17, 2008	Second and final reading of budget

Where is Hilton Head Island?



Hilton Head Island at a Glance

Demographic Information

Population	
1996	30,340
1997	31,141
1998	31,452
1999	31,767
2000	33,862
2001	34,001
2002	34,531
2003	34,499
2004	35,180
2005	38,931
2006	39,700
2007	40,500
2008 (estimate)	40,172
Median Age	46.5
Number of Households	14,408
Average Family Size	2.32
Per Capita Income	\$36,621
Racial Composition	
White	85.33%
Black or African American	8.26%
American Indian, Alaskan Native	0.14%
Asian	0.55%
Other	5.72%
Hispanic Ethnicity	11.48%
Land Use	
Land Area	54 sq. miles
Miles of Beach	13
Tourism	
Monthly Peak	
Summer Population	150,000

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

General Information

Property Tax Millage Rate:

General Fund (Operating)	12.84
Capital Projects Fund (CIP)	.85
Voter Approved Debt	5.67

Total Millage Rate	19.36
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Bond Ratings:

Moody's Investor Service	Aa ¹
Standard and Poor's	AA+
Fitch	AA

FY 2009 Budget	\$72,960,090
----------------	--------------

Total Town Staff (FTEs)	261.80
-------------------------	--------

Recreation and Culture

Public Tennis Clubs	7
Tennis Courts Public and Private	382

Public Recreation Facilities

Active Recreation	3
Beach Access/Parks	7
Pools	1

Arts Center	1
-------------	---

Number of Libraries	2
Number of Museums	1
Number of Nature Preserves	3
Number of Marinas	10

Golf Course in Town Limits (non-municipal)	25
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Hilton Head Island at a Glance (continued)

Economic Development²

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

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

Property Sold Through Real Estate Agents ³

	2004	2005	% change	2006	% change	2007	% change
Homes Sold	1,186	1,314	10.8%	758	-42.3%	694	-8.4%
Average Price	\$ 760,714	\$ 927,752	22.0%	\$ 999,051	7.7%	\$ 1,018,686	2.0%
Days on Market	128	94	-26.6%	103	9.6%	128	24.3%
Villas Sold	1,726	1,954	13.2%	791	-59.5%	627	-20.7%
Average Price	\$ 278,711	\$ 349,583	25.4%	\$ 398,854	14.1%	\$ 395,179	-0.9%
Days on Market	87	61	-29.9%	95	55.7%	118	24.2%
Lots Sold	422	370	-12.3%	196	-47.0%	73	-62.8%
Average Price	\$ 331,234	\$ 439,756	32.8%	\$ 515,836	17.3%	\$ 515,938	0.0%
Days on Market	157	82	-47.8%	93	13.4%	133	43.0%

² Hilton Head Island Chamber of Commerce

³ hhisleinfo.com



Accounting and Financial Policies

Accounting and Financial Policies

Accounting Policies

General Guidelines

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

Government-Wide Statements (CAFR)

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

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

Fund Financial Statements (CAFR)

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

The Town reports the following major governmental funds:

General Fund. This fund is used to account for operating expenditures associated with administrative services, sheriff/other public safety, fire, community services, and public projects and facilities.

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

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

Fund Financial Statements (continued)

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

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

Measurement Focus and Basis of Accounting (continued)

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

Cash and Cash Equivalents

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

Investments

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

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

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

Unrated investments (overnight funds) are invested in a money market "account" vs. a true "fund." That is, the funds are held by Wachovia Bank in an interest-bearing depository account. As such, they are collateralized per Section 6-5-15 of the SC Code which outlines securing bank deposits.

Restricted Assets

Certain debt proceeds as well as certain resources that are set aside for their repayment, are classified as restricted assets because their use is limited by applicable bond covenants.

Capital Assets and Depreciation

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

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

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized as assets in the government-wide statement of net assets. General capital assets are carried at historical cost. Where costs can not be determined from the available records, estimated historical costs have been used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair value at the date of acquisition. The Town’s road network is deeded to the County and is not included in the Town’s capital asset inventory.

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

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

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

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

Physical Inventory

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

Compensated Absences

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

Compensated Absences (continued)

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

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

Long-Term Obligations

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

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

Bond Discounts/Issuance Costs/Deferred Losses on Advance Refundings

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

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

Budgetary Accounting

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, and Capital Projects Fund. The State Accommodations Fund budget is adopted by Town Council some time after the start of the fiscal year. In FY 2009 the budget format has been changed to also include the special revenue fund budgets as well. Special revenue funds are used to fund expenditures in the three major funds. The Town's special revenue funds are tax increment financing (TIF), beach preservation fees, hospitality tax, stormwater fee, Palmetto Electric franchise fees, and real estate transfer fees (RETF.)

Budgetary Accounting (continued)

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

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

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

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

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

Financial Policies

Revenues

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

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

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

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

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

Expenditures

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

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

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

Expenditures (continued)

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

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

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

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

Expenditure forecasts for the next three years shall be all-inclusive and will be reviewed and updated annually.

Capital Improvement Plan (CIP)

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

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

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

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

The CIP will contain multi-year projections of expenditures.

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

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

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

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

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

Contingency

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

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

Financial Reserves/Bond Ratings

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

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

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

Moody's Investor Service	Aa ¹
Standard and Poor's	AA+
Fitch	AA

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

Debt Management Policies

Market Review

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

Debt 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.

Debt Management Policies (continued)

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

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

Debt Service Levels

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

Based on the estimated total assessed value of \$827,954,000, the legal debt margin for the Town of Hilton Head Island is \$66,174,160. Town Council has imposed an 80% cap which further limits this to \$52,939,328. The Town has \$12,325,000 in bonds issued at June 30, 2007, which are applicable to this cap, leaving \$40,614,328 available.

Bond Ratings

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

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

Disaster Planning Reserves/Policies

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

Operating Reserve

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

Disaster Planning Reserves/Policies (continued)

Advertising Reserve

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

General Reserve

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

Debt Service Levels

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

Real Estate Transfer Fee Debt Service Reserve

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

Beach Preservation Reserve

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

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

- A. Direct expenditures to pay costs of any project or purposes identified in Section 4-9-70 as such may be amended of the Municipal Code and in Section 6-1-50 of the Code of Laws of South Carolina 1976 as amended.
- B. To pledge as security for or to use as debt service for any debt or financial obligation of the Town incurred for a purpose as identified in subsection (A) above.

Disaster Planning Reserves/Policies (continued)

- C. To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Town Council shall have a reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state or federal source.

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

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

1. Temporary non-residential occupancy of structures ordinance – This is an emergency ordinance to allow the use of manufactured modular structures as temporary replacement structures for local businesses.
2. Temporary housing ordinance - This is an emergency ordinance to allow the use of manufactured homes and travel trailers as temporary residences.
3. Declaration of local state of emergency (resolution).
4. The Town of Hilton Head Island succession list in the event of a disaster (resolution).
5. If necessary, the Town will adopt an emergency reimbursement resolution to provide immediate access to funds in the event of a disaster.
6. In an effort to expedite disaster recovery efforts, the Town currently has a contract in place with Phillips and Jordan for the purpose of providing disaster storm debris removal services.





Budget Process Overview

Budget Process Overview

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

Policy and Strategy Phase

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

Assessment Phase

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

Format of Department Budgets

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

Mission Statement

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

Core Services

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

Current Fiscal Year Accomplishments

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

Format of Department Budgets (continued)

Goals

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

Objectives

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

Performance Measures (not all departments report this information)

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

2. Department Expenditures by Division and Category

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

Categories of expenditures are as follows:

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

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

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

Approach to the Budget Review Process

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

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

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

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

Approach to the Budget Review Process (continued)

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

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

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

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

The Finance Department staff consolidates: the General Fund revenue budget and departmental expenditure budgets; the Capital Projects Fund/CIP budget; the Debt Service Fund budget; as well as the three-year financial forecast creating the proposed operating budget (business plan) for the upcoming fiscal year.

Budget Approval Process

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

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

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

Monitoring the Budget

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

Budget Transfers, Amending the Budget and Encumbrances

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

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

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 Projects Fund, Debt Service Fund, Tax Increment Financing Fund (TIF)), or (b) conflict with any existing Bond Ordinances.

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

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

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



Consolidated Budget

Consolidated Budget Summary

Introduction

The Fiscal Year 2009 Annual Budget was developed based on the goals and vision of Town Council. The financial resources have been allocated in the budget in a manner that we believe will successfully meet the challenges we have before us and set the stage for the Town's continued success in the future.

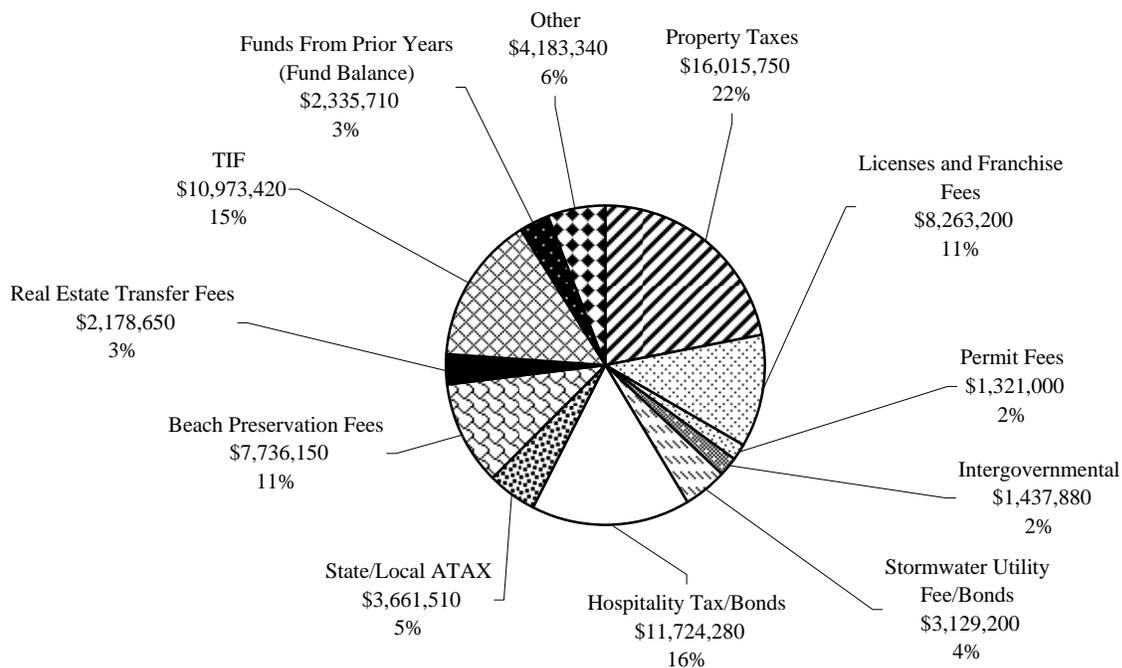
Fiscal Year 2009 Combined Budget

The combined Fiscal Year 2009 budgeted expenditures for all funds is \$72,960,090. This represents a decrease of \$9.1 million or 11.1% compared to the Fiscal Year 2008 budget. The General Fund budget increased by \$338,947 or 1.0%, the Debt Service Fund budget increased by \$3.4 million or 25.9%, and the Capital Projects Fund (CIP) budget decreased by \$12.9 million or 36.0%.

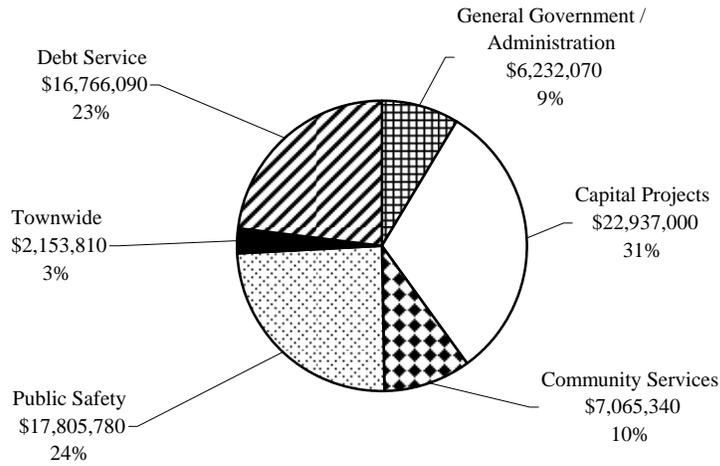
The Fiscal Year 2009 budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures. The Town will use: General Fund \$893,130, the Debt Service Fund \$871,680 and the Capital Projects Fund \$570,900, in reserve funds (fund balance) to balance those respective budgets. Sufficient reserve funds exist in all funds.

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

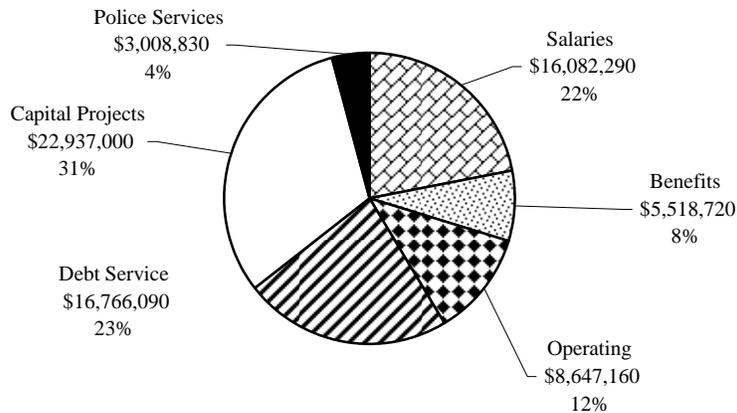
ALL FUNDS - WHERE THE MONEY COMES FROM



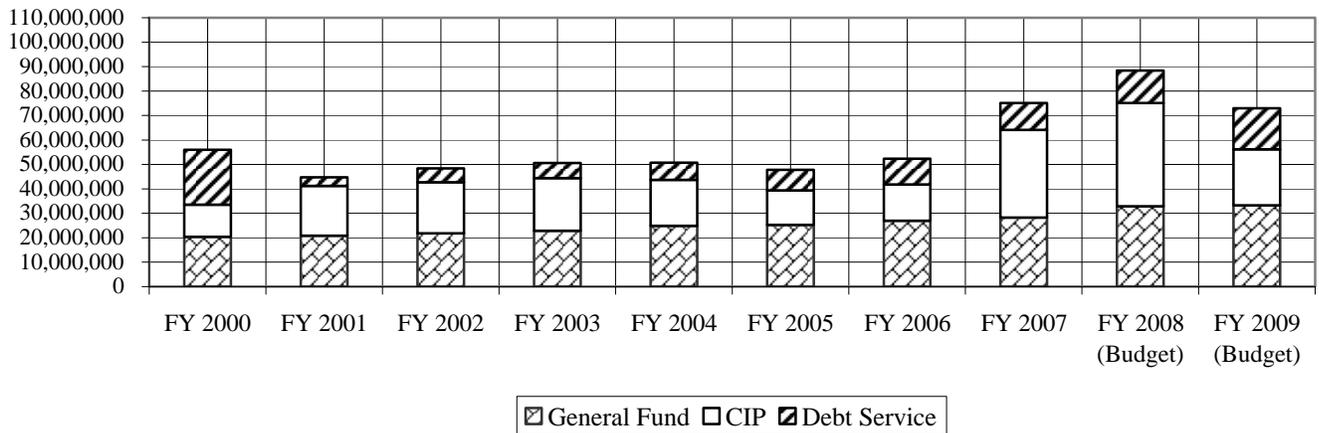
ALL FUNDS - WHERE THE MONEY GOES BY PROGRAM



ALL FUNDS - WHERE THE MONEY GOES BY CATEGORY



Trend Analysis of Expenditures by Fund



Note: FY 2000 through FY 2007 are actual and FY 2008 and FY 2009 are budget figures. Also, FY 2004 and FY 2005 exclude debt refunding.

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

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Revenues					
Property Taxes	\$ 17,824,995	\$ 14,976,069	\$ 15,305,712	\$ 15,484,120	\$ 16,015,750
Other Taxes/Fees	7,162,412	10,038,555	8,840,891	8,194,305	2,519,580
Business Licenses and Franchise Fees	7,261,596	8,313,950	8,261,098	8,346,260	8,263,200
Permits	1,663,283	1,890,293	1,353,573	1,640,000	1,321,000
Intergovernmental	2,875,601	2,865,082	1,268,534	1,222,230	1,437,880
Investment Income	819,878	2,791,952	2,771,343	850,000	710,000
Miscellaneous	3,149,491	2,936,389	3,224,459	3,800,910	3,152,900
Total	\$ 40,757,256	\$ 43,812,290	\$ 41,025,610	\$ 39,537,825	\$ 33,420,310
Expenditures					
General Government	\$ 1,233,212	\$ 1,395,347	\$ 1,360,932	\$ 978,630	\$ 1,138,390
Administration	3,166,953	3,642,659	3,651,665	5,448,002	5,093,680
Community Services	4,948,808	5,333,019	5,771,519	6,827,768	7,065,340
Public Safety	13,766,856	14,760,157	15,428,220	17,213,338	17,805,780
Townwide	1,668,095	1,664,406	1,745,509	2,379,315	2,153,810
Capital Outlay/Projects	14,215,046	14,960,064	35,868,205	42,159,925	22,937,000
Debt Service	38,464,886	10,590,370	11,661,646	13,387,150	16,766,090
Total	\$ 77,463,856	\$ 52,346,022	\$ 75,487,696	\$ 88,394,128	\$ 72,960,090
Sub-Total Excess/(Deficiency) of Revenues Over Expenditures	\$ (36,706,600)	\$ (8,533,732)	\$ (34,462,086)	\$ (48,856,303)	\$ (39,539,780)
Other Financing Sources (Uses)					
Bond Issue/Other	31,545,673	-	19,303,951	23,296,402	9,653,260
Operating Transfers In	8,839,434	12,563,629	24,612,718	23,069,268	27,550,810
Total Other Financing Sources (Uses)	40,385,107	12,563,629	43,916,669	46,365,670	37,204,070
Total Excess/(Deficiency) of Revenues Over Expenditures	\$ 3,678,507	\$ 4,029,897	\$ 9,454,583	\$ (2,490,633)	\$ (2,335,710)

Note: The FY 2009 Budget includes TIF debt service payments and a transfer in of TIF funds. TIF debt service payments were previously budgeted in the TIF Fund.

Budget Highlights

Some of factors impacting the budget are:

Revenues:

- The Town's total millage rate will increase by .36 mils to 19.36 mils. The millage rate for the General Fund will change by 2.9% or .36 mils. This adjustment is based on the Consumer Price Index (CPI) percentage increase allowed under a new State code section enacted in 2006.
- Property tax revenue for all three funds will increase by \$531,630 due to the CPI millage rate adjustment in the General Fund and a 1.5% anticipated growth in assessed property values.
- Other Taxes/Fees is less in FY 2009 because the Town will not receive any capital sales tax funds and Hospitality Taxes and Stormwater Fees are budgeted in separate funds and not in the Capital Projects Fund as in previous years.
- It is anticipated revenue from business licenses will **decrease** by \$83,060. (General Fund)

Budget Highlights (continued)

Revenues (continued):

- It is anticipated that revenue from building and development permits will **decrease** by \$319,000. This is due to a down turn in the real estate market. (General Fund)
- \$8.8 million of hospitality tax revenue will be used to fund various General Fund expenditures, debt service payments, and various capital projects.
- The Capital Projects Fund reflects the proposed issuance of a \$3.0 million hospitality tax bond.
- \$7.7 million of beach preservation fee revenue will be used to fund various General Fund expenditures, debt service payments, and various capital projects.
- An additional \$3.0 million of TIF funds will be used to pay for debt service payments associated with the new bond issued in FY 2008.

A total of \$4.9 million in TIF funds will be used to fund various General Fund expenditures, debt service payments, and various capital projects.

- \$2.5 million of stormwater fee revenue will be used to fund various General Fund expenditures, debt service payments, and various capital projects.

Expenditures:

- Salaries – increased by 4.3% or \$677,010. The increase includes a 4.5% merit increase and an additional 1% associated with the compensation study initially implemented in FY 2008. (General Fund)
- Legal fees; Town Council – will **decrease** by \$50,000. (General Fund)
- Municipal elections; Administration/Administrative Support – expenditures will **decrease** by \$47,000. (General Fund)
- Maintenance contracts; Administration/Information Technology – expenditures will increase by \$37,750 due to the acquisition of additional software and a slight increase in existing contracts. (General Fund)
- Computer software; Administration/Information Technology – expenditures will **decrease** by \$96,770 due to the completion of software implementation in FY 2008. (General Fund)
- Equipment < \$5,000; Fire and Rescue/Operations – funding has been increased by \$17,990 for additional Rapid Intervention Team equipment and other miscellaneous equipment. (General Fund)
- Specialized Equip. ≥\$5,000; Fire and Rescue/Operations – funding has been increased by \$65,000 to fund hydraulic rescue tool replacement program and the purchase of new air packs. (General Fund)
- Professional services; Fire and Rescue/Support Services – funding has been increased by \$70,890 to fund the addition of the 2nd HH Roundup and new electronic recycling event. (General Fund)
- Town street signs; Public Projects and Facilities/Engineering – funding has been increased by \$36,900 to fund the Town’s new street sign initiative. (General Fund)
- Maintenance contracts; Public Projects and Facilities/Facilities Management – funding has been increased by \$97,740 due anticipated contract cost increases. (General Fund)

Budget Highlights (continued)

Expenditures (continued):

- Affiliated agency requests:
 1. Recreation Association amount requested: \$763,340 (increase of \$32,800)
 2. Coastal Discovery Museum amount requested: \$85,000 (increase of \$10,000)
 3. LRTA amount requested: \$175,000 (no increase)
 4. Drug Court amount requested: \$50,500 (increase of \$2,000)
 5. Beach Services amount requested: \$167,680 (increase of \$32,350)
 6. Sheriff's Office amount requested: \$2,834,080 (increase of \$67,452)

- A new TIF bond was issued in FY 2008. In FY 2009 TIF debt service payments will increase by \$3.0 million. (Debt Service Fund)

- In FY 2008 the Town refunded the Series 1998A General Obligation Referendum Bonds. The savings in FY 2009 from this refunding is approximately \$566,770.

- Major projects to be undertaken in FY 2009 (Capital Projects Fund) are:
 1. Apparatus and vehicle replacement \$3.2 million
 2. Fire Station #5 replacement \$2.5 million
 3. Widen Mathews Drive (US 278 north to Beach City Road) \$2.0 million
 4. Groins refurbishment \$1.0 million
 5. Pathways (Palmetto Bay Road) \$1.3 million
 6. Coligny Beach Park \$1.4 million

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 2009, 12.84 mils will be paid to the General Fund (66.3% of levy), .85 mils to the Capital Projects Fund (4.4% of levy), and 5.67 mils (29.3% of levy) will be used for the retirement of debt.

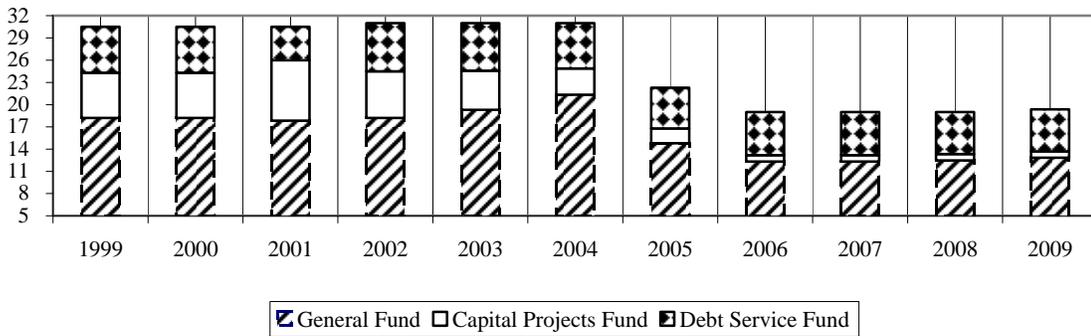
Property Taxes - All funds (continued)

In 2006 the South Carolina legislature enacted a new code section which placed limitations on annual millage rate increases. The code section reads as follows:

A local governing body may increase the millage rate imposed for general operating purposes above the rate imposed for such purposes for the preceding tax year only to the extent of the increase in the average of the twelve monthly consumer price indexes for the most recent twelve-month period consisting of January through December of the preceding calendar year, plus, beginning in 2007, the percentage increase in the previous year in the population of the entity as determined by the Office of Research and Statistics of the State Budget and Control Board. However, in the year in which a reassessment program is implemented, the rollback millage, as calculated pursuant to Section 12-37-251(E), must be used in lieu of the previous year's millage rate.

Based on the new legislation the Town's allowable consumer price index millage rate increase is 2.9% and has been incorporated into the budget. Due to the State's determination that the Town's population declined no population adjustment was allowed.

Millage Rate - Historical Analysis



Town Staffing

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
<u>General Government</u>				
Town Council	7.00	7.00	7.00	7.00
Town Manager	3.00	4.00	4.00	5.00
<u>Administration</u>				
Administration/Legal	27.50	27.50	27.50	26.50
Finance	17.00	17.00	19.00	19.00
<u>Community Services</u>				
Community Development	36.00	36.00	36.00	36.00
Public Projects and Facilities	19.00	20.00	21.00	21.00
<u>Public Safety</u>				
Fire and Rescue	144.80	147.30	147.30	147.30
TOTAL	<u><u>254.30</u></u>	<u><u>258.80</u></u>	<u><u>261.80</u></u>	<u><u>261.80</u></u>

There are no staffing adjustments for FY 2009.

For FY 2009 the following changes were made to the Town's overall organization chart:

- The position of Deputy Town Manager was eliminated and replaced with the position Director of Engineering/Public Projects and Facilities.
- The Planning Department and the Building and Fire Codes Department were merged into a new department Community Development.
- A new division was in was created in Administration called Administrative Services. In this division there are three programs, Administrative Support, Municipal Court, and Information Technology.





General Fund

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 2009 (General Fund)

Department	Personnel	Operating	Capital/Debt	Grants	Total Expenses
Town Council	\$ 85,120	\$ 318,850	\$ -	\$ -	403,970
Town Manager	704,220	30,200	-	-	734,420
Administration/Legal	2,294,360	1,096,070	96,710	-	3,487,140
Finance	1,427,970	178,570	-	-	1,606,540
Community Development	2,991,640	313,160	-	-	3,304,800
Public Projects and Facilities	1,731,310	2,029,230	-	-	3,760,540
Fire and Rescue	12,366,390	2,122,370	171,500	-	14,660,260
Sheriff/Other Public Safety	-	3,145,520	-	-	3,145,520
Non-Departmental (Townwide)	-	744,110	-	1,409,700	2,153,810
Totals	\$ 21,601,010	\$ 9,978,080	\$ 268,210	\$ 1,409,700	\$ 33,257,000

Historical Overview of Revenues and Expenditures - General Fund

	Actual FY 2005	Actual FY 2006	Actual FY 2007	Estimated FY 2008	Budget FY 2009
Revenues					
Property Taxes	\$ 11,833,517	\$ 9,729,367	\$ 9,940,043	\$ 10,170,620	\$ 10,622,550
Other Taxes	1,991,048	2,223,657	2,202,972	2,238,240	2,269,580
Business Licenses and Franchise Fees	7,261,596	8,313,950	7,668,657	8,272,100	8,263,200
Permits	1,663,283	1,890,293	592,441	1,318,198	1,321,000
Intergovernmental	916,929	928,121	1,353,573	1,081,370	1,167,880
Investment Income	135,853	488,747	651,586	523,636	500,000
Miscellaneous Fees	2,010,064	2,657,310	3,433,879	2,275,016	2,368,900
Total	\$ 25,812,290	\$ 26,231,445	\$ 25,843,151	\$ 25,879,180	\$ 26,513,110
Expenditures					
General Government	\$ 711,198	\$ 833,788	\$ 740,492	\$ 882,762	\$ 1,138,390
Administration	3,688,967	4,204,218	4,272,104	4,858,653	4,996,970
Community Services	4,948,808	5,333,019	5,771,519	6,443,185	7,065,340
Public Safety	13,766,856	14,760,157	15,428,220	16,161,982	17,634,280
Townwide	1,668,095	1,664,406	1,745,510	2,125,594	2,153,810
Capital Outlay	375,866	106,209	211,006	140,293	268,210
Debt Service	97,723	70,650	70,650	70,649	-
Total	\$ 25,257,513	\$ 26,972,447	\$ 28,239,501	\$ 30,683,118	\$ 33,257,000
Sub-Total Excess/(Deficiency) of Revenues Over Expenditures	\$ 554,777	\$ (741,002)	\$ (2,396,350)	\$ (4,803,938)	\$ (6,743,890)
Other Financing Sources (Uses)					
Operating Transfers In	\$ 3,160,783	\$ 4,117,431	\$ 4,127,305	\$ 4,723,356	\$ 5,850,760
Total Other Financing Sources (Uses)	\$ 3,160,783	\$ 4,117,431	\$ 4,127,305	\$ 4,723,356	\$ 5,850,760
Excess/(Deficiency) of Revenues Over Expenditures	\$ 3,715,560	\$ 3,376,429	\$ 1,730,955	\$ (80,582)	\$ (893,130)

General Fund Two-Year Comparison

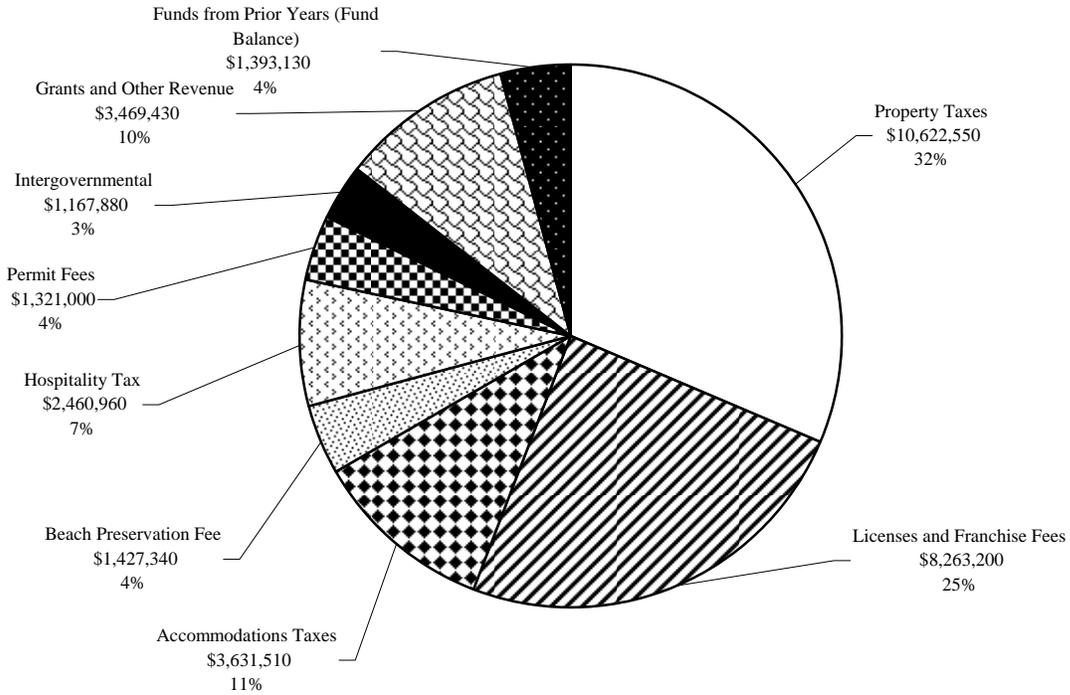
	FY 2008 Revised Budget	FY 2008 Est. Actual	FY 2009 Budget	Budget Diff. % FY 2008	Estimate Diff. % FY 2008
Revenues:					
Property Taxes	\$ 10,170,620	\$ 10,170,620	\$ 10,622,550	4.44%	4.44%
Local ATAX Public Safety	2,293,850	2,238,240	2,269,580	-1.06%	1.40%
Business Licenses & Franchise Fees	8,346,260	8,272,100	8,263,200	-1.00%	-0.11%
Permit Fees	1,640,000	1,318,198	1,321,000	-19.45%	0.21%
Intergovernmental Revenue	997,230	1,081,370	1,167,880	17.11%	8.00%
Miscellaneous Revenue	2,316,440	2,058,035	2,095,000	-9.56%	1.80%
Grants	158,700	216,981	273,900	72.59%	26.23%
Investments	500,000	523,636	500,000	0.00%	-4.51%
Transfers In	4,719,730	4,723,356	5,850,760	23.96%	23.87%
Total Revenues	\$ 31,142,830	\$ 30,602,536	\$ 32,363,870	3.92%	5.76%
Expenditures					
General Government					
Town Council	\$ 445,180	\$ 368,558	\$ 403,970	-9.26%	9.61%
Town Manager	533,450	514,204	734,420	37.67%	42.83%
	978,630	882,762	1,138,390	16.32%	28.96%
Administration					
Administration/Legal	3,658,750	3,534,545	3,390,430	-7.33%	-4.08%
Finance	1,502,920	1,324,108	1,606,540	6.89%	21.33%
	5,161,670	4,858,653	4,996,970	-3.19%	2.85%
Community Services					
Community Development	3,178,268	3,057,888	3,304,800	3.98%	8.07%
Public Projects and Facilities	3,649,500	3,385,297	3,760,540	3.04%	11.08%
	6,827,768	6,443,185	7,065,340	3.48%	9.66%
Public Safety					
Fire	14,061,803	13,153,152	14,488,760	3.04%	10.15%
Police/Other Public Safety	3,014,091	3,008,830	3,145,520	4.36%	4.54%
	17,075,894	16,161,982	17,634,280	3.27%	9.11%
Townwide	2,379,313	2,125,594	2,153,810	-9.48%	1.33%
Debt	71,000	70,649	-	-100.00%	-100.00%
Capital Outlay	423,778	140,293	268,210	-36.71%	91.18%
Total Expenditures	\$ 32,918,053	\$ 30,683,118	\$ 33,257,000	1.03%	8.39%
Excess/(Deficiency) of Revenues Over Expenditures	\$ (1,775,223)	\$ (80,582)	\$ (893,130)		
Beginning Fund Balance		\$ 16,426,738	\$ 16,346,156		
Ending Fund Balance		\$ 16,346,156	\$ 15,453,026		

General Fund Detail Revenue Two-Year Comparison

	FY 2008 Revised Budget	FY 2008 Est. Actual	FY 2009 Budget	Budget Diff. % FY 2008	Estimate Diff. % FY 2008
Property Taxes	\$ 10,170,620	\$ 10,170,620	\$ 10,622,550	4.44%	4.44%
Licenses & Franchise Fees					
Business Licenses	7,744,690	7,670,000	7,650,000	-1.22%	-0.26%
Cable TV Utility	597,370	580,000	590,000	-1.23%	1.72%
Beach Franchise Fee	4,200	22,100	23,200	452.38%	4.98%
Total - Licenses & Franchise Fees	8,346,260	8,272,100	8,263,200	-1.00%	-0.11%
Permit Fees					
Construction Permits	800,000	440,714	450,000	-43.75%	2.11%
Development Permits	20,000	11,538	11,000	-45.00%	-4.66%
Other Permits	820,000	865,947	860,000	4.88%	-0.69%
Total - Permit Fees	1,640,000	1,318,199	1,321,000	-19.45%	0.21%
Intergovernmental Revenue					
State Shared Revenue	997,230	1,081,370	1,167,880	17.11%	8.00%
Total - Intergovernmental Revenue	997,230	1,081,370	1,167,880	17.11%	8.00%
Miscellaneous Revenue					
Public Safety Revenue	1,479,820	1,243,586	1,285,000	-13.17%	3.33%
Beach Services	256,510	212,220	225,000	-12.28%	6.02%
Municipal Court Fines	393,240	472,698	485,000	23.33%	2.60%
Victim's Assistance	45,230	45,000	45,000	-0.51%	0.00%
Miscellaneous Revenue	141,640	84,530	55,000	-61.17%	-34.93%
Total - Miscellaneous Revenue	2,316,440	2,058,034	2,095,000	-9.56%	1.80%
Grants					
Miscellaneous Reimbursements	158,700	216,981	273,900	72.59%	26.23%
Total - Grants	158,700	216,981	273,900	72.59%	26.23%
Local ATAX Public Safety	2,293,850	2,238,240	2,269,580	-1.06%	1.40%
Investments	500,000	523,636	500,000	0.00%	-4.51%
Transfers In					
Accommodations Tax	1,264,550	1,268,176	1,361,930	7.70%	7.39%
Beach Preservation Fee	895,850	895,850	1,427,340	59.33%	59.33%
Electricity Franchise Fee	67,260	67,260	70,440	4.73%	4.73%
Hospitality Tax	2,036,100	2,036,100	2,460,960	20.87%	20.87%
Stormwater Fee	227,560	227,560	303,830	33.52%	33.52%
TIF	228,410	228,410	226,260	-0.94%	-0.94%
Funds from Prior Years	1,775,223	80,582	893,130	-49.69%	1008.35%
TOTAL	\$ 32,918,053	\$ 30,683,118	\$ 33,257,000	1.03%	8.39%

General Fund Revenues

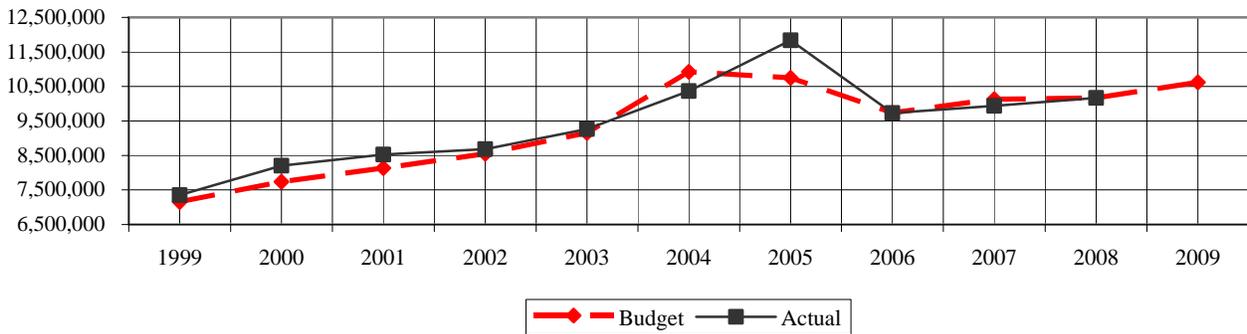
General Fund Revenues in Fiscal Year 2009 are projected to be \$33,757,000 or 2.6% greater than the FY 2008 budget.



Property Taxes

Property Tax revenue will increase by 4.4% or 451,930. This is due to a 2.9% increase in the millage rate and a 1.5% anticipated increase in assessed property values.

Revenue - Property Taxes



General Fund Revenues (continued)

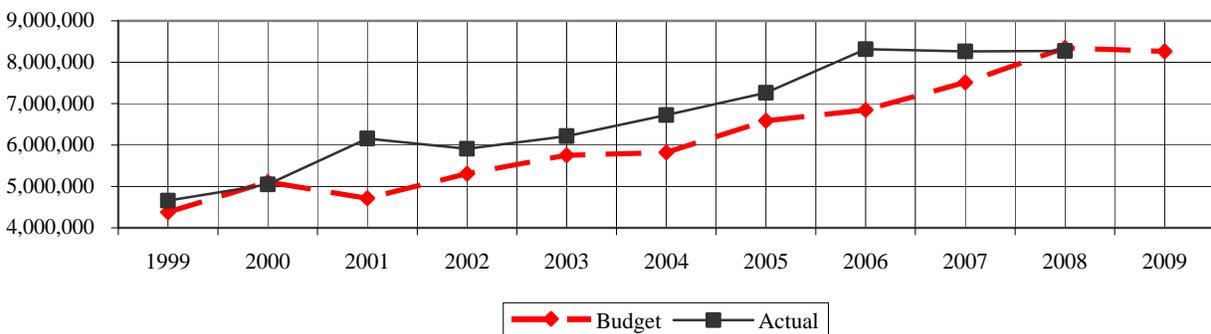
Licenses and Franchise Fees

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

The most significant source is the business license fee levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. The Fiscal Year 2009 budget of \$7,650,000 in business license receipts is 1.2% less than the Fiscal Year 2008 budget of \$7,744,690 and .26% less than the FY 2008 estimated actual revenue of \$7,670,000. Due to a slow down in the economy the FY 2009 budget reflects a conservative estimate of revenues to be received from this source.

Franchise fee revenue is anticipated to be \$613,200 in Fiscal Year 2009, a 1.9% increase over the Fiscal Year 2008 budget and 1.8% higher than the FY 2008 estimated actual revenue. The FY 2008 budget reflects a conservative estimate of revenues to be received from this source.

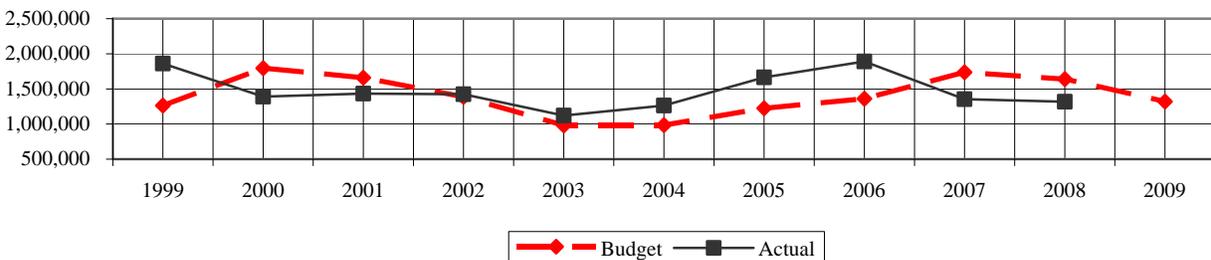
Revenue - Business License and Franchise Fees



Permit Fees

Construction and development permit fee revenues are budgeted at \$1.3 million representing a 19.5% decrease over the Fiscal Year 2008 budget. The FY 2009 budget reflects a conservative estimate in revenues based on a slow down in the economy. Revenue from new construction permits is anticipated to be approximately \$359,286 less than budgeted in FY 2008 consequently the FY 2009 budget reflects this decline.

Revenue - Permit Fees



General Fund Revenues (continued)

Local Accommodation Tax

The 1% Local Accommodations Tax is intended to be used for public safety, and will generate \$2.3 million in local accommodations taxes. This figure is 1.1% less than the prior fiscal year budget and 1.4% higher than this year's projected actual revenue.

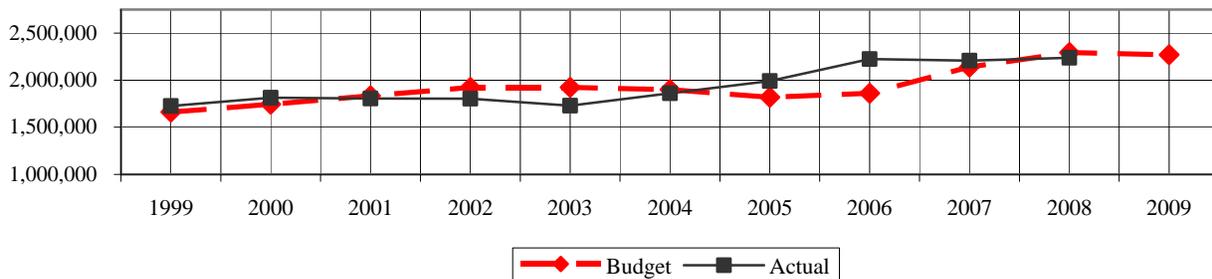
The local accommodations tax is the third largest single revenue source for the General Fund. A local accommodations tax equal to one (1) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or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

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

General Fund Revenues (continued)

Local Accommodation Tax (continued)

Revenue - Local Accommodations Tax



Transfer In - Accommodation (State)

The State accommodations tax equal to two (2) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days or more are not considered "proceeds from transients."

It is anticipated that this line item will provide \$1.4 million in funds to the General Fund. This represents a 7.7% increase over the Fiscal Year 2008 budget. This line item includes the 5% of State Accommodations Tax designated by law to the General Fund.

Transfer In - Hospitality Tax

A uniform tax equal to two (2) percent is imposed by the Town on the gross sales of prepared meals and beverages sold in establishments and also on the gross sales price of sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine.

These funds will be used to support the Public Safety function of Town Government. It is anticipated that this line item will provide approximately \$2.5 million in funds to the General Fund. This represents a 20.9% increase over the Fiscal Year 2008 budget.

General Fund Revenues (continued)

Transfer In - Beach Preservation Fee

A uniform fee of two (2) percent is imposed on the gross proceeds derived from the rental of any rooms (excluding meeting rooms), campground spaces, recreational vehicle spaces, lodging or sleeping accommodations furnished to transients by any hotel, inn, condominium, motel, "bed and breakfast," residence or any other place in which rooms, lodging or sleeping accommodations are furnished to transients for consideration within the town. The gross proceeds derived from the lease or rental of sleeping accommodations supplied to the same person or persons for a period of ninety (90) days are not considered "proceeds from transients."

It is anticipated that this line item will provide \$1.4 million in funds to the General Fund. This represents a 59.3% increase over the Fiscal Year 2008 budget.

EMS

Funds received through Fire and Rescue for medical services rendered will be approximately \$1.1 million.

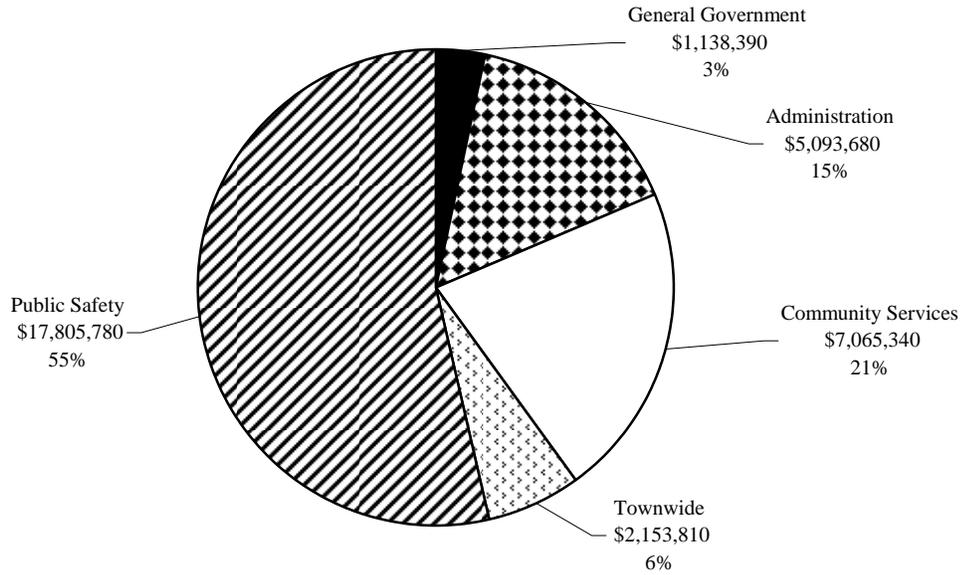
Funds from Prior Years (Fund Balance)

At the end of FY 2007 the Town had \$14.8 million in undesignated funds held in reserve. In FY 2009 the Town will use approximately \$893,130 of these funds to balance the budget.

General Fund Expenditures

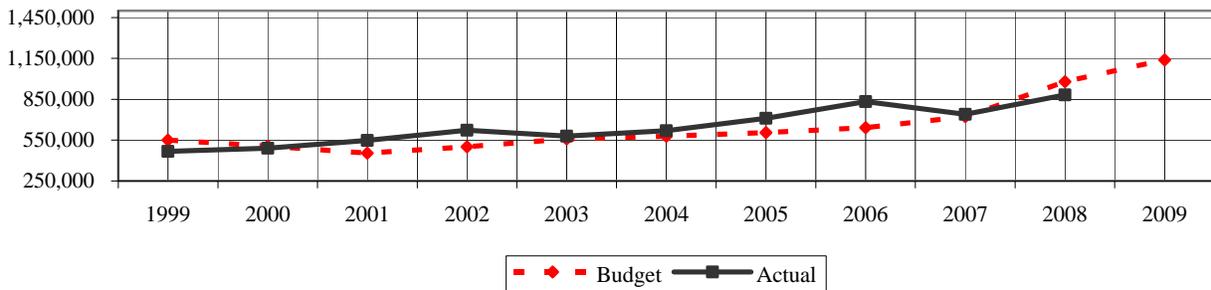
The Fiscal Year 2009 budgeted expenditures are programmed at \$33,757,000.

General Fund Expenditures by Program



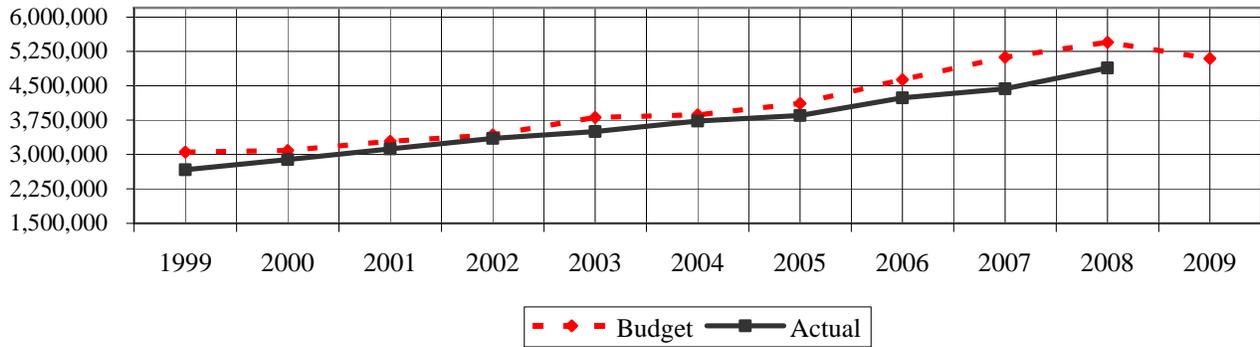
Trend Analysis - Expenditures by Program

Expenditures - General Government (Town Council, Town Manager)

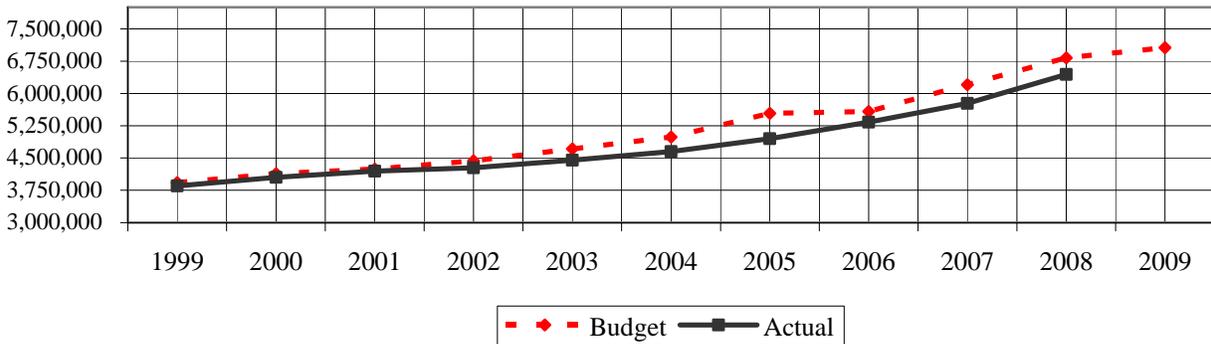


Trend Analysis - Expenditures by Program (continued)

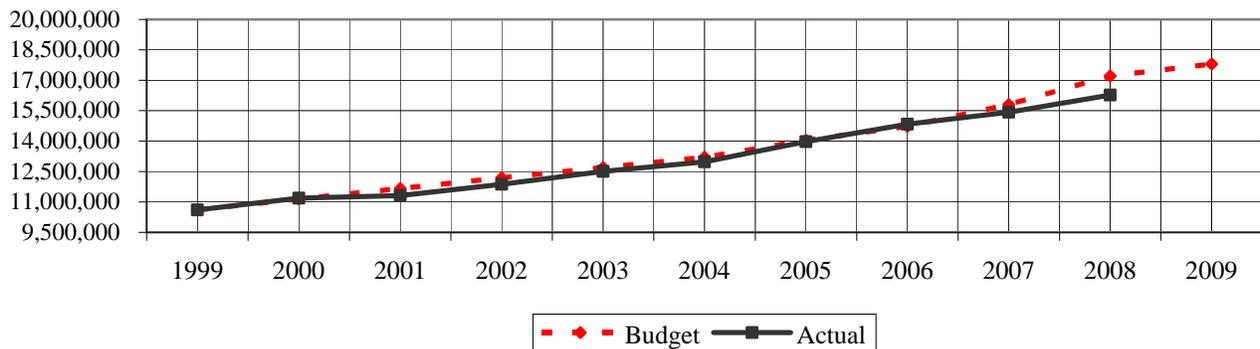
**Expenditures - Administration
(Administration/Legal, Finance)**



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



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



Program: General Government
Department: Town Council

Mission

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

Core Services

Open Town Government

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

Financial Stability and Economic Development

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

Community and Environmental Vitality

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

World-Class Leisure and Recreational Opportunities for Residents and Guests

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

Promoting Unity while Supporting Diversity in the Community

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

Program: General Government
Department: Town Council

2008 Achievements

- LMO Redevelopment adopted
- Amendment to limit the runway length to existing length approved
- Work Place smoking ban approved
- Town Beach Water Quality Monitoring program instituted
- Pope Avenue Pathways and Boardwalks completed
- Surveillance cameras installed at Chaplin Community Park
- Town Participation in revised Beaufort County Impact Fees

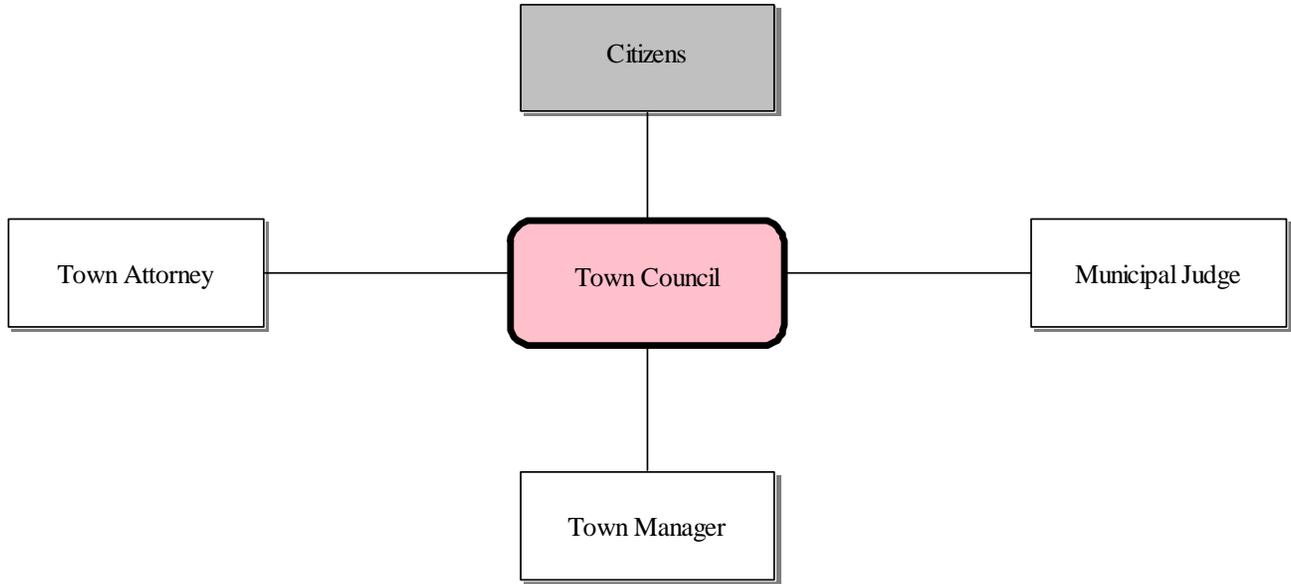
2009 Top Priorities

- Review LMO: Environmental Issues
- LMO: Flexibility in Redevelopment
- Update Comprehensive Plan
- Recycling Initiatives
- Dune Protection

2009 High Priorities

- Coligny Beach Park Redevelopment
- Town Space Needs
- “Green” Initiatives
- Stormwater Utility Management
- Mathews Drive Corridor Projects
- Dirt Roads Acquisition Policy

Program: General Government
 Department: Town Council



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

Expenditures by Program/Category

Town Council	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 77,261	\$ 75,916	\$ 71,269	\$ 84,980	\$ 70,808	\$ 85,120	\$ 140	0.16%
Operating	264,871	372,616	283,542	360,200	297,750	318,850	(41,350)	-11.48%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 342,132	\$ 448,532	\$ 354,811	\$ 445,180	\$ 368,558	\$ 403,970	\$ (41,210)	-9.26%
Positions	7.0	7.0	7.0	7.0	7.0	7.0	-	0.00%

Program: General Government
Department: Town Manager

Mission

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

Core Services

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

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

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

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

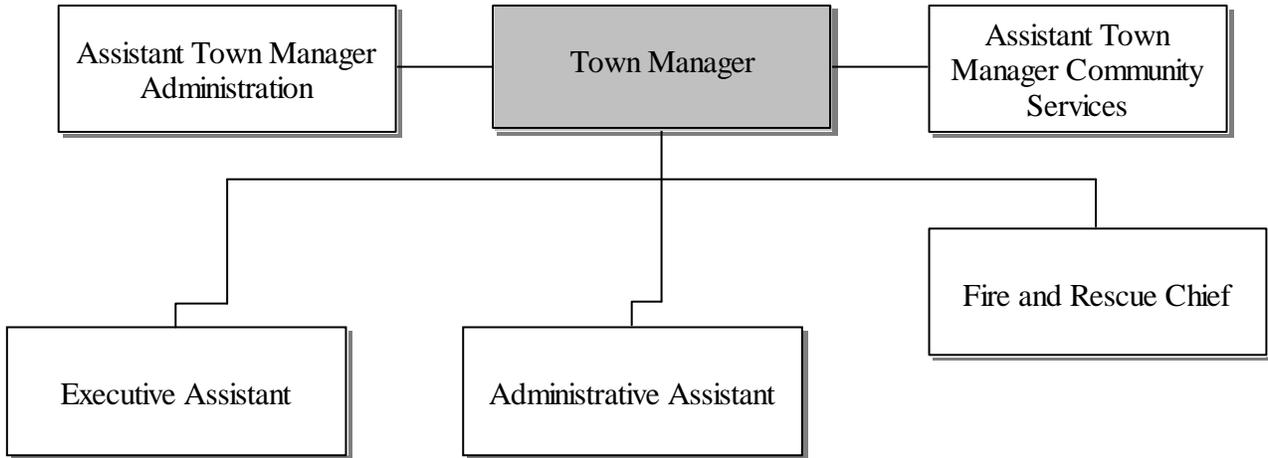
2008 Accomplishments

- Staff reorganization
- See accomplishments of other departments and divisions

2009 Goals

- Assist Town Council, Departments and Divisions achieve their goals
- Comprehensive Emergency Management Plan Update
- Customer Service Standards
- Beach Management Plan Update
- Drainage System Update
- Summit Drive Area Improvements
- Curb Improvements along portions of William Hilton Parkway Medians
- State Legislative Program: Defend "Home Rule"
- Upgrading to allow Digital Plans Submission for planning and building plans and information
- Paper/Files/Records Reduction
- Property Tax Reconciliation

Program: General Government
 Department: Town Manager



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

Expenditures by Program/Category

Town Manager	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 286,651	\$ 297,858	\$ 356,103	\$ 497,200	\$ 483,204	\$ 704,220	\$ 207,020	41.64%
Operating	82,415	87,398	29,578	36,250	31,000	30,200	(6,050)	-16.69%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 369,066	\$ 385,256	\$ 385,681	\$ 533,450	\$ 514,204	\$ 734,420	\$ 200,970	37.67%
Positions	3.0	3.0	4.0	4.0	4.0	5.0	1.0	25.00%

Program: Administration
Division: Administration/Legal

Mission

To provide administrative leadership, supervision, support and direction to the Finance Department, Human Resources Division, Administrative Services Division, Code Enforcement, and Legal Division. To provide sound legal advice and services to the Town Manager, Town Staff, Town Council, and Boards and Commissions of the Town of Hilton Head Island. Prosecute misdemeanor offenses in Municipal Court. Provide support and assist with the Town's Community Information Initiatives. Provide support and assist with the Town's Special Event Process. Promote Town news and publish Town-related articles in various Island publications. Provide support and assist with the Town's State Legislative Agenda.

Core Services

Administration

Assist Town Manager with Town-wide oversight. Manage Community Information Program to include Mayor/Town Manager correspondence; media relations; promotion of Town news; newsletter publication; magazine articles; speech writing; liaison with Beaufort County Sheriff's Office and Latin Community. Provide assistance with the Town's State Legislative Agenda. Provide assistance with the Town's Special Event Process. Manage Finance Department, Human Resources Division, and Administrative Services Division.

Legal Services

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

2008 Accomplishments

- Oversaw the State's Legislative Agenda and strategies and provided assistance to support the Town's positions on 2007-2008 State Legislation.
- Assisted with the development and implementation of the Town Council Policy Agenda 2007 and Management Agenda 2007.
- Permitted over 40 Special Events on the Island.
- Coordinated the surveillance camera program with the Beaufort County Sheriff's Office.
- Coordinated Town/Coastal Discovery Museum Management Agreement.
- Funded Snow Day, November 24, 2007, in conjunction with tree lighting to promote community spirit and pride.
- Assisted Town Manager with Town staff reorganization.

Program: Administration
 Division: Administration/Legal

2008 Accomplishments (continued)

- Reviewed with Town Public Safety Committee, the Beaufort County Sheriff’s Office Stipend Program and determined its usefulness.
- Completed review of the Procurement Code with an Ordinance amending the Code to increase the efficiency of the Town contracting process.
- The education of residents and guests of Light Ordinance and effect on sea turtles resulted in a reduction of the number of light violations on the beach by approximately 65% this turtle season.
- Began a program of conducting joint jury trials with new Deputy Sheriffs in which the Deputy second-chairs the Prosecutor.
- Drafted an Ordinance banning smoking in the workplace within the Town.

2009 Goals, Objectives, and Performance Measures

Goal 1: To provide competent legal advice and counsel in a timely manner to Town officials and administration.

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

	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>
Average review of contracts within 3 days	66	65	65
Workers compensation compliance	98.0%	98.0%	98.0%

Goal 2: To oversee the State Legislative Agenda and strategies and provide assistance to support the Town’s positions on 2006-2007 State Legislation.

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

	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>
Review and Distribute MASC Legislative Alerts	30	30	30
Draft Committee Agendas and attend meetings	9	9	9
Letters of support or opposition	20	25	25

Program: Administration
 Division: Administration/Legal

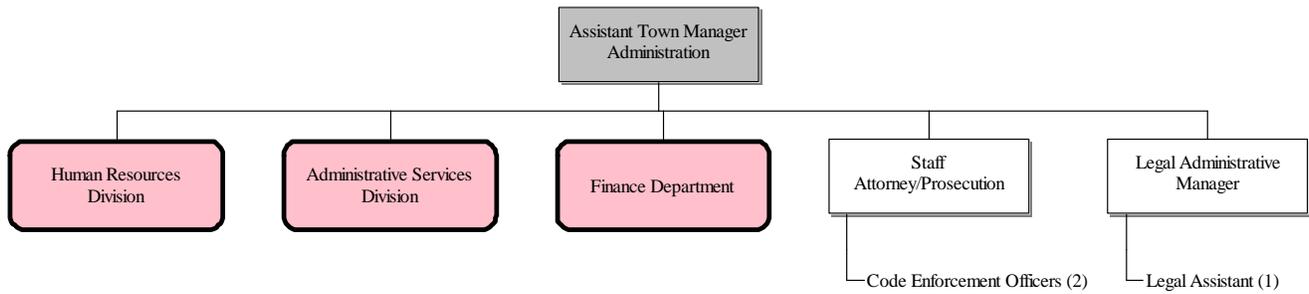
2009 Goals, Objectives, and Performance Measures (continued)

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

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Number of special event applications processed	35	40	45
Number of non-special events reviewed and processed	15	20	20

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



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

Expenditures by Program/Category

Admin./Legal	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ 362,515	\$ 467,333	\$ 502,510	\$ 583,050	\$ 569,459	\$ 407,800	\$ (175,250)	-30.06%
Other	19,569	24,291	25,835	40,070	37,380	37,980	(2,090)	-5.22%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 382,084	\$ 491,624	\$ 528,345	\$ 623,120	\$ 606,839	\$ 445,780	\$ (177,340)	-28.46%
Positions	6.0	6.0	6.0	6.0	6.0	5.0	(1.0)	-16.67%

Program: Administration
 Division: Administrative Services

Mission/Core Services

Administrative Support (Town Clerk)

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

Municipal Court

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

Information Technology

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

2009 Goals, Objectives, and Performance Measures

Goal:

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

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Daily full system backups performed	272	272	272
Number of system failures	0	0	0
System failure recovered within 24 hours	0	0	0

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Respond to critical calls in 1 hour	95%	95%	95%
Help Desk (DP) requests completed:			
Within 30 days	3	3	3
Within 60 Days	0	0	0

Program: Administration
 Division: Administrative Services

2009 Goals, Objectives, and Performance Measures (goals)

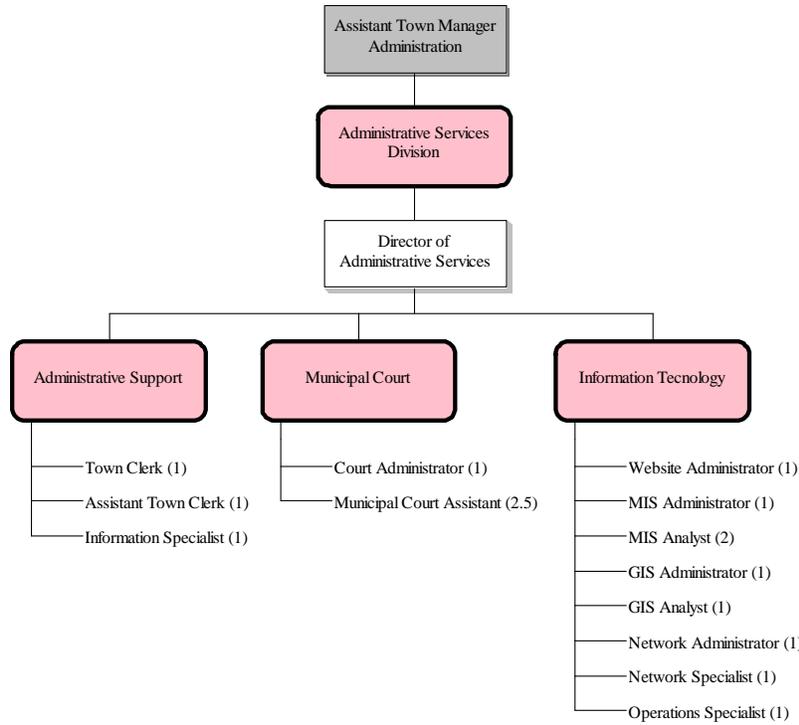
Goal:

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

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Number of cases docketed	9,838	10,030	10,230
Number of cases disposed	8,616	8,780	8,960
Number of search warrants issued	30	30	60
Number of arrest warrants issued	600	612	730
Number of bench warrants issued	1,480	1,510	1,540

Program: Administration
 Division: Administrative Services



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

Expenditures by Program/Category

Admin. Services	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administrative Support	\$ 380,791	\$ 335,266	\$ 339,040	\$ 258,260	\$ 184,928	\$ 217,200	\$ (41,060)	-15.90%
Municipal Court	155,461	224,904	167,370	421,490	405,712	437,190	15,700	3.72%
Information Technology	1,339,436	1,420,296	1,584,301	1,972,302	1,734,919	1,717,320	(254,982)	-12.93%
Total	\$ 1,875,688	\$ 1,980,466	\$ 2,090,711	\$ 2,652,052	\$ 2,325,558	\$ 2,371,710	\$ (280,342)	-10.57%
Summary By Category								
Personnel	\$ 1,159,670	\$ 1,160,055	\$ 1,239,448	\$ 1,352,570	\$ 1,340,520	\$ 1,406,600	\$ 54,030	3.99%
Other	554,937	786,768	687,072	1,013,150	954,790	868,400	(144,750)	-14.29%
Capital Outlay	161,081	33,643	164,191	286,332	30,248	96,710	(189,622)	-66.22%
Total	\$ 1,875,688	\$ 1,980,466	\$ 2,090,711	\$ 2,652,052	\$ 2,325,558	\$ 2,371,710	\$ (280,342)	-10.57%
Positions	17.0	17.5	17.5	17.5	17.5	17.5	-	0.00%

Program: Administration
Division: Human Resources

Mission

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

Core Services

Recruitment and Selection

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

Total Rewards Management

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

Talent Management

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

Employee Relations

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

2008 Accomplishments

- Completed implementation of Classification & Compensation Study to improve overall competitiveness of Town's compensation program
- Implemented contract with Hilton Head Regional Medical Center providing Workers' Compensation care, drug & alcohol testing and required physicals to improve coordination of care, reduce cost and reduce lost work time
- Supported key organization redesign, succession planning and recruitment initiatives, resulting improved quality, reduced cost and increased productivity
- Developed and implemented Employee Wellness Program designed to support improved employee health, reduced absenteeism and increased productivity
- Completed comprehensive review of Policy and Supervisor Manuals, drafted necessary revisions, secured approval and communicated changes to employees
- Supported design and delivery of customer service initiatives designed to reinforce Town Council's adopted customer service standards
- Developed and implemented benefit program enhancements, resolved key issues, expanded benefit education, and facilitated employee self-service initiatives

Program: Administration
 Division: Human Resources

2009 Goals, Objectives, and Performance Measures

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

Objective: Effectively manage recruitment process.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
# of external hires	24	30	27
% of external offers accepted	89.0%	81.0%	85.0%
Time to fill positions (Requisition approval to offer acceptance)	55 days	50 days	55 days
Cost per hire (exc. Staff/HR time)	\$1,490	\$1,500	\$1,600

Objective: Retain employees capable of achieving Town goals.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Overall turnover rate	9.4%	9.0%	10.0%
Voluntary turnover rate	8.2%	8.2%	9.0%
Involuntary turnover rate	1.2%	0.8%	1.0%
First year turnover rate	21.7%	22.7%	23.0%
% of employees who met or exceeded job performance expectations	87.2%	90.0%	90.0%

Goal 2: To offer a competitive total rewards program.

Objective: Maintain competitive compensation and benefit programs.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Merit budget within 1% of national avg.	yes	yes	yes
Turnover due to salary	8.7%	4.5%	4.5%
Benefits as % of salary	33.7%	32.7%	34.7%

Program: Administration
 Division: Human Resources

2009 Goals, Objectives, and Performance Measures (continued)

Goal 3: To support development and maintenance of organizational productivity and employee effectiveness.

Objective: Facilitate effective succession management and organization design process.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
# of promotions and transfers	8	26	10
Internal hire rate	23.5%	42.0%	25.0%
# of positions created/re-evaluated	23	12	10
# of organization redesigns supported	4	5	3

Objective: Provide effective interdepartmental talent development initiatives.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
# of interdepartmental training hours	726	1,000	1,300
# of tuition reimbursements processed	10	12	11
# of certification/degree bonuses given	10	11	10

Objective: Monitor employee wellness and encourage participation in wellness initiatives.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Non-FMLA sick leave use (% work hrs)	2.4%	2.3%	2.3%
# of reported employee injuries	22	23	25
# of lost work days due to injury	26	65	35
% of employees using medical preventive care benefit	23.5	25.0	28.0
% of employees using dental preventive care benefit	39.2	42.0	45.0
% of employees participating in Health Fair	0.0%	37.0%	42.0%

Program: Administration
 Division: Human Resources

2009 Goals, Objectives, and Performance Measures (continued)

Goal 4: To effectively facilitate planning, projects, processes or activities that support supervisors and employees in achieving Town goals.

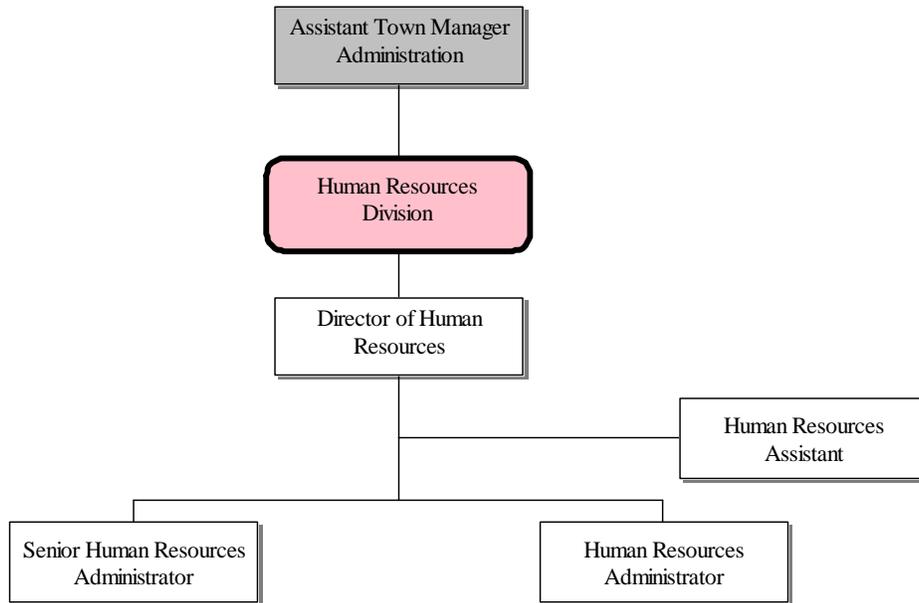
Objective: Maintain positive employee relations.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
# of grievances filed	1	1	1
# of EEO charges filed	0	2	0
# of employment lawsuits filed	0	0	0

Objective: Deliver cost-effective, high quality support.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Ratio of HR FTE's to total FTE's	1:63:75	1:63:75	1:67:75

Program: Administration
 Division: Human Resources



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

Expenditures by Program/Category

Human Resources	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$309,105	\$325,156	\$444,175	\$473,680	\$ 458,505	\$ 479,960	\$ 6,280	1.33%
Operating	212,909	236,403	176,265	196,230	173,890	189,690	(6,540)	-3.33%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$522,014	\$561,559	\$620,440	\$669,910	\$632,395	\$669,650	(\$260)	-0.04%
Positions	4.00	4.00	4.00	4.00	4.00	4.00	-	0.00%

Program: Administration
Department: Finance

Mission

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

The Finance Department's mission incorporates the following principles:

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

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

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

Quality – Achievement and maintenance of a high quality service.

Core Services

Financial Administration

Provide strong financial leadership in all areas of activity undertaken by the Town. 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. Provide oversight in the preparation of the comprehensive annual financial report and budget to ensure compliance with governmental standards, practices and recommendations. Ensure the department is committed to providing the highest quality customer services.

Accounting Services

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

Revenue and Collections

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

Program: Administration
 Department: Finance

2008 Accomplishments

- In conjunction with the Town’s Operations group we completed the implementation of the cash receipting and business licensing and taxation software system for the Revenue and Collections Division.
- Completed the update to the business licensing section of the Town Code.
- Completed the development and implementation of revenue audit procedures associated with revenues collected from businesses for licenses, taxes and other fees.
- In conjunction with the Town’s Operations group we began phasing in the implementation of an electronic time and attendance software system.
- In conjunction with other departments, the Finance Department issued \$22.0 million in bonds to fund projects associated with the Town’s TIF (Tax Increment Financing) District.
- The Town was awarded the Certificate for Achievement in Financial Reporting by the Government Finance Officers Association for the eighteenth year and the Distinguished Budget Presentation Award for the third year.

2009 Goals, Objectives, and Performance Measures

Goal: Maintain strong credit rating of the Town.

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Standard & Poor’s Bond Rating	AA	AA	AA+
Moody’s Investors Bond Rating	Aa ²	Aa ²	Aa ¹
Fitch Bond Rating	AA	AA	AA
Debt percent of Legal Debt Margin without a Referendum	26.0%	26.0%	26.0%
Adequate funds available to fund CIP Projects	100%	100%	100%

Program: Administration
 Department: Finance

2009 Goals, Objectives, and Performance Measures (continued)

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

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

	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Projected</u>	<u>FY 2009</u> <u>Budget</u>
GFOA Certificate of Achievement for Excellence in Financial Reporting (CAFR) received	Yes	Yes	Yes
GFOA Distinguished Budget Presentation Award received	Yes	Yes	Yes

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

	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Projected</u>	<u>FY 2009</u> <u>Budget</u>
Monthly financial reports available within established time frames	10 of 12 months	10 of 12 months	10 of 12 months

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

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

	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Projected</u>	<u>FY 2009</u> <u>Budget</u>
Business license renewals processed	5,001	5,300	5,400
Hospitality tax receipts processed	1,625	1,825	1,850
Bed tax (ATAX/Beach Preservation Fees) receipts processed	1,837	2,037	2,050
Beach passes issued	700	750	750
Miscellaneous receipts processed	1,096	2,000	2,100

Program: Administration
 Department: Finance

2009 Goals, Objectives, and Performance Measures (continued)

Goal: Provide a high level of customer service.

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

	<u>FY 2007 Actual</u>	<u>FY 2008 Projected</u>	<u>FY 2009 Budget</u>
New OOC/OOS business licenses issued within one (1) business day	98%	99%	99%
New home-based business licenses issued within five (5) days	98%	99%	99%
Store front business licenses issued within 15 days	90%	90%	95%

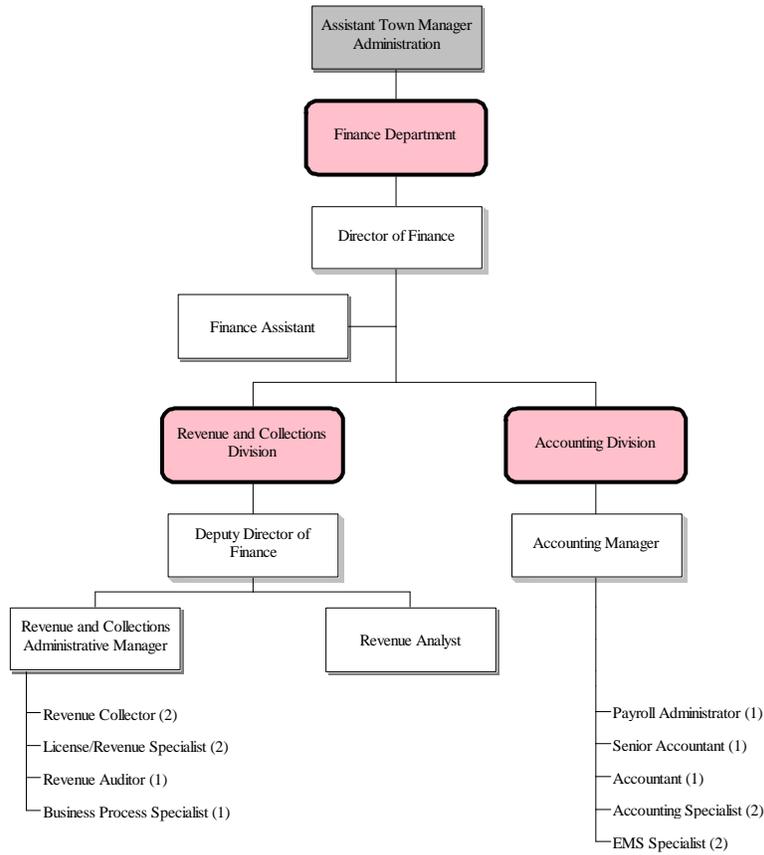
Goal: Ensure business license compliance and enforcement of Town Code.

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

	<u>FY 2007 Actual</u>	<u>FY 2008 Projected</u>	<u>FY 2009 Budget</u>
Business license audits conducted	82	150	250
Business license field inspections conducted*	400	300	1,000

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

Program: Administration
 Department: Finance



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

Expenditures by Program/Category

Finance	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 180,627	\$ 191,086	\$ 115,909	\$ 251,950	\$ 197,472	\$ 235,460	\$ (16,490)	-6.54%
Accounting	513,226	552,290	563,763	625,860	598,401	662,120	36,260	5.79%
Revenue and Collections	376,407	460,836	517,128	625,110	528,235	708,960	83,850	13.41%
Total	\$ 1,070,260	\$ 1,204,212	\$ 1,196,800	\$ 1,502,920	\$ 1,324,108	\$ 1,606,540	\$ 103,620	6.89%
Summary By Category								
Personnel	\$ 974,271	\$ 1,079,443	\$ 1,065,293	\$ 1,318,500	\$ 1,170,587	\$ 1,427,970	\$ 109,470	8.30%
Operating	95,989	124,769	131,507	184,420	153,521	178,570	(5,850)	-3.17%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 1,070,260	\$ 1,204,212	\$ 1,196,800	\$ 1,502,920	\$ 1,324,108	\$ 1,606,540	\$ 103,620	6.89%
Positions	16.0	17.0	17.0	19.0	19.0	19.0	-	0.00%

Program: Community Services
Department: Community Development

Mission

To provide the highest quality planning services for both internal and external customers by: a) insuring the Comprehensive Plan is in accordance with state law and is being implemented; b) providing creative, flexible, fair and consistent administration of development and construction codes, permitting and inspection of structures, while maintaining records and assuring compliance with the provision of the National Flood Insurance Program for our customers; c) insuring a comprehensive and professional direction for the Island's environmental protection and preservation; and d) preserving and enhancing the Island's long-term sustainability.

Core Services

Administration

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

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

Program: Community Services
Department: Community Development

Core Services (continued)

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.

Inspections/Compliance

- 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.
- Conduct seminars for the public pertaining to building code regulations.

Community Development Services

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

2008 Accomplishments

- Created and adopted redevelopment walking districts (CCW & DCW) and floating zones, with regulations to encourage redevelopment of non-conforming uses.
- Repealed the Family Housing Program from the LMO.
- Amended the LMO to limit the length of the runway to its current 4300 feet.
- Worked with County to amend Impact Fees.
- Began construction on Compass Rose Park.
- Began construction of pathway on Mathews Drive and completed relocation of pathway on Pope Avenue.
- Completed an internal audit of the development review and permitting process and initiating recommended improvements to process.
- Received state approval for mandated training program of our boards.
- Revised post-disaster permitting process.
- Received Council conceptual approval for Coligny Beach Park renovation.
- Coordinated with County and Airport Board on required tree removal.

Program: Community Services
Department: Community Development

2008 Accomplishments (continued)

- Continued to acquire land for installation of sewers with CDBG grant.
- Coordinated update to Beach Management Plan with OCRM.
- Coordinated with regional governmental groups on implementation of Southern Beaufort County Regional Plan.
- Received Council adoption of general LMO amendments.
- The South Carolina Department of Natural Resources Flood Mitigation Program has notified the Town of Hilton Head Island that the Town's Floodplain Management Program has been approved to continue as an active participant in good standing with the National Flood Insurance Program. Continued participation in the NFIP ensures uninterrupted flood insurance coverage for the 30,151 policies currently in force in the Town.

2009 Goals and Objectives

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

Objective: Revise the Comprehensive Plan and devise a strategy for draft, review, and adoption by 2009. Revise the sign ordinance section of the Land Management Ordinance.

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

Objective: Assist Beaufort County with the adoption and implementation of the Regional Plan by participating in work groups.

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

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

Goal: Improve and clarify policies on environmental protections.

Objective: Seek direction from Town Council for revisions to policies and devise new policies as needed. Amend the Land Management Ordinance as needed.

Program: Community Services
Department: Community Development

2009 Goals and Objectives (continued)

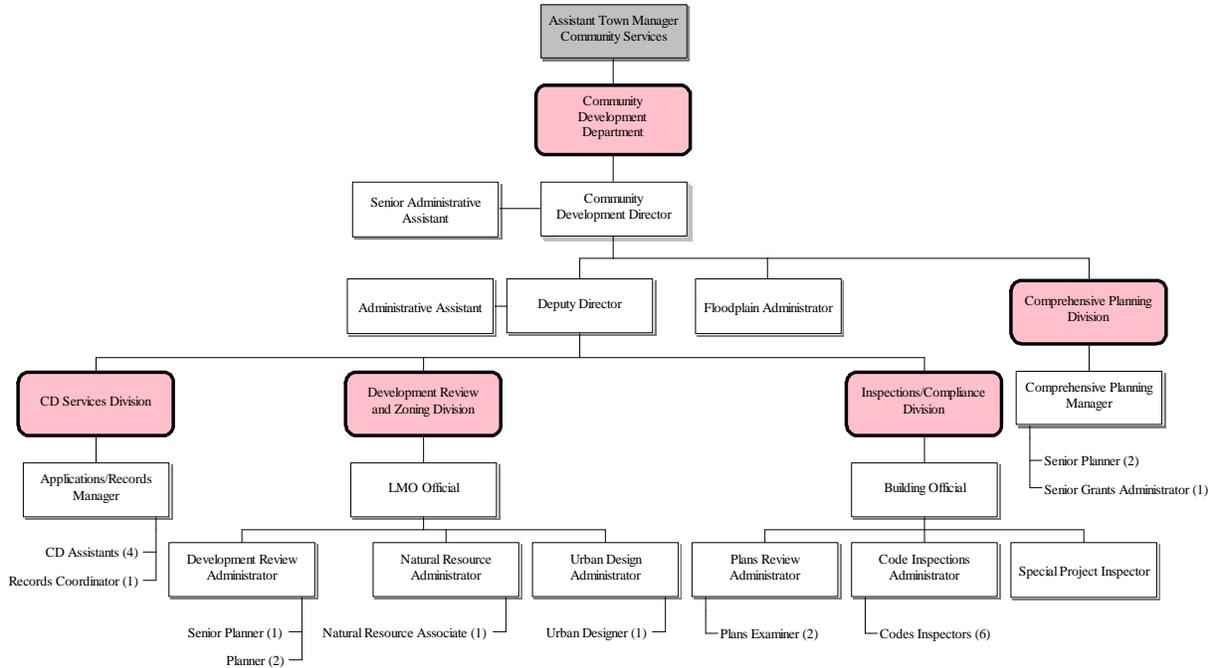
Goal: Protect beachfront from further development encroachment.

Objective: Work with OCRM when they revise location of their base and setback lines, and determine locations needing further local control.

Goal: To evaluate the recommendations of the Matrix Management Report for the development and permitting process and implement those recommendations that will provide efficiency and service to our customers.

Objective: To enhance the level of service while streamlining the process of permitting and inspection.

Program: Community Services
 Department: Community Development



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

Expenditures by Program/Category

Community Development	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 403,463	\$ 369,536	\$ 374,624	\$ 420,560	\$ 416,650	\$ 547,400	\$ 126,840	30.16%
Comprehensive Planning	468,594	516,343	554,181	470,640	464,757	444,010	(26,630)	-5.66%
Development, Review & Zoning	398,666	374,517	379,011	655,450	647,671	835,880	180,430	27.53%
Inspections/Compliance	1,110,155	1,220,376	1,236,651	1,426,050	1,321,072	1,020,360	(405,690)	-28.45%
CD Services	-	-	-	-	-	457,150	457,150	N/A
Natural Resources	100,496	172,501	184,132	205,568	207,738	-	(205,568)	-100.00%
Total	\$ 2,481,374	\$ 2,653,273	\$ 2,728,599	\$ 3,178,268	\$ 3,057,888	\$ 3,304,800	\$ 126,532	3.98%
Summary By Category								
Personnel	\$ 2,282,861	\$ 2,443,142	\$ 2,572,308	\$ 2,915,100	\$ 2,854,428	\$ 2,991,640	\$ 76,540	2.63%
Operating	198,513	210,131	156,291	263,168	203,460	313,160	49,992	19.00%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 2,481,374	\$ 2,653,273	\$ 2,728,599	\$ 3,178,268	\$ 3,057,888	\$ 3,304,800	\$ 126,532	3.98%
Positions	35.0	36.0	36.0	36.0	36.0	36.0	-	0.00%

Program: Community Services
Department: Public Projects and Facilities

Mission

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

Core Services

Administration

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

Engineering Services

Provide general oversight and project management for design and construction of 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.

2008 Accomplishments

ENGINEERING SERVICES

- Completion of the Office Park Road Realignment Project
- Completion of the Pope Avenue Pathway Project
- Completion of the Pope Avenue Pedestrian Bridge Project
- Commencement of the Mathews Drive Rehabilitation Project
- Contract Award Squire Pope/Gumtree Road Roundabout
- Commencement of Port Royal Sound Shoreline Position Study

Program: Community Services
Department: Public Projects and Facilities

2008 Accomplishments (continued)

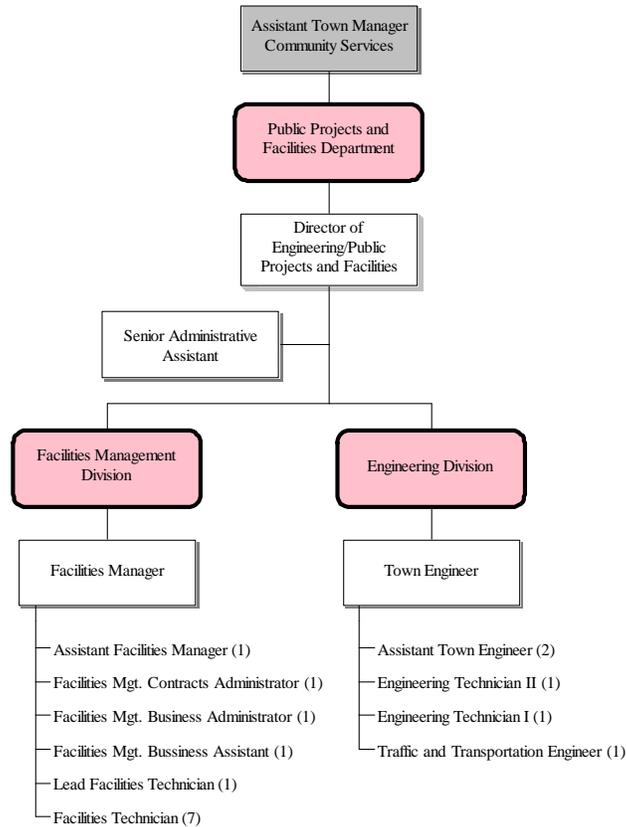
FACILITIES SERVICES

- Replaced boardwalks at all five beach park locations
- Installed dog waste stations at 50 locations
- Performed dune maintenance by installing six plus miles of sand fence and installed dune enhancing plants
- Demolished multiple structures at Ashmore tract and Spanish Wells Road
- Maintained 54 miles of pathway
- Renovated plant material in multiple William Hilton Parkway median locations
- Maintained William Hilton Parkway, Cross Island, North Island, Mid Island, and seven beach parks

2009 Objectives

- Ensure plan development, engineering design and construction management of the Capital Improvements Program (CIP) projects. Provide technical assistance to all CIP project managers.
- Ensure effective and environmentally sensitive design of Facilities Management projects using “best management practices.” Refine and implement the long-term maintenance program for the Town’s infrastructure including cost allocation and fee structure.
- Execute a comprehensive in house inspection and maintenance program for Town owned properties and facilities utilizing the VFA and iMaint automated maintenance programs.
- Provide project management for the construction of a new Facilities Management building and shop.
- Ensure effective and environmentally sensitive design of stormwater management using “best management practices.” Refine and implement the long-term maintenance program for the Town’s stormwater management infrastructure including cost allocation and fee structure.
- Provide staff support for the implementation of Initiative Area Master Plans including the Coligny Beach Redevelopment, the Dunnagan’s Alley Revitalization, implementation of the Sewer Plan, Disaster Recovery Strategies and implementation of the Shoreline Management Plan and policies.

Program: Community Services
 Department: Public Projects and Facilities



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

Expenditures by Program/Category

Public Projects & Facilities	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Program Summary								
Administration	\$ 207,375	\$ 219,629	\$ 233,245	\$ 265,810	\$ 249,201	\$ 237,760	\$ (28,050)	-10.55%
Engineering	603,065	631,346	717,222	769,830	623,938	798,220	28,390	3.69%
Facilities Management	1,656,994	1,828,771	2,092,453	2,613,860	2,512,158	2,724,560	110,700	4.24%
Total	\$ 2,467,434	\$ 2,679,746	\$ 3,042,920	\$ 3,649,500	\$ 3,385,297	\$ 3,760,540	\$ 111,040	3.04%
Summary By Category								
Personnel	\$ 1,309,593	\$ 1,393,908	\$ 1,408,918	\$ 1,751,870	\$ 1,502,807	\$ 1,731,310	\$ (20,560)	-1.17%
Operating	1,157,841	1,285,838	1,634,002	1,897,630	1,873,680	2,029,230	131,600	6.93%
Capital Outlay	-	-	-	-	8,810	-	-	N/A
Total	\$ 2,467,434	\$ 2,679,746	\$ 3,042,920	\$ 3,649,500	\$ 3,385,297	\$ 3,760,540	\$ 111,040	3.04%
Positions	19.0	19.0	20.0	21.0	21.0	21.0	-	0.00%

Program: Public Safety
Department: Fire and Rescue

Mission

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

Core Services

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

2008 Accomplishments

1. Provided and completed hurricane protection and upgrade to Stations 3, 4 and 7, along with training in the proper deployment of hurricane screening and shutter systems.
2. Underwent smooth management change involving the promotions of 1 Fire Chief, 1 Deputy Chief, 3 Battalion Chiefs, 4 Captains, 4 Lieutenants, and hired an addition part-time administrative assistant and a Public Safety System Analysis.
3. Maintained a 98% overall satisfaction rating from citizens receiving Fire & Rescue service.
4. July 1, 2007 through December 31, 2007 totals for EMS forms completed equal 2,149 forms processed with a 3% error rate.
5. The Household Hazardous Materials Roundup is on track and schedule to take place on April 5 2007. Expectations are that this collection will collect approximately 50,000 pounds for the 4th year in a row.
6. Completed submission and subsequent peer review with the International Accreditation program and received reaccreditation for another five years.

Program: Public Safety
 Department: Fire and Rescue

2008 Accomplishments (continued)

7. Over the course of the last year more than doubled the number of child safety seats inspected and installed; continued our partnership with Lowe’s distributing carbon monoxide detectors; and added additional programs to include the diverse population on the island with the Boys & Girls Club and the Latin American Council.

8. Purchased and are implementing a mobile fire and life safety inspections program to provide more consistent fire prevention inspections while at the same time reducing the paperwork processes for the fire inspectors resulting in more inspections.

2009 Goals, Objectives, and Performance Measures

BUREAU OF FIRE PREVENTION

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

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

	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>
Public Education Presentations <small>(Above includes Company Pub Ed taught, Company public events, Risk Watch, Station Tours and Public Ed Officer Pub Ed taught)</small>	459	500	500
CPR/AED/First Aid Students	371	500*	400
File of Life Recipients	2,650	2,680	2,680
Fire safety inspections and re-inspections	2,127	2,300	2,300
Self inspections	538	1,000	1,000
Planning project reviews & inspections	250	240	240
Fire cause/origin investigations	25	28	25

*This number is greater due to the Town Safety Program – certification is for two years

Program: Public Safety
 Department: Fire and Rescue

2009 Goals, Objectives, and Performance Measures (continued)

COMMUNICATIONS

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

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Total telephone requests received:			
7-digit call for service line	4,107	4,000	4,100
911 calls for service line	22,291	22,000	23,200
Dispatch Administration	46,834	49,112	50,000
Dispatch other business	<u>96</u>	<u>100</u>	<u>100</u>
TOTAL	73,328	75,212	77,400

EMERGENCY MANAGEMENT

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

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Annual exercise	5	2	5
Exercise/Course Hurricane Program attendees	20	80	25
Disaster Preparedness Presentations	27	25	30
Presentations/Disaster Training attendees	2,400	700	2,500

Program: Public Safety
 Department: Fire and Rescue

2009 Goals, Objectives, and Performance Measures (continued)

LOGISTICS AND MAINTENANCE

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

Objectives:

1. Advanced i-Maint training to improve the tracking, repairs and inventory of all Town of Hilton Head Island vehicles and equipment.
2. Receive delivery of 10 new pumpers from contracted dealer, inspect and transfer equipment within a 3-6 day of delivery and place in service in a timely manner.

OPERATIONS

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

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

	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Projected</u>	<u>Budget</u>
Emergency medical service responses	3,980	4,100	4,200
EMS patient transports	2,820	2,950	3,100
Fire suppression and other responses	2,181	2,300	2,300
Actual number of fires	161	150	150
Incident response time (Percent < or = 5min)	82%	90%	90%
Minimum average daily staffing level	29	29	32

Program: Public Safety
 Department: Fire and Rescue

2009 Goals, Objectives, and Performance Measures (continued)

SUPPORT SERVICES

Goal: Maintain accurate and up-to-date EMS records; provide accurate address data for the 911 dispatching system; Maintain state of the art CAD and computer technology to ensure timely and accurate emergency response. Provide a means for reducing environmental damage due to the uncontrolled release of hazardous materials. Provide security access systems for the new fire stations. Establish 3-year plan to replace worn and damage fire fighter protective clothing.

Objective: Implement an electronic EMS data collection system; correct existing and issue new addresses. Upgrade and maintain critical public safety computer systems on 24/7- 365 days a year time frame; and conduct two Household Hazardous Waste Round-Ups and one Electronic Waste Collection event. Install the card access system at fire station # 4. Provide fire fighters with protective garments that meet industry standards.

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
EMS forms completed	4,440	4,706	4,300
New addresses created	200	400	400
Existing addresses corrected	150	375	375
Pounds of hazardous materials collected	62,025	63,000	112,000
FF Protective Clothing Sets	35	35	35
Security Card Access	1	1	0

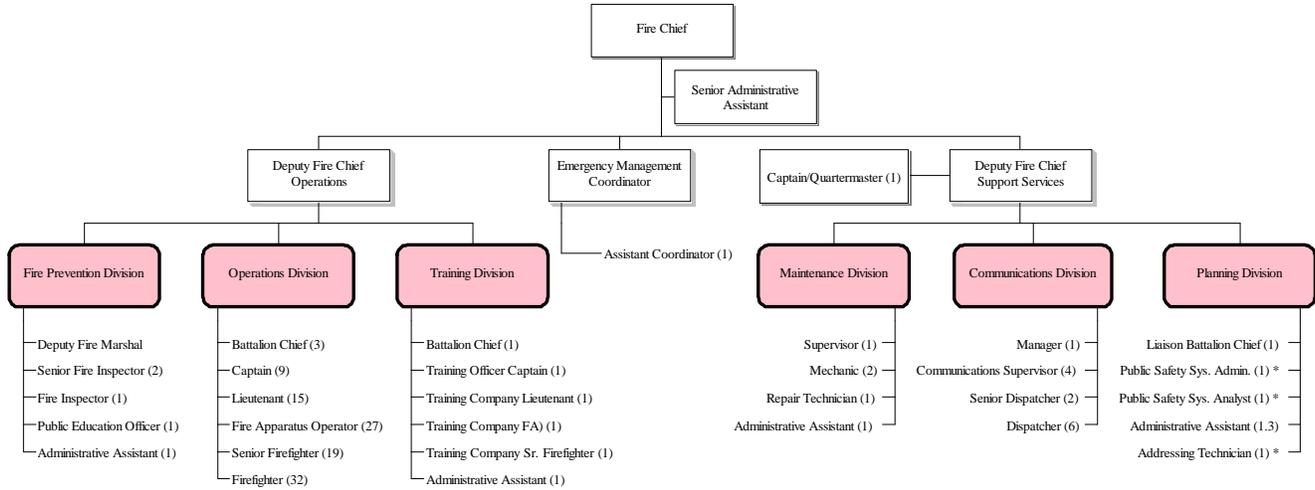
TRAINING

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

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

	FY 2007 <u>Actual</u>	FY 2008 <u>Projected</u>	FY 2009 <u>Budget</u>
Total hours of Management and Leadership Programs	1,422	1,700	1,800
Total hours of in-service and technical training	31,769	32,000	32,000

Program: Public Safety
 Department: Fire and Rescue



* These positions are partially funded through Beaufort County.

Expenditures by Program/Category

Fire and Rescue	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Program Summary								
Administration	\$ 922,039	\$ 1,149,807	\$ 995,780	\$ 845,296	\$ 612,616	\$ 844,830	(466)	-0.06%
Support Services	2,187,255	2,045,078	2,574,925	3,092,871	2,818,580	3,175,280	82,409	2.66%
Operations	8,613,935	9,241,983	9,256,214	10,261,080	9,832,001	10,613,790	352,710	3.44%
Total	\$ 11,723,229	\$ 12,436,868	\$ 12,826,919	\$ 14,199,247	\$ 13,263,197	\$ 14,633,900	\$ 434,653	3.06%
Summary By Category								
Personnel	\$ 9,900,116	\$ 10,546,054	\$ 10,677,319	\$ 12,052,080	\$ 11,215,519	\$ 12,366,390	314,310	2.61%
Operating	1,517,385	1,747,598	2,032,135	2,009,721	1,937,633	2,096,010	86,289	4.29%
Capital Outlay/Debt	305,728	143,216	117,465	137,446	110,045	171,500	34,054	24.78%
Total	\$ 11,723,229	\$ 12,436,868	\$ 12,826,919	\$ 14,199,247	\$ 13,263,197	\$ 14,633,900	\$ 434,653	3.06%
Positions	144.0	144.8	147.3	147.6	147.6	147.6	-	0.00%

Program: Public Safety
Department: Police

Mission

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

Core Services

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

Ancillary Services

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

Basic Law Enforcement Services

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

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

Program: Public Safety
 Department: Police

Basic Law Enforcement Services (continued)

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

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

Expenditures by Program/Category

Police	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Summary By Category								
Personnel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	N/A
Operating	2,349,355	2,466,499	2,718,766	3,014,091	3,008,830	3,171,880	157,789	5.24%
Capital Outlay	-	-	-	-	-	-	-	N/A
Total	\$ 2,349,355	\$ 2,466,499	\$ 2,718,766	\$ 3,014,091	\$ 3,008,830	\$ 3,171,880	\$ 157,789	5.24%
Expenditure Detail								
Police Service Contract	\$ 2,028,082	\$ 2,129,638	\$ 2,389,038	\$ 2,662,881	\$ 2,657,620	\$ 2,776,540	\$ 113,659	4.27%
Shore Enterprises	120,721	121,150	170,561	146,690	146,690	179,040	32,350	22.05%
Victims' Services	48,600	47,352	51,220	53,320	53,320	57,540	4,220	7.91%
Stipend	151,952	168,359	107,947	151,200	151,200	158,760	7,560	5.00%
Total	\$ 2,349,355	\$ 2,466,499	\$ 2,718,766	\$ 3,014,091	\$ 3,008,830	\$ 3,171,880	\$ 157,789	5.24%
Positions*	-	-	-	-	-	-	-	N/A

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

Townwide

Expenditures by Program/Category

Non-Departmental (Townwide)	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2008 Estimate	FY 2009 Budget	Budget \$ Change	Budget % Change
Expenditures:								
Summary By Category								
Operating								
Post Employment	\$ 14,601	\$ 4,528	\$ 6,860	\$ 15,000	\$ 1,304	\$ 15,000	\$ -	0.00%
Retiree Medical	306	288	297	300	336	300	-	0.00%
COBRA	102	204	141	300	168	300	-	0.00%
Vacancy Factor	-	-	-	-	-	(500,000)	(500,000)	N/A
Compensation study adjustment	-	-	-	-	-	170,000	170,000	N/A
Palmetto Pass	-	-	-	-	-	13,080	13,080	N/A
Travel	-	-	-	-	146	-	-	N/A
Photocopying	8,480	9,078	8,186	9,000	12,014	13,000	4,000	44.44%
Courier	14,607	14,330	17,258	19,800	17,540	17,890	(1,910)	-9.65%
Insurance	228,178	230,435	264,500	304,030	304,030	317,260	13,230	4.35%
Telephone	139,040	153,394	156,253	168,000	168,000	170,000	2,000	1.19%
Cell Phones	27,448	29,432	35,840	37,000	37,000	38,000	1,000	2.70%
Electricity	82,818	90,495	98,361	88,140	100,000	102,000	13,860	15.72%
Utilities	13,054	27,545	35,979	30,900	41,000	43,000	12,100	39.16%
Postage	31,760	31,235	33,103	44,290	35,089	37,200	(7,090)	-16.01%
Equipment Maintenance	39,711	3,541	5,259	4,000	4,000	5,000	1,000	25.00%
Lease Payments	3,534	43,690	33,819	48,200	48,200	51,880	3,680	7.63%
Furniture/Fixtures < \$5,000	-	9,706	2,412	10,000	5,000	5,000	(5,000)	-50.00%
Security Cameras	-	-	-	99,115	98,450	-	(99,115)	-100.00%
Operating Supplies	-	388	4,438	68,000	63,010	38,000	(30,000)	-44.12%
Fuel	-	-	-	-	-	157,200	157,200	N/A
General Contingency	114,780	48,983	18,544	50,000	27,022	50,000	-	0.00%
Total Operating	\$ 718,419	\$ 697,272	\$ 721,250	\$ 996,075	\$ 962,309	\$ 744,110	\$ (251,965)	-25.30%
Capital Outlay								
Furniture/Fixtures ≥ \$5,000	\$ 6,780	\$ -	\$ 1,363	\$ -	\$ -	\$ -	\$ -	N/A
Total Capital Outlay	\$ 6,780	\$ -	\$ 1,363	\$ -	\$ -	\$ -	\$ -	N/A
Grants								
Recreation Center	\$ 570,240	\$ 570,240	\$ 597,740	\$ 642,940	\$ 642,940	\$ 642,940	\$ -	0.00%
Recreation Center - Capital	46,185	56,898	74,726	87,600	87,600	120,400	32,800	37.44%
Coastal Discovery Museum	-	-	-	75,000	75,000	85,000	10,000	13.33%
Low Country Recycling	993	-	-	-	-	-	-	N/A
Low Country (Truck Expense)	324	-	-	-	-	-	-	N/A
Disaster Advertising Reserve	13,855	-	-	219,500	34,150	221,060	1,560	0.71%
Hospitality Promotion	90,018	69,694	91,757	114,700	98,252	114,800	100	0.09%
Beaufort HAZMAT	37,938	4,820	11,283	5,000	-	-	(5,000)	-100.00%
DEHC Grant	-	-	6,960	-	-	-	-	N/A
LRTA Grant	110,000	125,000	175,000	175,000	175,000	175,000	-	0.00%
USAR - RRT Grant	-	66,481	14,635	-	-	-	-	N/A
Drug Court	38,430	43,560	43,560	48,500	48,500	50,500	2,000	4.12%
Youth Court Program	-	-	-	15,000	-	-	(15,000)	-100.00%
FEMA Grant	41,692	-	64	-	-	-	-	N/A
LEPC/BC	-	30,441	7,171	-	1,843	-	-	N/A
Total Grants	\$ 949,675	\$ 967,134	\$ 1,022,896	\$ 1,383,240	\$ 1,163,285	\$ 1,409,700	\$ 26,460	1.91%

General Fund Three-Year Financial Model

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

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

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

Revenue Assumptions

- Property taxes – FY 2010 increase of 6.5% (1.5% growth/5.0% reassessment), FY 2011-2012 increase of 1.5%
- Local ATAX public safety – increased by 1.4% per year
- Business license fees – .5% in FY 2010, 1.0% in FY 2011, and 1.5% in FY 2012
- Franchise fees – increased by 1.7% per year
- Permit fees – .5% in FY 2010, and 1.0% in FYs 2011 and 2012
- Intergovernmental – growth rate of 6.0% per year
- Grants – FY 2010-2014 same revenue amount as FY 2009 Budget
- Miscellaneous – FY 2010-2014 same revenue amount as FY 2009 Budget
- Transfers in
 1. Accommodations Tax (State) – increased by 5.0% per year
 2. Beach Preservation Fee – increased by 5.0% per year
 3. Electric Franchise Fees – increased by 4.5% per year (project management fee increased by percentage used for merit increases)
 4. Hospitality Tax – increased by 5.0% per year
 5. Stormwater Utility Fee – solid waste roundup \$128,090, FY 2010-2014; project management fee increased by 4.5%, FY 2010-2014 (project management fee increased by percentage used for merit increases)
 6. TIF – increased by 4.5% per year (project management fee increased by percentage used for merit increases)
- Investments – FY 2010-2014 estimated to be 3% of previous year's fund balance

Expenditure Assumptions

Personnel Expenditures

- No new staffing additions are planned; Currently established positions will retain the same salary grade in future years
- Increase in salaries – 4.5% increase per year
- Salary range adjustments – 3.0% per year
- VantageCare – 10% increase year over year
- Medical, life and disability insurance - 5.0% increase per year
- Workers' Compensation -5.0% increase per year

Operating Expenditures

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

**THE TOWN OF HILTON HEAD ISLAND
REVENUE AND EXPENDITURE ANALYSIS - GENERAL FUND; HISTORICAL SUMMARY AND THREE YEAR PLAN**

	Fiscal Year Ending June 30												
	Actual						2008		2009		Projected		
	2000	2001	2002	2003	2004	2005	2006	2007	Est. Actual	Budget	2010	2011	2012
REVENUES													
Property Taxes	\$ 8,203,954	\$ 8,528,034	\$ 8,683,555	\$ 9,265,943	\$ 10,366,446	\$ 11,833,517	\$ 9,729,367	\$ 9,940,043	\$ 10,170,620	\$ 10,622,550	\$ 11,313,016	\$ 11,482,711	\$ 11,829,776
Local AT&X Public Safety	1,813,319	1,804,561	1,802,547	1,728,707	1,860,744	1,991,048	2,223,657	2,207,972	2,238,240	2,269,580	2,301,354	2,333,573	2,366,243
Business Licenses	4,718,642	5,822,545	5,531,600	5,679,122	6,218,082	6,689,663	7,723,373	7,668,657	7,670,000	7,650,000	7,688,250	7,765,133	7,881,609
Franchise Fees	322,852	335,692	379,318	535,421	504,298	571,933	590,577	592,441	602,100	613,200	623,624	634,226	645,008
Permit Fees	1,389,102	1,434,087	1,425,010	1,114,997	1,256,954	1,663,283	1,890,293	1,353,573	1,318,198	1,321,000	1,327,605	1,340,881	1,354,290
Intergovernmental Revenue	797,247	851,870	893,049	872,768	880,365	916,929	928,121	1,000,434	1,081,370	1,167,880	1,237,953	1,312,230	1,390,964
Grants/Donations	297,541	60,673	143,277	225,967	185,656	155,067	347,325	139,985	216,981	273,900	273,900	273,900	273,900
Miscellaneous Revenue	1,895,707	1,733,894	1,591,528	1,741,189	1,908,971	1,854,997	2,309,985	2,288,460	2,058,035	2,095,000	2,095,000	2,095,000	2,095,000
Transfers In	1,378,973	1,503,556	1,543,252	2,000,378	1,883,830	-	-	-	-	-	-	-	-
AT&X - State	-	-	-	-	-	932,861	982,283	1,091,939	1,268,176	1,361,930	1,430,027	1,501,528	1,576,604
Beach Preservation Fee	-	-	-	-	-	738,680	775,610	855,360	895,850	1,427,340	1,498,707	1,573,642	1,652,324
Electric Franchise Fee	-	-	-	-	-	7,634	53,010	64,616	67,260	70,440	73,610	76,922	80,384
Hospitality Tax	-	-	-	-	-	1,271,408	2,042,028	1,672,160	2,036,100	2,460,960	2,584,008	2,713,208	2,848,869
Stormwater Utility	-	-	-	-	-	210,200	264,500	224,020	227,560	303,830	304,538	312,802	321,438
TIF	-	-	-	-	-	-	-	219,210	228,410	226,260	236,442	247,082	258,200
Investments	266,229	304,831	207,287	100,582	91,673	135,853	488,747	651,586	523,636	500,000	463,591	436,028	381,763
TOTAL REVENUES	21,083,566	22,379,743	22,200,423	23,265,074	25,157,019	28,973,073	30,348,876	29,970,456	30,602,536	32,363,870	33,451,624	34,098,867	34,956,373
EXPENDITURES													
General Government													
Town Council	207,728	293,456	293,578	243,067	265,811	342,132	448,532	354,811	368,558	403,970	407,620	455,470	459,820
Town Manager	283,655	254,561	329,493	337,133	353,413	369,066	385,256	385,681	514,204	734,420	767,710	802,957	837,882
Administration													
Admin./Legal	2,131,380	2,301,173	2,388,714	2,526,435	2,698,178	2,779,788	3,033,649	3,239,496	3,564,793	3,487,140	3,624,802	3,854,645	3,933,371
Finance	756,703	820,244	963,319	976,178	1,032,641	1,070,260	1,204,212	1,196,800	1,324,108	1,606,540	1,653,234	1,721,035	1,791,890
Community Services													
Community Development	2,129,436	2,077,917	2,104,150	2,259,486	2,341,354	2,481,374	2,653,273	2,728,599	3,057,888	3,304,800	3,375,488	3,523,516	3,678,247
Public Projects and Facilities	1,921,431	2,116,755	2,181,747	2,191,772	2,307,710	2,467,434	2,679,746	3,042,920	3,385,297	3,760,540	3,888,026	4,051,537	4,150,951
Public Safety													
Fire and Rescue	9,206,015	9,055,831	9,716,706	10,326,854	10,644,272	11,625,507	12,366,224	12,756,269	13,263,197	14,633,900	15,164,138	15,823,751	16,512,935
Sheriff/Other Public Safety	1,983,374	2,259,941	2,155,111	2,178,340	2,329,437	2,349,354	2,466,499	2,718,766	3,008,830	3,171,880	3,318,546	3,484,473	3,658,697
Debt Service	88,486	97,722	97,722	97,722	97,722	97,723	70,650	70,650	70,649	-	-	-	-
Townwide	1,701,490	1,535,548	1,571,511	1,748,705	2,776,227	1,674,875	1,664,406	1,745,509	2,125,594	2,153,810	2,170,812	2,190,311	2,210,478
TOTAL EXPENDITURES	20,409,698	20,813,148	21,801,851	22,885,692	24,846,765	25,257,513	26,972,447	28,239,501	30,683,118	33,257,000	34,370,376	35,907,695	37,234,271
EXCESS OF REVENUES OVER EXPENDITURES	\$ 673,868	\$ 1,566,595	\$ 398,572	\$ 379,382	\$ 310,254	\$ 3,715,560	\$ 3,376,429	\$ 1,730,955	\$ (80,583)	\$ (893,130)	\$ (918,752)	\$ (1,808,828)	\$ (2,277,898)
Fund Balance July 1	\$ 4,275,121	\$ 4,948,989	\$ 6,515,584	\$ 6,914,156	\$ 7,293,538	\$ 7,603,792	\$ 11,319,352	\$ 14,695,781	\$ 16,426,736	\$ 16,346,154	\$ 15,453,024	\$ 14,534,272	\$ 12,725,444
Fund Balance June 30	\$ 4,948,989	\$ 6,515,584	\$ 6,914,156	\$ 7,293,538	\$ 7,603,792	\$ 11,319,352	\$ 14,695,781	\$ 16,426,736	\$ 16,346,154	\$ 15,453,024	\$ 14,534,272	\$ 12,725,444	\$ 10,447,546





Capital Projects Fund

Capital Projects Fund (CIP)

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

In accordance with State law, the proposed CIP for FY 2009 was developed by staff for review and recommendation of the full Planning Commission. The pathways and parks section was also reviewed by the Parks & Recreation Commission. The Planning Commission annually recommends the proposed CIP to Town Council for adoption during their CIP Budget Workshop in May.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. In addition, a ten-year capital plan is included that identifies anticipated capital expenditures with funding sources to be determined. The CIP is based on a variety of sources. Sources are Town Council's Policy and Management Agendas 2008 which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2004 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Town-Wide Drainage Plan; the Fire & Rescue Master Plan, the recently approved Recreation Element; the adopted County-wide All Hazard Mitigation Plan, the Comprehensive Emergency Management Plan which will be updated as a part of the Disaster Recovery Commission's work program; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and a recently initiated Space Needs Study of all Town facilities and properties to include Town Hall, all parks, Fire and Rescue stations and town-wide infrastructure.

Revenues

Previously, Town Council directed that we "minimize reliance on property tax while expanding alternative revenue sources." The CIP continues to be an excellent example of that approach. It consistently reduces reliance on ad valorem property taxes and shares the costs of infrastructure requirements with the beneficiaries. The CIP may incorporate as many as 22 different funding sources; a brief description of some of those sources is provided below.

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

Revenues (continued)

2. **Fund Balance** which is un-obligated and obligated monies that are rolled over from previously approved, but incomplete, projects.
3. **New Fiscal Year Taxes** are ad valorem property taxes collected during the next fiscal year. The amount dedicated to the CIP is .85 mils and will generate approximately \$703,100 during this fiscal year.
4. **Sunday Liquor Sales Permit Fee** that are derived from the sale of permits to sell alcohol on Sunday. These fees are rebates from the State and are expected to generate approximately \$270,000.
5. **Stormwater Utility (SWU) Fee** that are derived from the Stormwater Utility. The Utility collects approximately \$1.4 million from the Town. The Town also provides 5% (\$70,000) to the Utility for administrative overhead. The Utility returns the entire \$1.6 million of fees (minus the administrative over-head), which the Town uses for drainage infrastructure maintenance and debt service of a \$17 million SWU Revenue Bond.
6. **County Contributions** such as bond issues for CIP projects. There are no County contributions budgeted for the upcoming fiscal year.
7. **Developer Contributions**
There are no developer contributions budgeted for the upcoming fiscal year.
8. **Donations** \$310,000 has been contributed for the construction of the Fire and Rescue training facility and is programmed in the FY 2009 budget.
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 Aa¹, Standard & Poor's AA+, and Fitch AA.
10. **Revenue Bonds** are supported by fees or special assessments and differ from General Obligation Bonds in that they do not pledge the full faith and credit of the Town. Likewise, they do not count against the Town's debt limit cap of 8% of assessed value. Sufficient rates must be maintained to support the bond debt service requirements. Council authorized issuance of a \$17 million bond for island-wide drainage projects (stormwater utility fees), \$10 million bond for public safety projects (hospitality taxes), a \$19 million bond for the beach renourishment project (beach preservation fees), and a \$22 million bond for Tax Increment Financing (T.I.F.) projects.
11. **Grants** such as the two PARD grants for park upgrades (\$45,000) and a SCDOT enhancement grant for pathways (\$200,000) that are programmed in the FY 2009 budget.
12. **Accommodation Tax (ATAX)** grants that are derived from a State mandated two-percent tax on short-term rentals, hotels and motel accommodations. After the State applies a "Robin Hood" provision, they return approximately \$3.1 million per year to the Town. The CIP has been awarded \$30,000 for tourist-related projects.

Revenues (continued)

13. **Beach Preservation Fee** are derived from an additional two percent (2%) Local Accommodations Tax levied by Town Council. This source provides approximately \$4.0 million each year that is dedicated to beach renourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities. Some of which is used to pay debt service on a \$19 million bond for the beach renourishment project.
14. **Hospitality Tax** which is a two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses for on-premise consumption of alcoholic beverages, beer or wine. This source generates approximately \$5.2 million annually. Some of which is used to pay debt service on a \$10 million bond for public safety projects.
15. **Tax Increment Financing (TIF)** in which funds derive from increased assessed value above the baseline assessment when the TIF District was established. These funds may be used for public projects within the District. TIF generates approximately \$4.0 million annually.
16. **Palmetto Electric Franchise Fee** in which funds derive from the Town's negotiated franchise fee with Palmetto Electric Coop. These funds are committed to power line burials and hook ups which are estimated to cost approximately \$30 million over 15 years. The fee generates approximately \$2.3 million annually. **Projects associated with this funding source are expended from a different fund and therefore are not reflected as part of the Town's CIP program.**
17. **Real Estate Transfer Fee** which is .25 of 1% on each real estate transaction in the Town. It generates approximately \$3.6 million each year that is dedicated to the Land Acquisition Program and its debt service.
18. **C-Funds** are derived from State taxes on gasoline which may be obtained via the County Transportation Committee (CTC) for special projects.
19. **SCDOT State Matching Funds** are derived from the Department of Transportation's "State Matching Program" which entails the resurfacing of state roads via a local one-for-one match.
20. **Lease Fund** is derived from lease payments on Town-owned property. As the Town has acquired properties, some have existing leases that the Town chooses to honor until their expiration. Approximately \$69,000 derived from those leases has been assigned to pay for maintenance and clean up of Town property.
21. **In Lieu of Open Space** is derived from developers in accordance with the LMO open space requirements.
22. **Capital Sales Tax** will be used to fund Town road improvements. The SCDOT road resurfacing project will be managed by the State. The County will reimburse SCDOT directly and the funds will not run through the Town's Capital Projects Fund.

Revenues (continued)

Implementation of the Fiscal Year 2009 CIP will require about \$30.7 million during the fiscal year. The chart below reflects a comparison of the major budgeted revenue sources for FY 2008 and FY 2009:

Revenue Source	FY 2008 Budget	FY 2009 Budget	\$ Change	% Change
Property Taxes	\$ 756,783	\$ 703,100	\$ (53,683)	-7.09%
Capital Sales Tax	2,400,000	-	(2,400,000)	-100.00%
Grants	615,000	715,000	100,000	16.26%
Beaufort County	382,970	-	(382,970)	-100.00%
Hospitality Tax	2,772,847	-	(2,772,847)	-100.00%
Hospitality Tax Bonds	3,828,156	2,960,000	(868,156)	-22.68%
Stormwater Utility Bonds	549,290	590,000	40,710	7.41%
TIF Bonds	15,762,213	6,103,260	(9,658,953)	-61.28%
Funds from Prior Years (Fund Balance)	289,594	570,900	281,306	97.14%
Transfers In:				
TIF	5,595,161	679,740	(4,915,421)	-87.85%
Hospitality Tax	-	5,545,000	5,545,000	N/A
Beach Preservation Fee	2,470,490	3,466,000	995,510	40.30%
Stormwater Fee	-	985,000	985,000	N/A
Palmetto Electric	2,282,000	-	(2,282,000)	-100.00%

Expenditures

In the **Pathways** category, there are 21 projects programmed during the next ten years. Of those 21 projects, 7 are funded for approximately \$2.5 million in FY 2009. Funded projects may involve land acquisition, legal work, design, concept and survey, and/or construction.

In the **Drainage Improvements** category, there are 5 projects including a drainage study update programmed during the next ten years; 4 projects are funded for approximately \$2.3 million in FY 2009; and all involve construction or repairs.

In the category of **Roadway Improvements**, there are 28 projects programmed during the next ten years; 13 of them are funded for approximately \$5.0 million in FY 2009.

In the category of **Park Development**, 23 projects are programmed during the next ten years, 2 projects are funded for approximately \$1.8 million in FY 2009.

In the **Existing Facilities/Infrastructure** category, there are 12 projects programmed during the next ten years, 8 projects are funded for approximately \$7.6 million in FY 2009.

In the **New Facilities/Infrastructure** category, there are 11 projects programmed during the next ten years, 5 projects are funded for approximately \$1.2 million in FY 2009.

Expenditures (continued)

In the **Beach Maintenance** category, there are 6 projects programmed during the next ten years. Of this, 5 projects including the ongoing beach management and monitoring program are funded for approximately \$2.0 million in FY 2009.

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

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

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

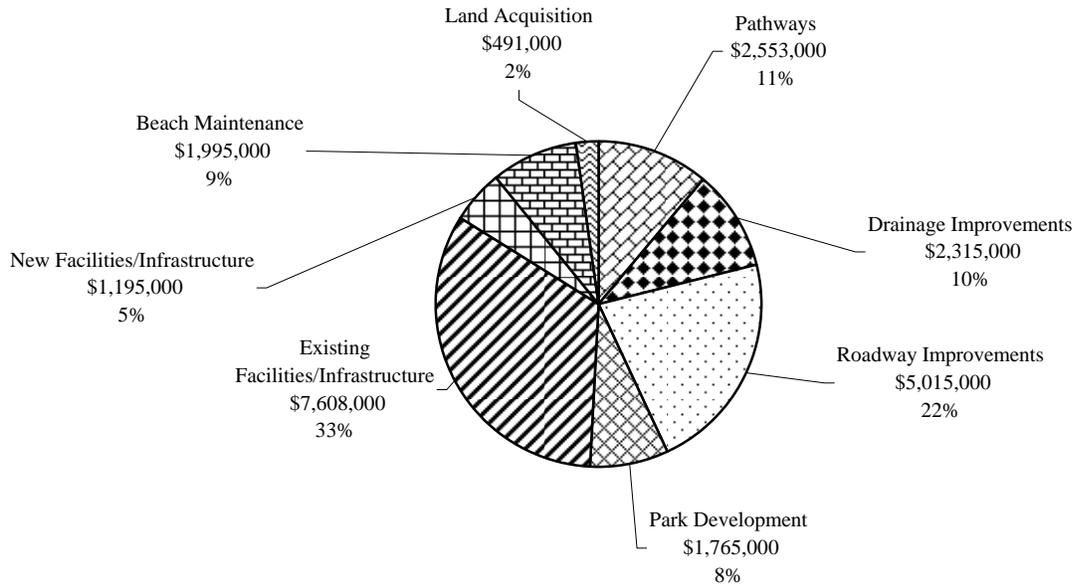
In FY 2009 the major impact items of the Town’s capital assets on the operating budget (General Fund) are as follows:

- An increase of \$97,740 in maintenance contracts in the Facilities Management budget associated with the upkeep of the Town’s facilities and parks.

Fiscal Year 2009 Capital Improvements Program (CIP)

The Capital Projects Fund (CIP) budget for Fiscal Year 2009 totals **\$22.9 million** and consists of the following program funding levels:

Capital Projects Fund (CIP) Expenditures by Program



Capital Projects Fund (CIP) Two-Year Comparison

	FY 2008 Revised Budget	FY 2008 Est. Actual	FY 2009 Budget	Budget Diff. % FY 2008	Estimate Diff. % FY 2008
<u>Revenues</u>					
Property Taxes	\$ 692,710	\$ 700,000	\$ 703,100	1.50%	0.44%
Grants/Contributions	909,800	7,500	715,000	-21.41%	9433.33%
Capital Sales Tax	2,400,000	750,000	-	-100.00%	0.00%
State Taxes - Sunday Permit Fee	225,000	225,000	270,000	20.00%	20.00%
Hospitality Tax	2,772,847	4,995,306	-	-100.00%	-100.00%
Impact Fees	290,940	105,000	250,000	-14.07%	138.10%
County - Impact Fees - Parks/Misc.	382,970	32,000	-	0.00%	-100.00%
County - Stormwater	436,668	1,495,000	-	-100.00%	-100.00%
Miscellaneous	-	1,090,000	-	0.00%	-100.00%
Lease	33,000	75,900	69,000	109.09%	-9.09%
Investment Income	-	790,000	-	0.00%	-100.00%
Bond Proceeds	23,296,402	27,634,501	9,653,260	-58.56%	-65.07%
Transfers	10,719,588	1,379,437	10,705,740	-0.13%	676.09%
Total Revenues	\$ 42,159,925	\$ 39,279,644	\$ 22,366,100	-46.95%	-43.06%
<u>Expenditures</u>					
Pathways	\$ 2,930,613	\$ 2,055,939	\$ 2,553,000	-12.89%	24.18%
Drainage Improvements	958,687	721,687	2,315,000	141.48%	220.78%
Road Improvements	17,179,382	10,077,747	5,015,000	-70.81%	-50.24%
Park Development	2,197,062	1,995,438	1,765,000	-19.67%	-11.55%
Existing Facilities/Infrastructure	5,800,763	2,081,870	7,608,000	31.16%	265.44%
New Facilities/Infrastructure	5,980,051	474,552	1,195,000	-80.02%	151.82%
Beach Maintenance	1,700,490	807,330	1,995,000	17.32%	147.11%
Land Acquisition	5,412,877	4,925,000	491,000	-90.93%	-90.03%
Total Expenditures	\$ 42,159,925	\$ 23,139,563	\$ 22,937,000	-45.60%	-0.88%
Excess/(Deficiency) of Revenues Over Expenditures	\$ -	\$ 16,140,081	\$ (570,900)		
Transfers Out		4,271,840	-		
Beginning Fund Balance		\$ 24,274,938	\$ 22,143,179		
Ending Fund Balance		\$ 22,143,179	\$ 11,919,019		

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS												
Category	FY 2009 Budget	Impact Fees	Fund Balance	FY 2009 Taxes	Beach Fee	SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
Summary												
CARRY-OVER PROJECTS												
Pathways	2,553			30			2,293			200		30
Drainage Improvements	1,675					590	740					345
Roadway Improvements	4,935	250	80	210			3,285	1,110				
Park Development	1,765				1,450				270			45
Existing Facilities	6,963			463	21			3,450				3,029
New Facilities	1,195						385	340				470
Beach Maintenance	1,995				1,995							
Land Acquisition	491		491									
SUBTOTAL	21,572	250	571	703	3,466	590	6,703	4,900	270	200	-	3,919
NEW PROJECTS												
Pathways	-											
Drainage Improvements	640											640
Roadway Improvements	80						80					
Park Development	-											
Existing Facilities	645							645				
New Facilities	-											
Beach Maintenance	-											
SUBTOTAL	1,365	-	-	-	-	-	80	645	-	-	-	640
TOTAL	22,937	250	571	703	3,466	590	6,783	5,545	270	200	-	4,559
PROJECTS FUNDED FROM OTHER SOURCES												
SCDOT road resurfacing	1,880											1,880
Power line burial	2,024											2,024

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS													
Category	FY 2009 Budget	Impact Fees	Fund Balance	FY 2009			SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fee	Bond							
Pathways													
CARRY-OVER PROJECTS													
pathway rehabilitation	60			30									30
Palmetto Bay Road	1,300							1,100			200		
Mathews Drive (US 278 North to Beach City Road)	480							480					
Target Road	68							68					
New Orleans Road	570							570					
Lagoon Road	45							45					
Avocet Road	30							30					
SUBTOTAL	2,553	-	-	30	-	-	-	2,293	-	-	200	-	30
NEW PROJECTS													
	-												
	-												
	-												
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	2,553	-	-	30	-	-	-	2,293	-	-	200	-	30

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS												
Category	FY 2009 Budget	FY 2009										
		Impact Fees	Fund Balance	Taxes	Beach Fee	SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
Drainage Improvements												
CARRY-OVER PROJECTS												
drainage system rehabilitation	310											310
drainage study updates	625					590						35
Squire Pope Road	740						740					
SUBTOTAL	1,675	-	-	-	-	590	740	-	-	-	-	345
NEW PROJECTS												
Miller Pond project	640											640
	-											
SUBTOTAL	640	-	-	-	-	-	-	-	-	-	-	640
TOTAL	2,315	-	-	-	-	590	740	-	-	-	-	985

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS													
Category	FY 2009 Budget	Impact Fees	Fund Balance	FY 2009			SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fee	-							
Roadway Improvements													
CARRY-OVER PROJECTS													
Widen Mathews Drive (US 278 to Beach City Road)	2,040							2,040					
Area	610							610					
Stoney secondary road (south)	75												
median curbing	175								175				
intersection improvements	325							150	175				
pedestrian crosswalks and refuges	290		80	210									
traffic signal mast arms	250							100	150				
F & R emergency access points	110								110				
mainland transportation improvements	500								500				
neighborhood directional signage	50								50				
lighting	90								90				
roadway safety improvements	420	250							170				
SUBTOTAL	4,935	250	80	210	-	-		3,285	1,110	-	-	-	-
NEW PROJECTS													
Arrow Rd./Dunng. Alley roundabout	80							80					
SUBTOTAL	80	-	-	-	-	-		80	-	-	-	-	-
TOTAL	5,015	250	80	210	-	-		3,365	1,110	-	-	-	-
PROJECTS FUNDED FROM OTHER SOURCES													
SCDOT road resurfacing	1,880												1,880

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS													
Category	FY 2009 Budget	Impact Fees	Fund Balance	FY 2009			SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fee	Bond							
Park Development													
CARRY-OVER PROJECTS													
park upgrades	315									270			45
Coligny Beach Park	1,450				1,450								
SUBTOTAL	1,765	-	-	-	1,450	-	-	-	-	270	-	-	45
NEW PROJECTS													
	-												
	-												
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1,765	-	-	-	1,450	-	-	-	-	270	-	-	45

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS												
Category	FY 2009 Budget	Impact Fees	FY 2009					Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
			Fund Balance	Taxes	Beach Fee	Bond	TIF					
Existing Facilities & Infrastructure												
CARRY-OVER PROJECTS												
renovation of fixed capital assets	365			215				150				
surveillance cameras	500							500				
clean up, maintenance of properties & demolition of structures	152			83								69
apparatus and vehicle replacement	3,146			165	21							2,960
fire hydrant upgrades	50							50				
Fire Station 1 replacement	250							250				
Fire Station 5 replacement	2,500							2,500				
SUBTOTAL	6,963	-	-	463	21	-	-	3,450	-	-	-	3,029
NEW PROJECTS												
Town Hall renovations	645							645				
SUBTOTAL	645	-	-	-	-	-	-	645	-	-	-	-
TOTAL	7,608	-	-	463	21	-	-	4,095	-	-	-	3,029

PROJECTS FUNDED FROM OTHER SOURCES												
Power line burial	2,024											2,024

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS												
Category	FY 2009 Budget	FY										
		Impact Fees	Fund Balance	2009 Taxes	Beach Fee	SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
New Facilities & Infrastructure												
CARRY-OVER PROJECTS												
dispatch center equipment upgrade	50							50				
Stoney area - CDBG project	470											470
Coligny/Pope Ave. area initiative	285						285					
Dunnagan's Alley/Arrow Rd. area initiative	100						100					
Fire and Rescue computer system	290							290				
SUBTOTAL	1,195	-	-	-	-	-	385	340	-	-	-	470
NEW PROJECTS												
	-											
	-											
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1,195	-	-	-	-	-	385	340	-	-	-	470

Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS													
Category	FY 2009 Budget	Impact Fees	Fund Balance	FY 2009			SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fee	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fee	Bond							
Beach Maintenance													
CARRY-OVER PROJECTS													
beach management and monitoring	220				220								
beach parks/access rehabilitation	75				75								
shoreline management plan	650				650								
groins refurbishment	1,000				1,000								
dunes refurbishment and maintenance	50				50								
SUBTOTAL	1,995	-	-	-	1,995	-	-	-	-	-	-	-	-
NEW PROJECTS													
	-												
	-												
SUBTOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1,995	-	-	-	1,995	-	-	-	-	-	-	-	-

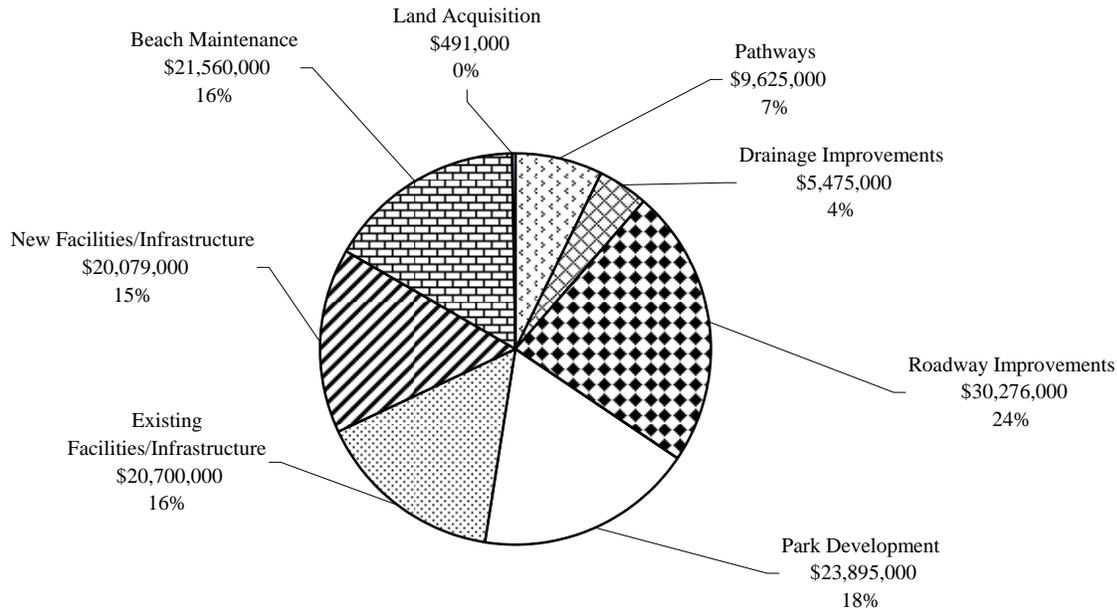
Capital Projects Fund (CIP) Expenditures by Funding Source - 2009

THOUSANDS OF DOLLARS												
Category	FY 2009 Budget	Impact Fees	Fund Balance	FY 2009		SWU Bond	TIF	Hospitality Tax	Sunday Liquor Fees	SCDOT	County Bond	Grants / Other
				Taxes	Beach Fee							
Land Acquisition												
CARRY-OVER PROJECTS												
Land Acquisition	491		491									
TOTAL	491	-	491	-	-	-	-	-	-	-	-	-

Ten-Year Capital Improvements Program (CIP)

The anticipated capital expenditures over the next ten years are anticipated to be **\$132.1 million**. The estimated expenditures by program are as follows:

Ten-Year Capital Improvements Program Expenditures by Program



<u>THOUSANDS OF DOLLARS</u>						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
<u>Total Capital Improvement Program</u>						
Pathways	2,553	500	600	1,022	360	4,590
Drainage Improvements	2,315	310	430	560	310	1,550
Roadway Improvements	5,015	5,716	5,600	4,960	1,350	7,635
Park Development	1,765	560	5,925	1,650	7,315	6,680
Existing Facilities & Infrastructure	7,608	3,982	2,478	2,375	743	3,514
New Facilities & Infrastructure	1,195	4,375	5,246	2,727	443	6,093
Beach Maintenance	1,995	285	285	285	285	18,425
Land Acquisition	491	-	-	-	-	-
Total	132,101	22,937	15,728	20,564	13,579	48,487

CIP Expenditures by Category 2009-2018

<u>THOUSANDS OF DOLLARS</u>						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
<u>Pathways</u>						
pathway rehabilitation	60	60	60	60	60	300
Palmetto Bay Road	1,300					
Target Road	68					
Mathews Drive (US 278 North to Beach City Road)	480					
New Orleans Road	570					
Lagoon Road	45	200				
Avocet Road	30	200				
Dunnagann's Alley		40	400			
US 278 (Wexford Circle to Fresh Market Shoppes)			20	350		
Arrow Road			90	522		
Archer Road			30	50		
Greenwood to Target Road				40	300	
Singleton Beach Road						225
Gardner Drive						250
Pembroke Drive						405
Leg o' Mutton						230
Jonesville Road						420
US 278 (south side phased)						1,775
US 278 (Gum Tree to Squire Pope Road)						300
US 278 (Squire Pope Road to Jenkins Island)						385
US 278 (Jenkins Island to Bridge)						300
Total	2,553	500	600	1,022	360	4,590

CIP Expenditures by Category 2009-2018

<u>THOUSANDS OF DOLLARS</u>						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
<u>Drainage Improvements</u>						
drainage system rehabilitation	310	310	310	310	310	1,550
drainage study updates	625					
Miller Pond project	640					
Squire Pope Road	740					
Arrow Road			120	250		
Total	2,315	310	430	560	310	1,550

CIP Expenditures by Category 2009-2018

THOUSANDS OF DOLLARS						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
Roadway Improvements						
Widen Mathews Drive (US 278 to Beach City Road)	2,040	1,600				
Mathews Drive/Chaplin area	610					
Stoney Secondary Road (south)	75	40	600			
Stoney Secondary Road (north)						1,315
Nassau Street extension		600				
median curbing	175	175	150			
Summit Drive alignment and refurbishment		616				
intersection improvements	325	345	175			
pedestrian crosswalks and refuges	290	150				
traffic signal mast arms	250	200	375	400		
F&R emergency access points	110	60	10	10	10	50
mainland transportation improvements	500	500	500	600		
neighborhood directional signage	50	50	50	50	50	
intersection/crosswalk lighting	90					
roadway safety improvements	420	50	150	100		
roadway median improvements		1,000		1,250		
South Forest Beach Road road improvements			270	1,650		
Lagoon Road road improvements			145	825		
Arrow Rd./Dunng. Alley roundabout	80	30	900			
Leamington/Fresh Market Shoppes		230	1,125			
Mathews Dr./Marshland Rd. roundabout		70	1,150			
Lemoyne Road reconstruction and extension				75	800	
widen Folly Field Road						910
widen Squire Pope Road					190	1,100
widen Gum Tree Road						1,490
widen Pembroke Road						725
Fifth Street extension					300	1,320
widen Leg O' Mutton Road						725
Total	5,015	5,716	5,600	4,960	1,350	7,635

PROJECTS FUNDED FROM OTHER SOURCES						
SCDOT road resurfacing	1,880	1,880	1,880			

CIP Expenditures by Category 2009-2018

THOUSANDS OF DOLLARS						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
Park Development						
Park Upgrades	315	310	200	200	200	1,000
Coligny Beach Park Park Improvements	1,450					
Rem'y Tract Park			800			
Shelter Cove Park		100	1,500			
Chaplin Linear Park		100	900			
Rowing and Sailing Center		50	1,500			
Driessen Tract Neighborhood Park					50	500
Marshland Road Neighborhood Park					15	560
Yacht Cove Community Park			1,000			
Chaplin Linear Park Boardwalk				400		
Collier Beach Park				400		
Old School House Park			25	500		
Ford Shell Ring Park					25	500
Aranda Tract Park					10	500
Marshland and Spanish Wells Road Neighborhood Park					15	150
Indigo Run/hotel site tract park						260
Town Hall Park						270
Recreation Facility (South)				100	5,000	
Community Pool				50	2,000	
Central Church Neighborhood Park						220
South Forest Beach Neighborhood Park						110
North Forest Beach Neighborhood Park						110
Jenkins Island Special Purpose Park						2,500
Total	1,765	560	5,925	1,650	7,315	6,680

CIP Expenditures by Category 2009-2018

THOUSANDS OF DOLLARS						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
Existing Facilities & Infrastructure						
rehabilitaion and renovation of fixed capital assets	365	200	200	200	200	1,000
clean up, maintenance of properties & demolition of structures	152	150	150	150	150	750
Town Hall renovations	645	150				
apparatus and vehicle replacement	3,146	832	378	275	393	1,764
surveillance cameras	500	100				
fire hydrant upgrades	50					
Fire Station 1 replacement	250	2,250				
Fire Station 2 replacement		150	1,750			
Fire Station 5 replacement	2,500					
Fire Station 6 replacement		150		1,750		
Total	7,608	3,982	2,478	2,375	743	3,514

PROJECTS FUNDED FROM OTHER SOURCES						
power line burial	2,024	2,205	2,201	2,309	2,289	13,760

THOUSANDS OF DOLLARS						
Category	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014-2018
New Facilities & Infrastructure						
dispatch center equipment upgrade	50	50	50	50	50	250
F&R computer system	290		70		70	210
Dunnagan's Alley/Arrow Rd. area initiative	100	100	1,500	1,500		
Coligny/Pope Avenue area initiative	285	3,425	3,425			
community warning system			75	725		
sewer projects		800	126	452	323	133
Stoney - CDBG project	470					
Law Enforcement Center						5,500
Total	1,195	4,375	5,246	2,727	443	6,093

CIP Expenditures by Category 2009-2018

<u>THOUSANDS OF DOLLARS</u>						
Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
<u>Beach Maintenance</u>						
beach management and monitoring	220	185	185	185	185	925
beach parks/access rehabilitation	75	75	75	75	75	375
dunes refurbishment and maintenance	50	25	25	25	25	125
shoreline management plan	650					
groins refurbishment	1,000					
beach renourishment						17,000
Total	1,995	285	285	285	285	18,425

<u>THOUSANDS OF DOLLARS</u>						
Category	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013-2017
<u>Land Acquisition</u>						
Land Acquisition	491					
Total	491	-	-	-	-	-





Debt Service Fund

Debt Service Fund

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

Debt Service Fund Two-Year Comparison

	FY 2008			FY 2009 Budget	Variance with	Variance with
	Original Budget	Revised Budget	Estimated Actual		FY 2008 Revised Budget Positive/(Negative)	FY 2008 Est. Actual Positive/(Negative)
Revenues:						
Real and Personal Property Taxes	\$ 4,620,790	\$ 4,620,790	\$ 4,620,790	\$ 4,690,100	\$ 69,310	\$ 69,310
Investment Income	350,000	350,000	210,000	210,000	(140,000)	-
Total revenues	4,970,790	4,970,790	4,830,790	4,900,100	(70,690)	69,310
Expenditures:						
Principal	8,010,000	8,010,000	8,010,000	11,220,000	3,210,000	3,210,000
Interest	5,285,660	5,285,660	4,980,062	5,525,600	239,940	545,538
Other Charges	20,490	20,490	20,490	20,490	-	-
Total expenditures	13,316,150	13,316,150	13,010,552	16,766,090	3,449,940	3,755,538
Excess (deficiency) of revenues over (under) expenditures	(8,345,360)	(8,345,360)	(8,179,762)	(11,865,990)	(3,520,630)	(3,686,228)
Other financing sources (uses):						
Transfers In:						
Accommodations Tax	-	-	-	-	-	-
Hospitality Tax	757,470	757,470	757,470	758,320	850	850
Real Estate Transfer	2,758,160	2,758,160	2,452,562	2,178,650	(579,510)	(273,912)
Beach Preservation	2,863,610	2,863,610	2,863,610	2,842,810	(20,800)	(20,800)
Electric Franchise	-	-	-	-	-	-
TIF	-	-	-	3,964,160	3,964,160	3,964,160
Stormwater	1,250,710	1,250,710	1,250,710	1,250,370	(340)	(340)
Total other financing sources (uses)	7,629,950	7,629,950	7,324,352	10,994,310	3,364,360	3,669,958
Net change in fund balances	(715,410)	(715,410)	(855,410)	(871,680)	(156,270)	(16,270)
Fund balance - beginning	10,586,391	10,586,391	10,586,391	9,730,981	(855,410)	(855,410)
Fund balance - ending	\$ 9,870,981	\$ 9,870,981	\$ 9,730,981	\$ 8,859,301	\$ (1,011,680)	\$ (871,680)

In FY 2009 the Tax Increment Financing (TIF) debt service payments have been moved from the TIF Fund to the Debt Service Fund.

Debt Service Fund Expenditures

The Fiscal Year 2009 budgeted debt service expenditures are as follows:

Debt Service Payments

	Interest	Principal	Total
<u>Certificates of Participation</u>			
2004A - Certificates of Participation	\$ 203,567	\$ 965,000	\$ 1,168,567
2005 - Certificates of Participation	28,584	115,000	143,584
Total Certificates of Participation	\$ 232,151	\$ 1,080,000	\$ 1,312,151
<u>General Obligation Bonds</u>			
Series 1996A - General Obligation Bonds	\$ 14,215	\$ 170,000	\$ 184,215
Series 1996B - General Obligation Refunding Bonds	84,205	990,000	1,074,205
Series 1999A - General Obligation Referendum Bonds (portion remaining)	40,613	370,000	410,613
Series 1999B - General Obligation Bonds	293,061	195,000	488,061
Series 2001A - General Obligation Referendum Bonds (portion remaining)	38,925	865,000	903,925
Series 2004A - General Obligation Referendum Bonds	650,050	425,000	1,075,050
Series 2004B - General Obligation Refunding Bonds	129,306	675,000	804,306
Series 2005A - General Obligation Refunding Bonds	1,039,715	100,000	1,139,715
Series 2008A - General Obligation Refunding Bonds	362,198	185,000	547,198
Total General Obligation Bonds	\$ 2,652,288	\$ 3,975,000	\$ 6,627,288
<u>Revenue Bonds</u>			
2002 Stormwater Bonds	\$ 697,369	\$ 550,000	\$ 1,247,369
2004 Hospitality Tax Bonds	439,820	315,000	754,820
2006 Beach Preservation Fee Bonds	679,810	2,160,000	2,839,810
2004 TIF Bonds	260,400	740,000	1,000,400
2008 TIF Bonds	563,763	2,400,000	2,963,763
Total Revenue Bonds	\$ 2,641,162	\$ 6,165,000	\$ 8,806,162
Grand Total	\$ 5,525,601	\$ 11,220,000	\$ 16,745,601

Calculation of the Legal Debt Limit

Assessed Value as of December 2007 (estimated 2008 assessed value)		\$ 827,177,000 *
Debt Limit - Eight Percent (8%) of Assessed Value, without voter's approval		66,174,160
Council Imposed 80% Cap		52,939,328
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds 1996A	\$ 345,000	
General Obligation Refunding Bonds 1996B	2,035,000	
General Obligation Bonds 1999B	5,300,000	
General Obligation Bonds 2004B (Refunding of Series 1998B)	4,645,000	
Total Amount Applicable to Debt Limit		12,325,000
Legal Debt Margin without a Referendum		\$ 40,614,328

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 is subject to change due to final numbers being provided by the County during August/September 2007.

Outstanding Debt Issues

	Issue Amt.	Outstanding
<u>Certificates of Participation</u>		
2004A - Certificates of Participation	\$ 9,060,000	\$ 6,185,000
2005 - Certificates of Participation	1,055,000	720,000
Total Certificates of Participation	\$ 10,115,000	\$ 6,905,000
<u>General Obligation Bonds</u>		
Series 1996A - General Obligation Bonds	\$ 1,425,000	\$ 345,000
Series 1996B - General Obligation Refunding Bonds	11,180,000	2,035,000
Series 1999A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	2,050,000	755,000
Series 1999B - General Obligation Bonds	6,000,000	5,300,000
Series 2001A - General Obligation Referendum Bonds (Remaining after 2005 refunding)	3,990,000	865,000
Series 2004A - General Obligation Referendum Bonds	15,000,000	13,465,000
Series 2004B - General Obligation Bonds (Refunded portion of Series 1998B)	5,365,000	4,645,000
Series 2005A - General Obligation Bonds (Refunded portion of Series 1999A & 2001A)	24,265,000	24,055,000
Series 2008A - General Obligation Bonds (Refunded Series 1998A)	12,215,000	12,215,000
Total General Obligation Bonds	\$ 81,490,000	\$ 63,680,000
<u>Revenue Bonds</u>		
2002 Stormwater Bonds	\$ 17,000,000	\$ 15,440,000
2004 Hospitality Tax Bonds	10,775,000	9,605,000
2006 Beach Preservation Fees Bonds	19,000,000	16,920,000
2004 TIF Bonds	8,000,000	5,970,000
2008 TIF Bonds	22,000,000	18,950,000
Total Revenue Bonds	\$ 76,775,000	\$ 66,885,000
Grand Total	\$ 168,380,000	\$ 137,470,000

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

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

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated tax exempt amount of certificates; (b) maximum annual debt service on certificate for any fiscal year; or (c) 125% of average annual debt on the certificates. At June 30, 2006, \$1,033,228 was the fair value of the amount held in the reserve fund for the tax-exempt certificates. The Capital Projects Fund is repaying these certificates of participation.

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

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

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

Outstanding Debt Issues (continued)

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

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

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

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

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

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

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

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

On November 16, 1999, the Town issued \$12,000,000 general obligation bonds to finance capital projects. On March 1, 2005, a portion of this issue was refunded leaving a balance of \$2,050,000. Refer to Series 2005A, Item 12, for the refunded portion. (Refunded in FY 2008)

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 12.

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

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

Outstanding Debt Issues (continued)

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

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

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

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

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

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

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

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

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

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

The Town is required to maintain a reserve which shall be the lesser of (a) 10% of stated amount of certificates; (b) maximum annual debt service on certificate for any fiscal year or (c) 125% of average annual debt on the certificates. At June 30, 2006, \$830,300 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, 2006, the amount in the pledge account was \$563,705.

Outstanding Debt Issues (continued)

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

On August 1, 2006 the Hilton Head Island Public Facilities Corporation, a non-profit entity and component unit of the Town, entered into a Certificate of Participation with Wells Fargo Bank, N.A. for \$19,000,000 secured by revenues collected from Beach Preservation Fees Tax. The monies will be used to undertake the renourishment of the beaches adjacent to certain areas within the Town; and such capital improvement projects that may be authorized by Town Council.

The Town is required to maintain a reserve 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.

16. 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.

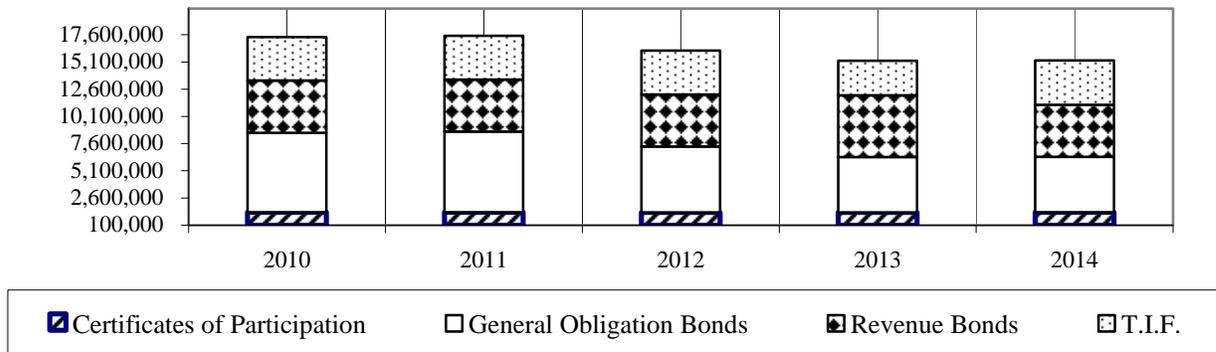
17. Tax Increment Financing Bonds; \$22,000,000, Dated April 17, 2008

On April 17, 2008 the Town issued \$22,00,000 tax increment bonds to fund capital redevelopment projects related to the Tax Increment Financing District.

Planned Debt Service for the Next Five Years

	2010	2011	2012	2013	2014
<u>Certificates of Participation</u>					
2004A - Certificates of Participation	\$ 1,161,855	\$ 1,162,455	\$ 1,157,155	\$ 1,156,105	\$ 1,167,855
2005 - Certificates of Participation	139,018	139,453	134,689	129,925	135,161
Total Certificates of Participation	\$ 1,300,873	\$ 1,301,908	\$ 1,291,844	\$ 1,286,030	\$ 1,303,016
<u>General Obligation Bonds</u>					
Series 1996A - General Obligation Bonds	\$ 179,812	\$ -	\$ -	\$ -	\$ -
Series 1996B - General Obligation Refunding Bonds	1,073,737	-	-	-	-
Series 1999A - General Obligation Referendum Bonds	398,716	-	-	-	-
Series 1999B - General Obligation Bonds	486,843	486,235	489,773	487,433	489,188
Series 2001A - General Obligation Referendum Bonds	-	-	-	-	-
Series 2004A - General Obligation Referendum Bonds	1,070,175	1,061,250	1,051,500	1,040,925	1,035,725
Series 2004B - General Obligation Refunding Bonds	922,800	2,292,125	939,337	-	-
Series 2005A - General Obligation Refunding Bonds	2,042,215	2,437,315	2,432,415	2,432,196	2,431,634
Series 2008A - General Obligation Refunding Bonds	1,117,088	1,117,887	1,117,413	1,116,412	1,117,788
Total General Obligation Bonds	\$ 7,291,386	\$ 7,394,812	\$ 6,030,438	\$ 5,076,966	\$ 5,074,335
<u>Revenue Bonds</u>					
2002 Stormwater Bonds	\$ 1,244,938	\$ 1,245,665	\$ 1,244,608	\$ 1,241,924	\$ 1,242,205
2004 Hospitality Tax Bonds	753,008	756,632	754,732	755,733	756,133
2006 Beach Preservation Fee Bonds	2,809,810	2,790,072	2,785,554	2,786,216	2,781,330
2004 TIF Bonds	1,000,176	998,325	999,730	999,275	996,960
2008 TIF Bonds	2,987,363	3,013,136	3,040,935	3,065,610	3,097,161
Total Revenue Bonds	\$ 8,795,295	\$ 8,803,830	\$ 8,825,559	\$ 8,848,758	\$ 8,873,789
Grand Total	\$ 17,387,554	\$ 17,500,550	\$ 16,147,841	\$ 15,211,754	\$ 15,251,140

Debt Service by Funding Type





Appendix

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Fund Balance – Equals the equity in each fund.

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

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

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

Hospitality Tax – A two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses for on-premise consumption of alcoholic beverages, beer or wine.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Taxable Value – The assessed value of real property.

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

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

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

FY 2009 Financial Structure - all funds

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

TOWN OF HILTON HEAD ISLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR 2009 BUDGET

	TOWN OF HILTON HEAD ISLAND										
	General	Tax Increment Financing District	State Accom. Tax	Real Estate Transfer Fee	Beach Preservation Fee	Hospitality Tax	Stormwater Fee	Debt Service	Capital Projects	Electric Franchise Fee	Total Governmental Funds
Revenues:											
Real and Personal Property Taxes	\$ 10,622,550	\$ 4,060,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,690,100	\$ 703,100	\$ -	\$ 20,075,750
Capital Sales Tax	-	-	-	-	-	-	-	-	-	-	-
Accommodations Tax	2,269,580	-	4,204,140	-	-	-	-	-	-	-	6,473,720
Hospitality Tax	-	-	-	-	-	5,211,210	-	-	-	-	5,211,210
Business Licenses and Franchise Fees	8,263,200	-	-	-	-	-	-	-	-	-	8,263,200
Permits	1,321,000	-	-	-	-	-	-	-	-	-	1,321,000
Other Fees:											
Impact	-	-	-	-	-	-	-	-	250,000	-	250,000
Real Estate Transfer	-	-	-	3,600,000	-	-	-	-	-	-	3,600,000
Beach Preservation	-	-	-	-	4,454,940	-	-	-	-	-	4,454,940
Electric Franchise	-	-	-	-	-	-	-	-	2,382,090	-	2,382,090
Stormwater	-	-	-	-	-	-	1,405,390	-	-	-	1,405,390
State Shared Funds	1,167,880	-	-	-	-	-	-	-	270,000	-	1,437,880
Donations	-	-	-	-	-	-	-	-	-	-	-
Grants	273,900	-	-	-	-	-	-	-	715,000	-	988,900
Miscellaneous Revenue	2,095,000	-	-	-	-	-	-	-	69,000	-	2,164,000
Investment Income	500,000	81,176	67,167	144,057	690,020	521,120	140,540	210,000	-	-	2,354,080
Total Revenues	26,513,110	4,141,176	4,271,307	3,744,057	5,144,960	5,732,330	1,545,930	4,900,100	2,007,100	2,382,090	60,382,160
Expenditures:											
General Government											
Town Council	403,970	-	-	-	-	-	-	-	-	-	403,970
Town Manager	734,420	-	-	-	-	-	-	-	-	-	734,420
	1,138,390	-	-	-	-	-	-	-	-	-	1,138,390
Administration											
Administration	2,817,490	-	-	-	-	-	-	-	-	-	2,817,490
Finance	1,606,540	-	-	40,000	-	-	-	-	-	-	1,646,540
Human Resources	669,650	-	-	-	-	-	-	-	-	-	669,650
	5,093,680	-	-	40,000	-	-	-	-	-	-	5,133,680
Community Services											
Community Development	3,304,800	-	-	-	-	-	-	-	-	-	3,304,800
Public Projects and Facilities	3,760,540	-	-	-	-	-	-	-	-	-	3,760,540
	7,065,340	-	-	-	-	-	-	-	-	-	7,065,340
Public Safety											
Sheriff	3,171,880	-	-	-	-	-	-	-	-	-	3,171,880
Fire	14,633,900	-	-	-	-	-	-	-	-	-	14,633,900
	17,805,780	-	-	-	-	-	-	-	-	-	17,805,780
Townwide	2,153,810	-	-	-	-	-	-	-	-	-	2,153,810
Capital Projects	-	-	-	-	-	-	-	-	22,937,000	2,024,000	24,961,000
Accommodations Tax Grants	-	-	1,384,720	-	-	-	-	-	-	-	1,384,720
Visitor and Convention Bureau	-	-	1,191,055	-	-	-	-	-	-	-	1,191,055
Debt Service	-	-	-	-	-	-	-	16,766,090	-	-	16,766,090
Total expenditures	33,257,000	-	2,575,775	40,000	-	-	-	16,766,090	22,937,000	2,024,000	77,599,865
Excess (deficiency) of revenues over (under) expenditures	(6,743,890)	4,141,176	1,695,532	3,704,057	5,144,960	5,732,330	1,545,930	(11,865,990)	(20,929,900)	358,090	(17,217,705)
Other financing sources (uses):											
Transfers In:											
Accommodations Tax	1,361,930	-	-	-	-	-	-	-	30,000	-	1,391,930
Hospitality Tax	2,460,960	-	-	-	-	-	758,320	5,545,000	-	-	8,764,280
Real Estate Transfer	-	-	-	-	-	-	-	2,178,650	-	-	2,178,650
Beach Preservation	1,427,340	-	-	-	-	-	-	2,842,810	3,466,000	-	7,736,150
Electric Franchise	70,440	-	-	-	-	-	-	-	-	-	70,440
TIF	226,260	-	-	-	-	-	-	3,964,160	679,740	-	4,870,160
Stormwater	303,830	-	-	-	-	-	-	1,250,370	985,000	-	2,539,200
Transfers Out:											
Accommodations Tax	-	-	(1,391,930)	-	-	-	-	-	-	-	(1,391,930)
Hospitality Tax	-	-	-	-	-	(8,764,280)	-	-	-	-	(8,764,280)
Real Estate Transfer	-	-	-	(2,178,650)	-	-	-	-	-	-	(2,178,650)
Beach Preservation	-	-	-	-	(7,736,150)	-	-	-	-	-	(7,736,150)
Electric Franchise	-	-	-	-	-	-	-	-	(70,440)	-	(70,440)
TIF	-	(4,870,160)	-	-	-	-	-	-	-	-	(4,870,160)
Stormwater Fees	-	-	-	-	-	-	(2,539,200)	-	-	-	(2,539,200)
Stormwater Bonds	-	-	-	-	-	-	-	-	590,000	-	590,000
Hospitality Tax Bonds	-	-	-	-	-	-	-	-	2,960,000	-	2,960,000
TIF Bonds	-	-	-	-	-	-	-	-	6,103,260	-	6,103,260
Total other financing sources (uses)	5,850,760	(4,870,160)	(1,391,930)	(2,178,650)	(7,736,150)	(8,764,280)	(2,539,200)	10,994,310	20,359,000	(70,440)	9,653,260
Net change in fund balances	(893,130)	(728,984)	303,602	1,525,407	(2,591,190)	(3,031,950)	(993,270)	(871,680)	(570,900)	287,650	(7,564,445)
Fund balance - beginning	16,346,155	2,193,948	1,679,179	3,131,573	15,333,817	-	-	9,730,981	32,179,223	310,138	80,905,015
Fund balance - ending	\$ 15,453,026	\$ 1,464,964	\$ 1,982,781	\$ 4,656,981	\$ 12,742,627	\$ (3,031,950)	\$ (993,270)	\$ 8,859,301	\$ 21,955,063	\$ 597,788	\$ 63,687,310

