

# TOWN OF HILTON HEAD ISLAND, South Carolina CONSOLIDATED MUNICIPAL BUDGET



*Fiscal Year July 1, 2017 through June 30, 2018*

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# TOWN OF HILTON HEAD ISLAND, SC CONSOLIDATED MUNICIPAL BUDGET FISCAL YEAR ENDED JUNE 30, 2018

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## ELECTED OFFICIALS

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From Left to Right: John McCann, William D. Harkins, Kimberly W. Likins (Mayor Pro Tempore), David G. Bennett (Mayor), Marc A. Grant, Thomas W. Lennox, and David Ames

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## ADMINISTRATIVE STAFF

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Stephen G. Riley  
Gregory DeLoach  
Bradley Tadlock  
John Troyer  
Charles F. Cousins  
Scott Liggett

Town Manager  
Assistant Town Manager  
Fire Rescue 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, 2016**

*Jeffrey R. Enoch*

Executive Director

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Reader's Guide

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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 Town Council's goals for calendar year 2018.

### **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 accounting policies relating to government-wide and fund financial statements; the measurement focus and basis of accounting for each fund group; significant types of assets and liabilities; and budgetary accounting. The section also includes financial policies for revenues, expenditures/expenses, and incorporating the capital improvement plan into the capital projects fund; debt management; financial reserves; and disaster planning reserves.

### **Budget Process Overview**

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

### **Consolidated Budget Summary - Governmental Funds**

This section includes an introduction, fiscal year 2018 consolidated budget, where the money comes from (chart), where the money goes by program (chart), where the money goes by category (chart), trend analysis of expenditures by fund (chart), historical overview of revenues and expenditures (schedule), budget highlights, property tax analysis, millage rate historical analysis (chart), and staffing changes. The Town has three budgeted governmental funds.

#### **General Fund**

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

# *Reader's Guide, continued*

## **Consolidated Budget Summary – Governmental Funds, continued**

### **Debt Service Fund**

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

### **Capital Improvement Plan (multiple funds)**

This section includes a summary of capital projects by funding source for the current fiscal year, the next four years, and projects that have been deferred beyond the next five years.

## **Proprietary Fund**

The Town has one budgeted proprietary fund which is the Stormwater Fund. It operates as an enterprise fund.

### **Stormwater Fund**

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

## **Appendix**

1. Financial structure multi-year – all funds
2. FY 2018 flow of funds – all funds
3. Financial balance changes greater than 10%
4. Glossary of terms



## Town Manager's Letter

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# *Town Manager's Letter*

June 20, 2017

Dear Council Members:

I am pleased to submit to you the fiscal year 2018 budget. The preparation of this budget was more difficult than in previous years. On Oct. 8, 2016, Hurricane Matthew blew onto the island bringing torrential rain and winds of nearly 100 miles per hour. More than 3,700 homes and businesses on Hilton Head Island, or about 19 percent of the total number of structures, sustained damage from the storm. Several thousand trees were lost and flooding occurred throughout the island. The estimated cost of cleanup from the storm is approximately \$70 million. We expect FEMA to reimburse approximately \$40 million with the balance (\$30 million) of the cost the Town's responsibility – pending State and County participation.

The budget presents a balanced but optimistic approach as the Town's economy recovers from the devastation of last year. Despite the challenges, the fiscal year 2018 budget ensures our continued long-term financial stability – enabling us to continue to meet customer needs responsively and responsibly well into the future. The budget honors our commitment to our community by maintaining service levels while maximizing a limited resource of funds.

## ***Budget Summary – Governmental Funds***

The fiscal year 2018 budget represents a funding plan designed to meet the needs of the Town's citizens. The total consolidated budget amount is \$81,443,036 representing the General and Debt Service Funds, as well the Capital Improvement Plan that is comprised of multiple funds.

The General Fund budget maintains the current level of high quality service. Overall, General Fund expenditures are programmed at \$40.3 million for fiscal year 2018 compared to \$39.6 million last fiscal year, an increase of \$705,393 or 1.8%. The Town worked diligently to keep the operating expenses as low as possible, while still maintaining the high level of services its citizens and visitors require. The proposed budget is essentially the same as last year. The largest part of the increase was \$600,000 budgeted to establish a reserve for future dredging projects. The proposed budget includes a 3% average merit increase budget of \$582,769 (including salary and benefit cost) that is allocated by department to employees based on performance. Funding for the Sheriff's Office will be the same as last fiscal year. An additional \$77,000 in funding has been placed in the contingency for the Sheriff's Office pending the outcome of a performance audit. It should be noted that in 2018 the Town and County will negotiate a new contract for police services. Capital items from the Fire and Rescue Department and Recreation Center have been moved to the Capital Improvement Plan. The transfer into the General Fund for the Turtle Watch (\$41,900 Beach Preservation Fees) and Heritage Classic Foundation (\$257,500 HTAX) Grants were eliminated; funding will come directly from the appropriate Special Revenue Funds. LRTA funding will increase by \$9,153. Funding provided to the Solicitor's Office will increase by \$85,000; this is one-time funding needed to reduce the backlog of cases. A new budget this year is the Cultural Arts Network Department funded at \$182,853. A new grant this year is the County EDC program funded at \$15,000. Funding for event management and hospitality training (USCB) was reduced by \$34,830 to \$110,000.

## ***Town Manager's Letter, continued***

The Town and the Island Recreation Association have an agreement wherein the Association operates the Island Recreation Center and the S.H.A.R.E. Center for senior citizens. Similarly, the Coastal Discovery Museum operates the Town's property at Honey Horn. Since fiscal year 2014, the Town budgeted both operating and capital components for both organizations in the General Fund under Town-wide grants. In fiscal year 2018 the operating funds that will be provided to the Island Recreation Association and the S.H.A.R.E. Center is \$707,052. The capital portion of the Island Recreation budget has been moved to the Capital Improvement Plan. The Town will provide the Coastal Discovery Museum with \$75,000 in operating funds and \$61,500 in capital funding. The Town is also providing \$110,000 for the Mitchellville program, which is a joint program with the Coastal Discovery Museum.

The budgeted expenditures for the Debt Service Fund are programmed at \$24.2 million for fiscal year 2018 compared to \$13.6 million last fiscal year. There are four new bond issues programmed for FY 2018: (1) \$36 million in Beach Preservation Fee Bonds, (2) \$28 million in TIF Bonds, (3) \$28 million in General Obligation Bonds, and (4) \$18 million in General Obligation Bonds to replenish reserves (Hurricane Matthew Recovery).

The budgeted expenditures in the Capital Improvement Plan are programmed at a much more sustainable rate of \$16.9 million for fiscal year 2018 compared to a budget of \$49.4 million for fiscal year 2017. New projects added to the Capital Improvement Plan in fiscal year 2018 are as follows:

- Pathway accessibility & safety enhancement projects \$100,000
- Private dirt roads and intersection improvements \$775,000
- Park upgrades and Cordillo tennis court upgrades \$500,000
- Recreation Center new building upfit \$309,000
- Recreation Center dome replacement \$316,000
- Recreation Center miscellaneous capital \$109,000
- Sewer projects \$2,526,000
- Fire hydrant expansion project \$100,000
- Beach management and monitoring \$500,000
- Dune fencing and planting \$300,000
- Beach renourishment project \$7,750,000
- Fire and Rescue vehicle replacement \$2,085,000
- Other storm related projects not covered by FEMA \$150,000

### ***Budget Summary – Proprietary Fund***

The Town has one proprietary fund, the Stormwater Fund, which operates as an enterprise fund. The Fund's expenses and transfers out are programmed at \$4.8 million for fiscal year 2018 compared to \$3.8 million for fiscal year 2017. Funds will be used to perform routine channel, ditch, and culvert maintenance; weir, lagoon and drainage pipe cleaning; and systems repairs. In addition, two new positions will be added to the program. The fiscal year 2018 budget includes a rate increase from \$108.70 to \$150.00 per household annually. The rate increase is anticipated to generate approximately \$1.0 million in new funds.

# Town Manager's Letter, continued

## Financial Plan for Budgeted Governmental Funds

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

The **General Fund** is the operating fund of the Town and accounts for all financial resources of the Town except those required for capital projects and debt service as well as the proprietary fund.

The **Debt Service Fund** accounts for the accumulation of resources and the payment of debt of governmental funds. (The proprietary fund has its own debt.)

The **Capital Improvement Plan (multiple funds)** accounts for the financial resources used to acquire land and facilities; and to construct and improve public facilities, including roads, bike paths, fire stations, capital equipment, and parks. It also includes beach renourishment including beach management and monitoring.

The following table shows the amount and percent of change to these three funds over last fiscal year for budgeted expenditures.

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Budget
FY 2017 Adopted Budget	\$ 39,613,643	\$ 13,572,500	\$ 49,440,250	\$ 102,626,393
FY 2018 Budget	40,319,036	24,200,000	16,924,000	81,443,036
Amount of Increase/(Decrease)	\$ 705,393	\$ 10,627,500	\$ (32,516,250)	\$ (21,183,357)

## Budgets by Fund as a Percent of the Total Budget

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Budget
FY 2017 Adopted Budget	38.60%	13.23%	48.17%	100.00%
FY 2018 Budget	49.51%	29.71%	20.78%	100.00%

# *Town Manager's Letter, continued*

## **Millage Rate**

For fiscal year 2018, 16.38 mils will be allocated to the General Fund (57% of levy), .84 mils to the Capital Projects Fund (3% of levy), 5 mils will be used to restore disaster reserves utilized for Hurricane Matthew recovery (18% of levy), and 6.14 mils (22 % of levy) will be used for the retirement of debt. The total Town millage rate is **28.36**.

The General Fund millage rate will be adjusted by the allowable CPI increase for the past three years plus the current year. Over the past three years the Town chose not to adjust the millage rate by the CPI. This is a 1.18 (7.8%) mil increase over last year's millage rate of 15.20. The increase is necessary in order to rebalance the General Fund revenues with the expenditures, avoiding the use of turn-back funds from prior years.

The 5 mil override will fund \$18.0 million in General Obligation Bonds that will be used to replenish reserves. If additional funds are made available through the state or federal governments the override will be sunsetted early.

<b>Millage Rate by Fund</b>	<b><u>FY 2017</u></b>	<b><u>FY 2018</u></b>
General Fund	15.20	16.38
Disaster Recovery *	-	5.00
Debt Service Fund	6.14	6.14
Capital Projects Fund	0.84	0.84
	<u>22.18</u>	<u>28.36</u>

\* A temporary millage rate increase is being imposed in accordance with Section 6-1-320(B)(2) of the South Carolina Code of Laws. The 5 mil increase will be used to replenish Town **reserves** used as part of the recovery funding associated with Hurricane Matthew. The millage rate increase will be imposed for a five (5) years period and is expected to generate approximately \$21.2 million dollars.

This may be adjusted or ended early depending on eventual reimbursements from FEMA, the State, and the County, for the Hurricane Matthew response.

## Town Manager's Letter, continued

The following chart shows the impact of the Town's millage rate on a typical home on the Island.

Millage Rate by Fund	<u>FY 2017</u>	<u>FY 2018</u>
General Fund	15.20	16.38
Disaster Recovery	-	5.00
Debt Service Fund	6.14	6.14
Capital Projects Fund	0.84	0.84
	<u>22.18</u>	<u>28.36</u>
Value of Home	\$ 350,000	\$ 350,000
Taxable Value (4% Primary Residence)	\$ 14,000	\$ 14,000
<b><u>Taxes Paid</u></b>		
General Fund	\$ 212.80	\$ 229.32
Disaster Recovery	-	70.00
Debt Services Fund	85.96	85.96
Capital Projects Fund	11.76	11.76
<b>Total</b>	<b><u>\$ 310.52</u></b>	<b><u>\$ 397.04</u></b>

The increase translates to \$7.21 per month or \$86.52 annually.

### General Fund

A mix of property taxes, business licenses and franchise fees, permitting fees, local accommodations tax for public safety and tourism facilities, state-shared funds, and funds from prior years (fund balance) supports the General Fund budget of \$40,319,036. As one of our financial planning goals, we continue to look at the mix of revenues for the General Fund.

### General Fund - Major Revenues

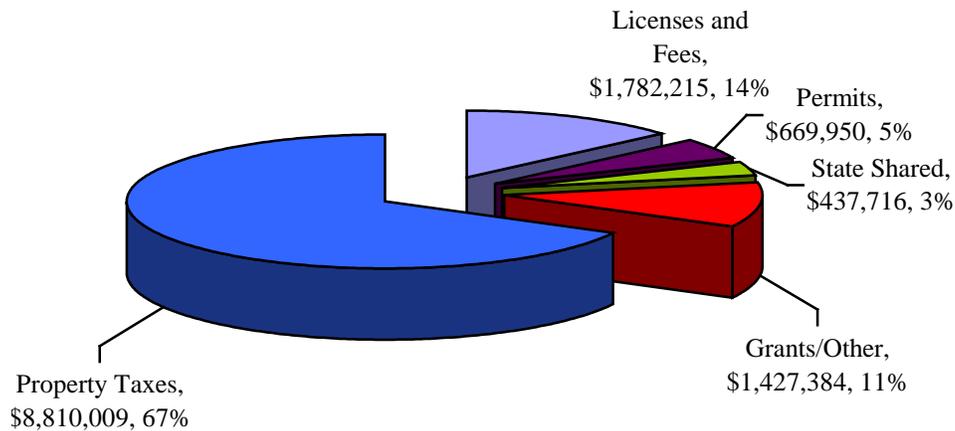
The chart below reflects the anticipated growth or decline in the General Fund's major (does not include use of fund balance) revenue sources.

Revenue Source	2016 Actual	2017 Adopted Budget	2017 Estimated Actual	2018 Budget	% Change	
					FY 2017 Budget	FY 2017 Estimated Actual
Property Taxes	12,647,166	12,950,053	12,610,002	13,473,000	4.0%	6.8%
Business Licenses & Franchise Fees	9,143,438	9,371,000	9,244,347	9,983,007	6.5%	8.0%
Permit Fees	2,039,570	1,620,233	1,417,319	1,443,239	-10.9%	1.8%
Local Accommodations Tax	3,215,849	3,119,000	3,280,166	3,312,968	6.2%	1.0%
Transfers In:						
State Accommodations Tax	1,596,057	1,347,181	1,365,900	1,565,900	16.2%	14.6%
Beach Preservation Fee	1,111,138	1,111,138	1,111,138	1,361,138	22.5%	22.5%
Hospitality Tax	3,270,069	3,392,245	3,392,245	3,492,245	2.9%	2.9%
Subtotal "Major" Revenue Sources	33,023,287	32,910,850	32,421,117	34,631,497	5.2%	6.8%
All Other Revenue Sources	4,946,264	4,689,150	4,743,777	5,126,897	9.3%	8.1%
Total General Fund Revenues	37,969,551	37,600,000	37,164,894	39,758,394	5.7%	7.0%

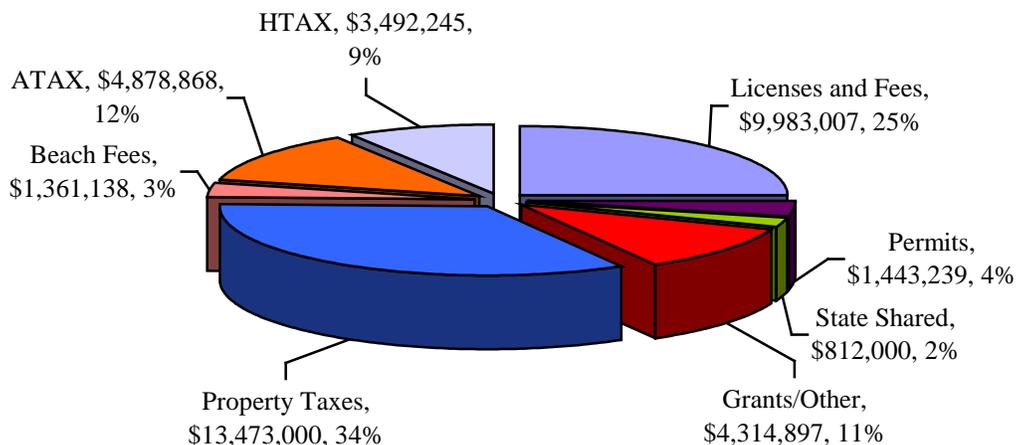
## Town Manager's Letter, continued

The charts below compare the revenue mix of fiscal year 1994 compared to the fiscal year 2018 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 33% in fiscal year 2018. Additional funding is provided through licenses and fees, local 1% accommodations tax, state 2% accommodations tax, 2% beach preservation fee, 2% hospitality tax, Stormwater fee, electricity franchise fee, funds from prior years (fund balance), and tax increment financing (TIF). The increase in funding provided through these other sources demonstrates the Town's ability to expand the diversity of its funding sources through the years.

### FISCAL YEAR 1994 GENERAL FUND BUDGETED REVENUES



### FISCAL YEAR 2018 GENERAL FUND BUDGETED REVENUES OF \$39,758,394



# Town Manager's Letter, continued

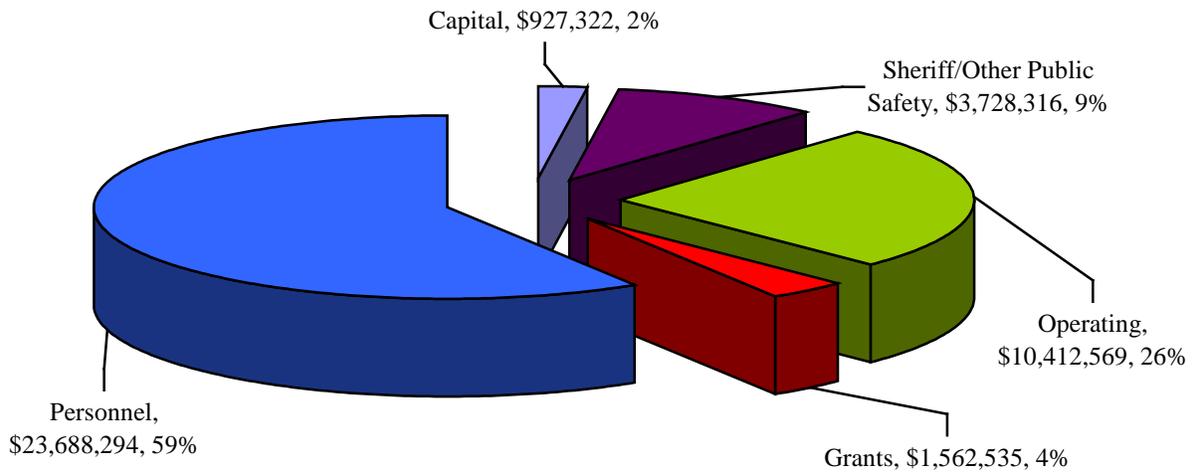
## General Fund – Expenditures

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

	FY 2016		FY 2017		% Change	
	Actual	Adopted Budget	Estimated Actual	FY 2018 Budget	FY 2017 Budget	FY 2017 Est. Actual
Personnel	\$ 22,056,042	\$ 23,070,589	\$ 22,409,008	\$ 23,688,294	2.7%	5.7%
Operating	7,357,454	9,580,554	8,786,160	10,412,569	8.7%	18.5%
Sheriff/Other Public Safety	3,443,143	3,717,896	3,717,896	3,728,316	0.3%	0.3%
Capital	608,395	1,318,222	1,085,304	927,322	-29.7%	-14.6%
Grants	2,780,166	1,926,382	2,822,425	1,562,535	-18.9%	-44.6%
<b>Grand Total</b>	<b>\$ 36,245,200</b>	<b>\$ 39,613,643</b>	<b>\$ 38,820,793</b>	<b>\$ 40,319,036</b>	<b>1.8%</b>	<b>3.9%</b>

Note: The personnel line for fiscal year 2018 above does not include 6 positions directly budgeted in the proprietary fund, the Stormwater Fund.

General Fund Expenditures of \$40,319,036



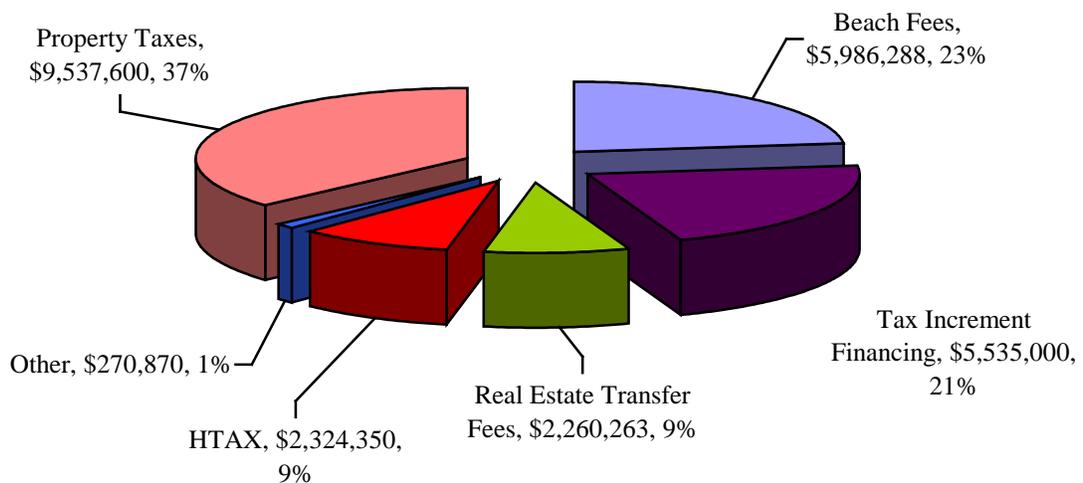
## *Town Manager's Letter, continued*

### *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. The debt service budget for fiscal year 2018 is programmed at \$24,200,000.

The Town plans four new bond issues in 2018; a General Obligation Bond of \$28 million to fund the Capital Improvement Plan, a TIF Bond scheduled for \$28 million, Beach Fee Bonds planned for \$36 million, and a Hurricane Matthew reserve replenishment bond planned for \$18 million.

The Debt Service Fund has the following sources of funding for fiscal year 2018.



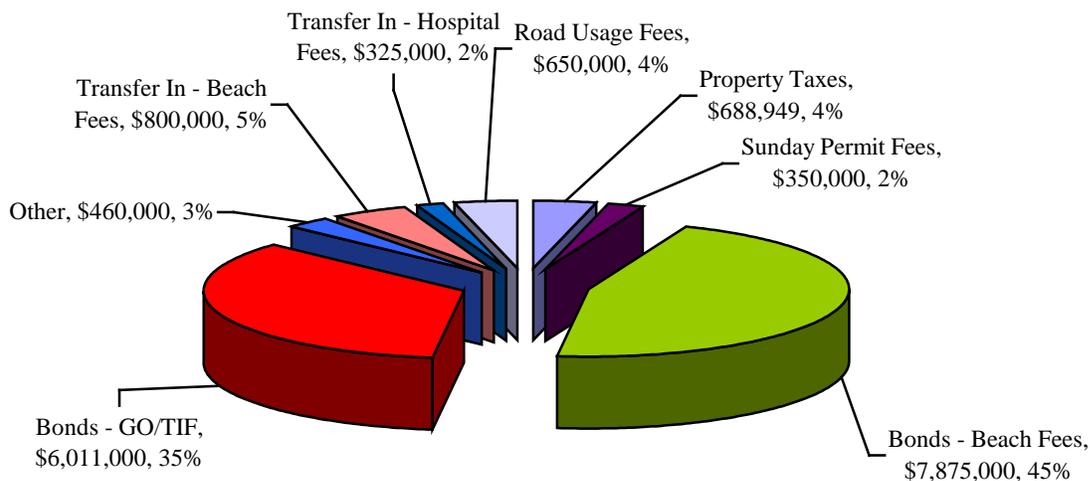
Note: The debt service of the Stormwater Proprietary Fund reports its own debt service.

# Town Manager's Letter, continued

## Capital Improvement Plan

The Town adopts a formal Capital Improvement Plan (CIP) for fiscal year 2018 and also presents a ten-year projection of anticipated new projects. The cost of new projects and equipment added to the Capital Improvement Plan in fiscal year 2018 are programmed at \$16,924,000. In addition, the current CIP includes \$84.0 million in projects appropriated in previous years. The ten-year plan includes an additional \$25.3 million in proposed projects for the upcoming years.

Sources of funding for the new projects in the Capital Improvement Plan for fiscal year 2018 are as follows:



The Town's larger projects planned for fiscal year 2018 are the Recreation Center expansion; new facility and road improvements for the USCB Campus; Coligny Area/Pope Avenue Initiative improvements with a Community Park; replacement of fire apparatus, sewer service projects, acquisition of private roads and road improvements, and beach renourishment.

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

	FY 2016 Actual	FY 2017 Adopted Budget	FY 2017 Revised Budget	FY 2018 Budget	% Change	
					FY 2017 Rev. Budget	FY 2017 Est. Actual
Beach Maintenance	\$ 7,034,654	\$ 750,000	\$ 17,854,093	\$ 8,550,000	1040%	-52%
Existing Facilities	273,356	2,850,000	4,048,485	884,000	-69%	-78%
Park Development	506,922	5,300,000	15,053,417	500,000	-91%	-97%
New Facilities	2,535,507	31,515,000	34,833,568	2,626,000	-92%	-92%
Pathway Improvements	573,146	100,000	206,057	100,000	0%	-51%
Roadway Improvements	542,298	8,172,250	12,166,474	775,000	-91%	-94%
Land Acquisition	101,515	-	-	20,000	100%	100%
Vehicles & Specialized Equipment	-	-	-	2,085,000	100%	100%
Transfer and Other Bond Costs	-	753,000	1,128,000	1,384,000	84%	23%
<b>Grand Total</b>	<b>\$ 11,567,398</b>	<b>\$ 49,440,250</b>	<b>\$ 85,290,094</b>	<b>\$ 16,924,000</b>	<b>-66%</b>	<b>-80%</b>

## ***Town Manager's Letter, continued***

### ***Proprietary Fund***

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

There will be a rate increase in fiscal year 2018 from \$108.70 to \$150.00 annually per household. The rate increase will generate approximately \$1.0 million in new revenue.

The Stormwater operations plans a \$3.1 million bond issue during fiscal year 2018. This will be funded from future stormwater fee collections.

### ***Town Manager's Summary***

We developed this year budget based on fiscal conservancy. In October of 2016 the Town was seriously impacted by Hurricane Matthew. The Town has focused most of fiscal year 2017 on the recovery effort and will continue to do so next year.

The General Fund budget was developed as a maintenance budget and is essentially the same as last year. The Debt Service budget will increase significantly due to the issuance of four new bonds since last fiscal year. Two of those issues relate directly to the Hurricane Matthew recovery efforts. There were minimal additions to the Capital Improvement Plan for fiscal year 2018. The Capital Improvement Plan includes \$84.0 million in projects approved in prior fiscal years and \$16.9 million added in fiscal year 2018.

The Town has worked very closely with FEMA on its recovery efforts to ensure the highest reimbursement allowable. These efforts will continue well into fiscal year 2018. With a potential total cost of \$70.0 million, the Town has also worked closely with state and county officials for their participation in the recovery effort.

Tourism on the Island continues its importance. It is a retirement destination for many. It is a home to many young families. As a result, our budget addresses the need to maintain our facilities reflecting the expectations of a diverse residential population as well as visitors that make the island their tourism destination. As revenue growth slows due to the Town approaching buildout as well as declining property values we must find ways to stimulate our economy in order to face the many challenges of increasing demands for service by residents and tourists alike.

Sincerely,



TOWN OF HILTON HEAD ISLAND  
Stephen G. Riley, ICMA-CM  
Town Manager



Town Vision

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# *Town Vision*

The Town Council held an intensive two day workshop on December 1<sup>st</sup> and 2<sup>nd</sup> 2016 to guide the Town's operations for fiscal year 2017. A number of important factors were identified.

## ***HEADWINDS: TRENDS IMPACTING THE COMMUNITY***

- Political
  - Factions
  - Expansion and contraction of government
  - Misconception at state house about Beaufort County wealth
  - Regionalization
  - Tension: island to region and island to state
- Social
  - Remaining relevant
  - Changing values
  - Speed of social media and changing technology
  - Crime
  - Respect for each other
  - Aging population
  - Cultural assimilation
- Economic
  - Competition for labor and impact from other communities
  - Access to the island
  - Interest rates
  - Port
  - Poverty
  - Hilton Head Island real estate lag other markets
- Hospitality/Tourism Industry
  - Trends in golf industry
  - Changing visitor demographics
  - Changing duration of stay by tourists
  - Rise and impact of day trippers

## *Town Vision, continued*

### **HEADWINDS: TRENDS IMPACTING THE COMMUNITY**

- Fiscal
  - Hurricane Matthew clean-up costs
  - Act 388
  - Declining distribution of Local Government Fund
  
- Quality of Life
  - Infrastructure
  - Housing availability
  - Condominium complexities
  - Heirs property
  - PUDs and gated communities
  - Over-building
  - Education system
  - Healthcare
  
- Environmental
  - Global warming

## *Town Vision, continued*

### **ROLE OF TOWN COUNCIL AS COMMUNITY BUILDER**

- Past Role
    - Less active
    - Creating and managing through growth
  - Current Role
    - Preparing for the future
    - Listening to younger population and all citizens
    - Getting back to our roots – being on the cutting edge, leading as environmental stewards and building a bridge to the future
    - Can't ignore base
  - Future Role
    - More active in building the skeleton and using private sector to add the muscle
    - Futurist
    - Reinvigorate community pride and self-image
    - Create climate for private investment
    - Prudent risk taking
    - Leadership
-

## *Town Vision, continued*

### **THE TOWN'S KEY PRIORITIES FOR 2017**

#### **Visioning**

Visioning for the Island's future will be a major initiative for 2017. Under the leadership of the Town Council, with assistance from Town staff, a professional consultant, and augmented by the Vision Project Management Team, the community will embark upon an engaging initiative of planning for our Island's future, which shall include the development of a vision statement and a detailed action plan with implementation strategies by year-end.

#### **Heirs Property**

In 2017, the Planning Commission will engage a non-profit that has extensive experience in the area of heirs' property. The non-profit will educate property owners on issues related to heirs' property and how to work through these issues. Based on input received during these education sessions, the Town staff and the Planning Commission will develop a scope of work to hire a consultant to review the Land Management Ordinance. The consultant's work product will be recommended LMO changes to address concerns related to heirs' property. It is anticipated the consultant will draw heavily upon work that have been done in other communities related to these issues.

#### **Regionalization**

Our Town depends upon satisfactory regional solutions to many critical issues. In 2017, the Intergovernmental & Public Safety Committee will work collectively with elected officials and administrators from neighboring municipalities, Beaufort County and the State of South Carolina to identify, define and pursue agreed upon goals and objectives. Prioritized, proposed goals and objectives shall be recommended to Town Council by March 31, 2017.

#### **Infrastructure**

By June 30, the Storm Water Plan from the County, including the fee arrangement/ schedule will be considered by the Town Council. Staff will review the report recently submitted by the Telecommunication Task Force and provide recommendations for Town Council consideration by year end. A Plan for the scheduling of private road improvements will have been accepted and adopted by Town Council on or before December 31, 2017.

#### **Culture and Arts Advisory Committee**

The entertainment, arts, culture and heritage assets of the town will be elevated in 2017 by the formation of a new town citizen Culture and Arts Advisory committee and a full-time town staff position of a Culture and Arts Network Director. Their work will be supplemented by the on-going efforts of the Venue Committee who will make recommendations regarding potential future community culture and arts venue opportunities.

## *Town Vision, continued*

### **Workforce Availability**

**Housing:** Acknowledging that workforce availability continues to be an increasing problem for the Island, in 2017 the Public Planning Committee will form a task force that will thoroughly study this issue and make recommendations to Town Council regarding viable solutions prior to year-end.

**Transportation:** Town Staff and the Public Planning Committee will work with the Low Country Transportation Authority (LRTA) to develop develop a plan by the end of 2017 to implement three public transportation services. These are: 1) a service to meet the commuting needs of Hilton Head employees that live off-island, 2) a service to offer Coligny beach users with remote parking and a transportation alternative to their personal vehicles, and 3) an inter-island shuttle between Shelter Cove and the Coligny area. It is anticipated that this plan will identify one of these services that will begin by May 2018.

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## About Hilton Head

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# *About Hilton Head Island<sup>1</sup>*

## History

**Hilton Head Island**, sometimes referred to as simply **Hilton Head**, is a Lowcountry resort town located on an island of the same name in Beaufort County, South Carolina, United States. It is 20 miles (32 km) northeast of Savannah, Georgia, and 95 miles (153 km) southwest of Charleston. The island is named after Captain William Hilton, who in 1663 identified a headland near the entrance to Port Royal Sound, which he named "Hilton's Head" after himself. The island features 12 miles (19 km) of beachfront on the Atlantic Ocean and is a popular vacation destination. In 2004, an estimated 2.25 million visitors pumped more than \$1.5 billion into the local economy. The year-round population was 37,099 at the 2010 census, although during the peak of summer vacation season the population can swell to 150,000. Over the past decade, the island's population growth rate was 32%. Hilton Head Island is a primary city within the Hilton Head Island-Bluffton-Beaufort metropolitan area.

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

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

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

## **New World Discovery**

The Sea Pines shell ring can be seen near the east entrance to the Sea Pines Forest Preserve. The ring, one of only 20 in existence, is 150 feet (46 m) in diameter and is believed to be over 4,000 years old. Archeologists believe that the ring was a refuse heap, created by Indians who lived in the interior of the ring, which was kept clear and used as a common area. Two other shell rings on Hilton Head were destroyed when the shells were removed and used to make tabby for roads and buildings. The Green's Shell Enclosure, Sea Pines, and Skull Creek shell rings are listed in the National Register of Historic Places and are protected by law.

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<sup>1</sup> Wikipedia with updates

## History (continued)

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

A Spanish expedition led by Francisco Cordillo explored the area in 1521, initiating European contact with local tribes. In 1663, Captain William Hilton sailed on the *Adventure* from Barbados to explore lands granted by King Charles II of England to the eight Lords Proprietor. In his travels, he identified a headland near the entrance to Port Royal Sound. He named it "Hilton's Head" after himself. He stayed for several days, making note of the trees, crops, "sweet water", and "clear sweet air".

### **17<sup>th</sup> to 19<sup>th</sup> Centuries**

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

In the mid-1740s, the South Carolina provincial half-galley *Beaufort* was stationed in a cove at the southern tip of Hilton Head to guard against intrusions by the Spanish of St. Augustine. The point and cove are named after Captain David Cutler Braddock, commander of the *Beaufort*. Captain Braddock was a mariner and privateer of note in Colonial times. Earlier, he had been placed in command of the Georgia schooner *Norfolk* by James Oglethorpe, founder of Georgia, and helped chase the Spanish back to St. Augustine after their failed 1742 invasion of St. Simons Island. After relocating to Savannah in 1746, he served two terms in the Georgia Commons House of Assembly while earning a living as a highly active privateer. He drew a well-known chart of the Florida Keys while on a privateering venture in 1756. The chart is in the Library of Congress.

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

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

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

## History (continued)

Hilton Head Island had tremendous significance in the Civil War and became an important base of operations for the Union blockade of the Southern ports, particularly Savannah and Charleston. The Union also built a military hospital on Hilton Head Island with a 1,200-foot (370 m) frontage and a floor area of 60,000 square feet (6,000 m<sup>2</sup>).

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

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

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

### **20<sup>th</sup> to 21<sup>st</sup> Centuries**

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

In 1931, Wall Street tycoon, physicist, and patron of scientific research Alfred Lee Loomis, along with his brother-in-law and partner Landon K. Thorne, purchased 17,000 acres (69 km<sup>2</sup>) on the island (over 63% of the total land mass) for about \$120,000 to be used as a private game reserve. On the Atlantic coast of the island, large concrete gun platforms were built to defend against a possible invasion by the Axis powers of World War II. Platforms like these can be found all along the Eastern Seaboard. The Mounted Beach Patrol and Dog Training Center on Hilton Head Island trained U.S. Coast Guard Beach Patrol personnel to use horses and dogs to protect the southeastern coastline of the U.S.

In the early 1950s, three lumber mills contributed to the logging of 19,000 acres (77 km<sup>2</sup>) of the island. The island population was only 300 residents. Prior to 1956, access to Hilton Head was limited to private boats and a state-operated ferry. The island's economy centered on shipbuilding, cotton, lumbering, and fishing.

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

## History (continued)

The beginning of Hilton Head as a resort started in 1956 with Charles E. Fraser developing Sea Pines Resort. Soon, other developments followed, such as Hilton Head Plantation, Palmetto Dunes Plantation, Shipyard Plantation, and Port Royal Plantation, imitating Sea Pines' architecture and landscape. Sea Pines however continued to stand out by creating a unique locality within the plantation called Harbour Town, anchored by a recognizable lighthouse. Fraser was a committed environmentalist who changed the whole configuration of the marina at Harbour Town to save an ancient live oak. It came to be known as the Liberty Oak, known to generations of children who watched singer and songwriter Gregg Russell perform under the tree for over 25 years. Fraser was buried next to the tree when he died in 2002.

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

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

## Geography

### **Topography**

Hilton Head Island is a shoe-shaped island that lies 20 miles (32 km) by air northeast of Savannah, Georgia, and 90 miles (140 km) south of Charleston.

According to the United States Census Bureau, the town has a total area of 69.2 square miles (179.1 km), of which 41.4 square miles (107.1 km) is land, and 27.8 square miles (71.9 km), or 40.17%, is water.

### **Barrier Island**

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

## Geography (continued)

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

## **Wildlife**

The Hilton Head Island area is home to a vast array of wildlife, including alligators, deer, loggerhead sea turtles, manatees, hundreds of species of birds, and dolphins.

The Coastal Discovery Museum, in conjunction with the South Carolina Department of Natural Resources, patrols the beaches from May through October as part of the Sea Turtle Protection Project. The purpose of the project is to inventory and monitor nesting locations, and if necessary, move them to more suitable locations. During the summer months, the museum sponsors the Turtle Talk & Walk, which is a special tour designed to educate the public about this endangered species. To protect loggerhead sea turtles, a town ordinance stipulates that artificial lighting must be shielded so that it cannot be seen from the beach, or it must be turned off by 10:00 p.m. from May 1 to October 31 each year. The waters around Hilton Head Island are one of the few places on Earth where dolphins routinely use a technique called "strand feeding", whereby schools of fish are herded up onto mud banks, and the dolphins lie on their side while they feed before sliding back down into the water.

Particularly prominent in the ocean waters surrounding Hilton Head Island, the stingray serves as a fascination and painful natural encounter for many beach goers. Small stingrays inhabit the quieter, shallow region of ocean floor just beyond the break of the surf, typically buried beneath a thin layer of sand. Stingrays are a type of demersal, cartilaginous fish common to the South Carolina coast as well as other areas on the Atlantic shoreline. Typically, stingrays avoid contact with humans unless they are accidentally stepped upon, a situation often ending in a stingray injury, where the stingray punctures the human with its poisonous barb. While these injuries are extremely painful, they are not usually life-threatening as long as they are properly attended to by a medical professional. One complaint shared by many Hilton Head Island tourists is that the lifeguards maintain a poor alert system for notifying swimmers when numerous stingrays have been sighted within a specific stretch of the shore. This lack of notification on days when multiple sightings are reported can sometimes end in a high number of stingray injuries that might have otherwise been avoided; in 2009, 121 people were treated for stingray injuries.

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

Plankton support marine life including oysters, shrimp and other invertebrates, and bait-fish species including menhaden and mullet, which in turn support larger fish and mammal species that populate the local waterways. Popular sport fish in the Hilton Head Island area include the red drum (or spot tail bass), spotted sea trout, sheepshead, cobia, tarpon, and various shark species.

## Climate

Hilton Head Island has a humid subtropical climate.

### Climate data for Hilton Head Island, South Carolina

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
<b>Average high °F (°C)</b>	61 (16)	63 (17)	69 (21)	71 (22)	82 (28)	87 (31)	90 (32)	88 (31)	85 (29)	78 (26)	70 (21)	63 (17)	75.6 (24.3)
<b>Average low °F (°C)</b>	38 (3)	40 (4)	47 (8)	54 (12)	62 (17)	69 (21)	72 (22)	71 (22)	68 (20)	57 (14)	48 (9)	41 (5)	55.6 (13.1)
<b>Average precipitation inches (mm)</b>	3.7 (94)	3.5 (89)	3.9 (99)	3.0 (76)	3.6 (91)	5.3 (135)	6.2 (157)	8.9 (226)	5.1 (130)	2.6 (66)	2.4 (61)	3.2 (81)	51.4 (1,306)

Source: Weatherbase

## Demographics

As of the census of 2010, there were 37,099 people, 16,535 households, and 10,700 families residing in the town, occupying a land area of 42.06 square miles (109 km). The population density was 882.0 people per square mile (340.4/km). There were 33,602 housing units at an average density of 798.9 per square mile (308.3/km).

Although the town occupies most of the land area of the island, it is not coterminous with it; there is a small part near the main access road from the mainland, William Hilton Parkway, which is not incorporated into the town. Hilton Head (the island) therefore has a slightly higher population (48,407 in Census 2000, defined as the Hilton Head Island Urban Cluster) and a larger land area (42.65 sq mi or 110.5 km) than the town. The Hilton Head Island-Bluffton Beaufort Metropolitan Statistical Area, which includes Beaufort and Jasper counties, had a 2012 estimated year-round population of 193,882.

The racial makeup of the town was 82.9% White, 7.5% African American, 0.2% Native American, 0.9% Asian, 0.1% Pacific Islander, 7.3% from other races, and 1.2% from two or more races. Hispanic or Latino of any race were 15.8% of the population.

There were 16,535 households in which 18.4% had children under the age of 18 living with them, 54.7% were married couples living together, 6.8% had a female householder with no husband present, and 35.3% were non-families. 28.3% of all households were made up of individuals and 14.0% had someone living alone who was 65 years of age or older. The average household size was 2.23 and the average family size was 2.66.

In the town, the population was spread out with 18% under the age of 20, 4.4% from 20 to 24, 20.4% from 25 to 44, 28.4% from 45 to 64, and 28.8% who were 65 years of age or older. The median age was 50.9 years. For every 100 females there were 103.8 males. For every 100 females age 18 and over, there were 105.5 males.

According to a 2014 estimate, the median income for a household in the town was \$68,437, and the median income for a family was \$85,296. Males had a median income of \$51,463 versus \$36,743 for females. The per capita income for the town was \$45,116. About 5.4% of families and 9.3% of the population were below the poverty line, including 16.9% of those under age 18 and 3.9% of those age 65 or over.

## Economy

According to Hilton Head Island's 2016 Comprehensive Annual Financial Report, the top employers in the town are:

#	Employer	# of Employees
1	Serg Group Restaurants	822
2	Sea Pines Resort	693
3	Hilton Head Medical Center	546
4	Marriott Vacation Club	500
5	Beaufort County School District	500
6	Salty Dog	370
7	Westin Hotels & Resorts	357
8	Cypress of Hilton Head	340
9	Kroger Super Markets	288
10	Omni Hilton Head Oceanfront Resort	272

## Arts and Culture

### **Organizations**

- Formerly the Self Family Arts Center, the "Arts Center of Coastal Carolina" is a showcase for professional performing and visual arts, as well as cultural festivals and educational outreach. The Arts Center also offers community education, including Visual and Performing Arts Camps, Theater Camp, and other workshops and classes.
- The "Coastal Discovery Museum", located at 70 Honey Horn Drive, offers a variety of programs, activities, and indoor and outdoor exhibits year-round to over 125,000 visitors. The Discovery House has permanent exhibitions about the natural history and cultural heritage of the Lowcountry, a gift store, Kids' Zone and a temporary gallery space. The museum offers many tours of its 68-acre (28 ha) property that includes salt marsh boardwalks, trails, a native butterfly habitat and various gardens. The Coastal Discovery Museum is open Monday — Saturday, 9:00 a.m. – 4:30 p.m. and Sunday 11:00 a.m. – 3:00 p.m.
- The "Hilton Head Choral Society", founded in 1975, is a non-profit organization "open to community members who love to sing and enjoy good fellowship." The choirs of the Hilton Head Choral Society are known for their diverse musical repertoire including classical masterworks, pops concerts and lighter fare, patriotic and Americana, and gospel and musical theatre. There is also a 20-voice chamber choir and a youth choir. The 120-member full chorus presents four major programs per season: *A Fall Pops Concert*, *The Christmas Concert*, *The Musical Masterworks Concert* and a pair of Memorial Day concerts celebrating the art of American choral singing and a patriotic tribute.
- The "Hilton Head Symphony Orchestra" was started 25 years ago by a handful of musicians and classical music aficionados who dreamed of bringing "big city" culture to Hilton Head. Since then, they have transformed from a small group of classical music lovers to a highly rated symphony orchestra. Their main performance hall is the First Presbyterian Church on William Hilton Parkway, next to Fire Station 3. A branch formed from the Hilton Head Symphony Orchestra is the Hilton Head Youth Orchestra, helping young musicians across the county with their love for music.

## **Organizations (continued)**

- The "Arts Council of Beaufort County" (ACBC)'s mission is to promote and foster the arts of Beaufort County, including Hilton Head Island. ACBC's vision is to position and maintain Beaufort County as a vibrant arts community and destination through active marketing, service to current arts organizations and artists and advocacy for the arts. ACBC programs include Quarterly Community Arts Grants, the Ever Expanding Arts Calendar, Get Your Art Out emerging artist initiative, the print publication ArtNews, and Arts of the Roundtables, which are free quarterly seminars exploring the business of art.
- The "Main Street Youth Theatre", located on the north end of the island on Main Street, is a non-profit community theatre dedicated to enriching the lives of the island's youth by providing a true theatrical experience. Each year, MSYT performs four or five Broadway-quality shows that run about two months at a time. During the tourist season, MSYT is a major tourist attraction and is also a local hot spot year round. The organization also provides acting, dance, and vocal instruction after school and during the summer.
- "Lifelong Learning of Hilton Head Island" offers the adult community of Hilton Head Island a collection of educational and fun classes covering subjects from history, arts, yoga, and current events to outer space exploration and beyond. Each semester promises choices from 20–30 topics. Annual membership is \$30. Fall and winter terms are \$45 each with no limit on the number of classes a member can take.
- "The Heritage Library of Hilton Head Island" is the repository for Hilton Head Island history and a premier ancestry research center. The Heritage Library is a non-profit member library that is open to the public for a small daily fee, and offers history programs, genealogy classes, and special programs throughout the year.

## **Annual Events**

- Gullah Celebration – Although threatened by the rapid increase in tourism, Gullah culture can be seen at the annual Hilton Head Island Gullah Celebration which is held at Shelter Cove Community Park in February. In the summer, the acclaimed Hallelujah Singers present a Gullah concert series at Hilton Head's Arts Center of Coastal Carolina.
- WineFest – The Annual WineFest is the largest outdoor, tented wine tasting on the East Coast, featuring over 1,500 domestic and international wines.
- St. Patrick's Day Parade – The annual St. Patrick's Day Parade draws over 20,000 people.
- WingFest – The annual Hargray WingFest is held at Shelter Cove Community Park. The event is operated by the Island Recreation Association, and all proceeds benefit the Island Recreation Scholarship Fund.
- HarbourFest – HarbourFest, now in its 26th season, is held every Tuesday night from June to August at Shelter Cove Marina. It features arts and crafts, live entertainment, and fireworks at sunset. There is a special HarbourFest celebration on July 4.
- Heritage Golf Classic – The annual Heritage Classic Golf Tournament is held every April at Harbour Town Golf Links in Sea Pines Resort.
- Rib Burnoff and Barbecue Fest – The annual Rib Burnoff & Barbecue Fest is held at Honey Horn Plantation.
- Celebrity Golf Tournament – The annual Celebrity Golf Tournament is held at the Golf Club at Indigo Run, the Robert Trent Jones course in Palmetto Dunes and Harbour Town Golf Links. The tournament has contributed over \$3 million to 18 children's charities.
- FoodFest – FoodFest celebrates the talent of the local hospitality industry and provides attendees with several spectator events including: The Best Bartender Drink Making Contest, The Hospitable Waiter's Race, and The Tailgate Gourmet Challenge.

### **Annual Events (continued)**

- Chili Cookoff – The annual Chili Cookoff is held at Honey Horn Plantation.
- Community Festival – The annual Community Festival at Honey Horn Plantation features a "haunted trail" in the "haunted forest" presented by the Hilton Head Rotary Club and the Interact Clubs from Hilton Head Island High School and Hilton Head Preparatory School.
- Motoring Festival and Concours d'Elegance – World-class automobiles take center stage each November at the annual Hilton Head Island Motoring Festival & Concours d'Elegance at the Honey Horn Plantation. The festival features some of the country's finest collector automobiles, including classic cars, two-wheeled machines, wooden boats, and beach mobiles.
- The Dove Street Festival of Lights – Begun 1990, the Dove Street Festival of Lights takes place each December. It began when a local family on the street adopted their daughter and wanted to dedicate an event to her. Local families on Dove Street decorated the entire street with holiday lights, connecting the homes together to create a light tunnel effect. Previously, the Glee Club of the Miami University of Ohio serenaded residents with holiday songs. Town volunteers collect donations of money, food and toys at the festival that are given to The Deep Well Project, a local charity. In recent years the festival has moved from the original Dove Street to Shelter Cove Lane where the town can assist in the electrical costs.

### **Government**

The Town of Hilton Head Island incorporated as a municipality in 1983 and has jurisdiction over the entire island except Mariner's Cove, Blue Heron Point, and Windmill Harbor. The Town of Hilton Head Island has a Council-Manager form of government. The Town Manager is the chief executive officer and head of the administrative branch and is responsible to the municipal council for the proper administration of all the affairs of the town. The Town Council exercises all powers not specifically delegated to the Town Manager. The Mayor has the same powers, duties, and responsibilities as a member of Town Council. In addition, the Mayor establishes the agenda for Town Council meetings, calls special meetings, executes contracts, deeds, resolutions, and proclamations not designated to the Town Manager, and represents the town at ceremonial functions.

Town functions include: General Government, Finance, Administrative Services, Community Development, Public Projects and Facilities, and Fire and Rescue.

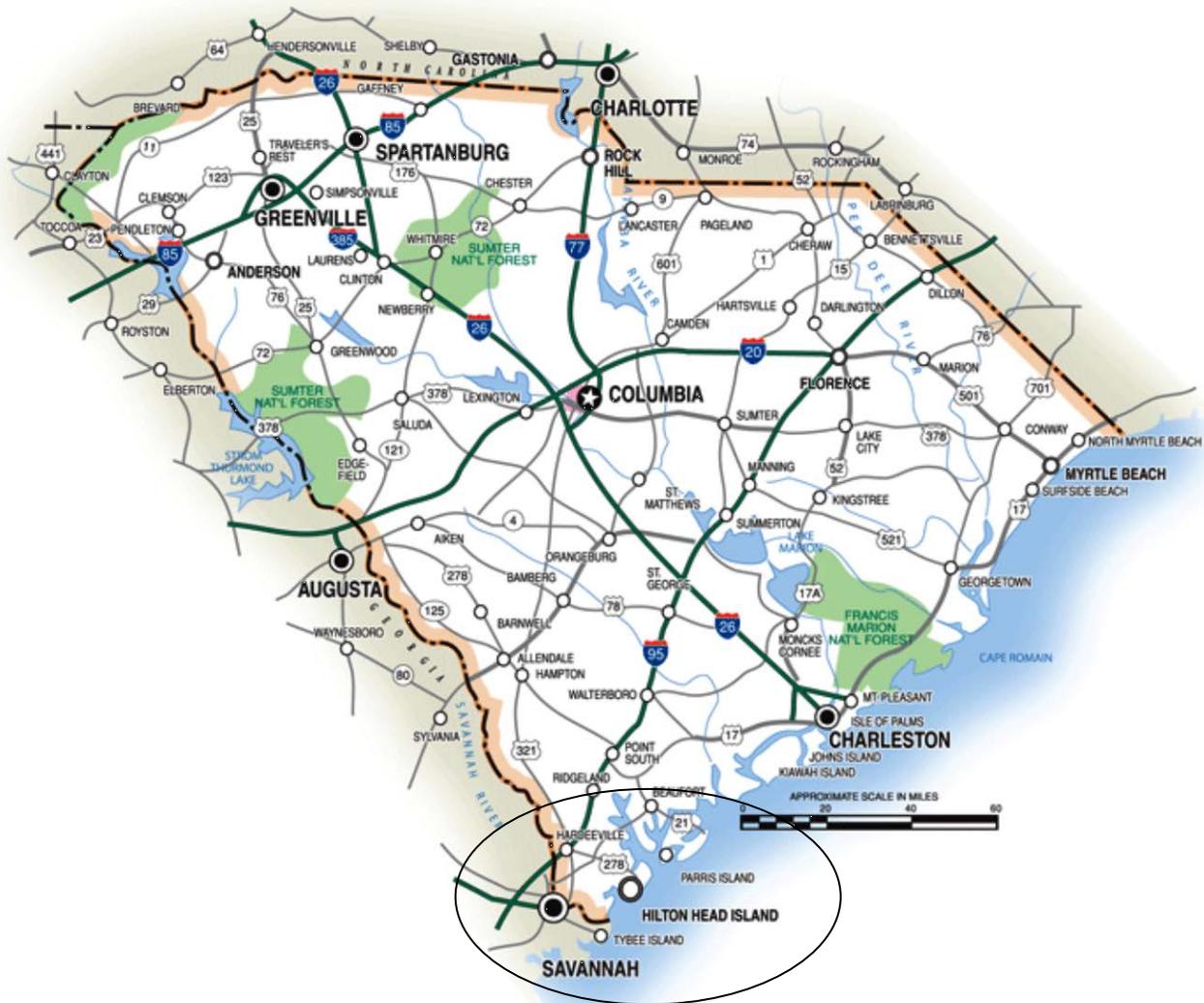
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General Information

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Where is Hilton Head Island?



# General Information

## Hilton Head Island at a Glance

### Population

2003	34,599
2004	34,633
2005	34,817
2006	34,368
2007	34,140
2008	34,243
2009	34,249
2010 Census	37,099
2011	37,585
2012	38,522
2013	39,412
2014	40,039
2015	40,512
2016	40,500
Median Age	50.9
Number of Households	17,005
Average Persons per Household	2.29
Average Family Size	2.64
Per Capita Income	\$47,869
Racial Composition (2010 Census)	
White	82.9%
Black or African American	7.5%
American Indian, Alaskan Native	0.2%
Asian	0.9%
Other	.1%
Hispanic Ethnicity	15.8%
<b>Land Use</b>	
Land Area	54 sq. miles
Miles of Beach	13
<b>Tourism</b>	
Monthly Peak	
Summer Population	150,000
Total Annual Visitors (2013)	2.4 million

Annual Visitor Expenditures \$1.7 billion

### Property Tax Millage Rate:

General Fund (Operating)	16.38
Emergency Override –	
Hurricane Matthew	5.00
Voter Approved Debt	6.14
Capital Projects Fund (CIP)	.84
<b>Total Millage Rate</b>	<b>28.36</b>

### Bond Ratings:

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

### FY 2018 Budget

Combined Governmental Funds	\$81,443,036
Enterprise Fund	\$ 4,800,450

Total Town Staff (FTEs) 257.2

### Recreation and Culture

Public Tennis Clubs	7
Tennis Courts Public and Private	300

### Public Recreation Facilities

Active Recreation	3
Beach Access/Parks	7
Pools	1

Arts Center 1

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

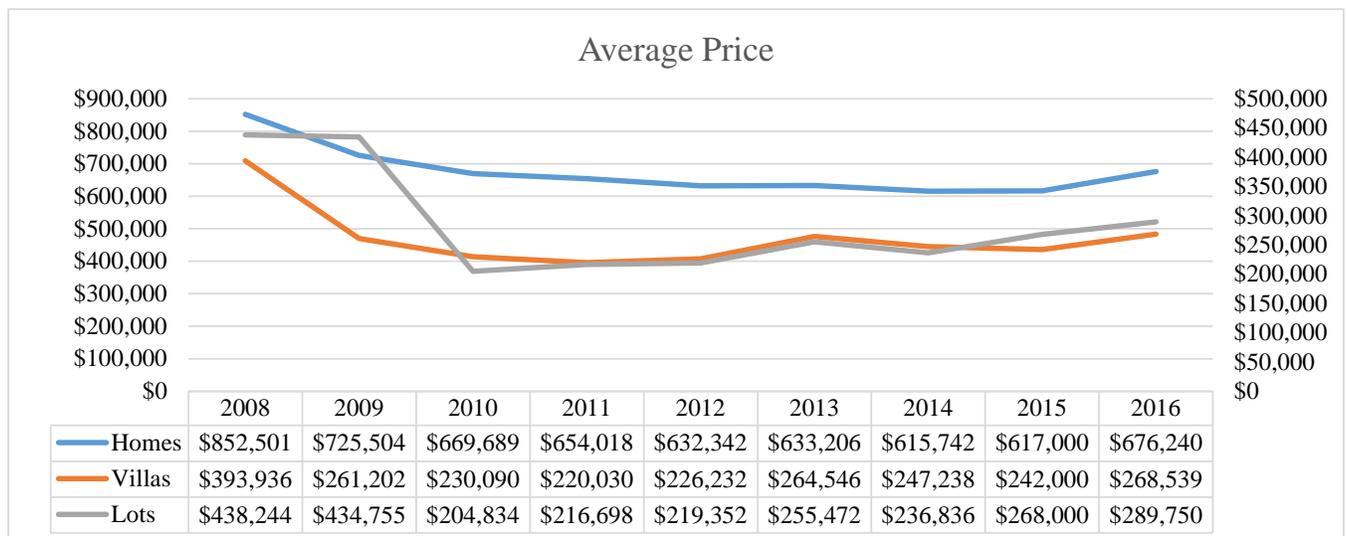
Golf Course in Town Limits (non-municipal) 23

# Hilton Head Island at a Glance (continued)

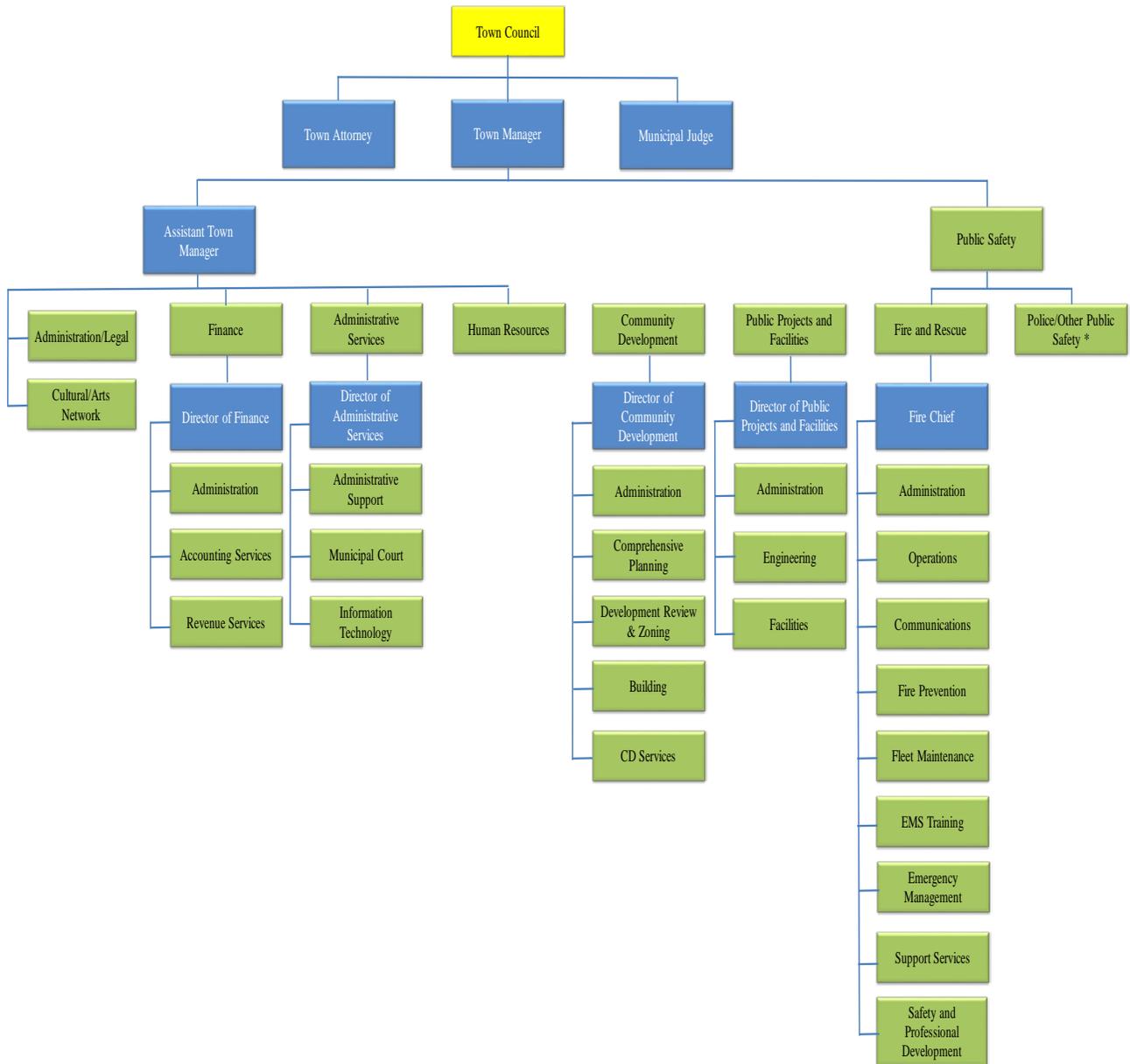
## Property Sold Through Real Estate Agents<sup>1</sup>

Year	2008	2009	% change	2010	% change	2011	% change	2012	% change	2013	% change	2014	% change	2015	% change	2016
<b>Homes Sold</b>	538	550	2.2%	611	11.1%	673	10.1%	768	14.1%	830	8.1%	882	6.3%	932	5.7%	830
Average Price	\$ 852,501	\$ 725,504	-14.9%	\$ 669,689	-7.7%	\$ 654,018	-2.3%	\$ 632,342	-3.3%	\$ 633,206	0.1%	\$ 615,742	-2.8%	\$ 617,000	0.2%	\$ 676,240
<b>Villas Sold</b>	476	510	7.1%	725	42.2%	747	3.0%	896	19.9%	885	-1.2%	881	-0.5%	938	6.5%	937
Average Price	\$ 393,936	\$ 261,202	-33.7%	\$ 230,090	-11.9%	\$ 220,030	-4.4%	\$ 226,232	2.8%	\$ 264,546	16.9%	\$ 247,238	-6.5%	\$ 242,000	-2.1%	\$ 268,539
<b>Lots Sold</b>	34	47	38.2%	83	76.6%	103	24.1%	122	18.4%	185	51.6%	168	-9.2%	146	-13.1%	111
Average Price	\$ 438,244	\$ 434,755	-0.8%	\$ 204,834	-52.9%	\$ 216,698	5.8%	\$ 219,352	1.2%	\$ 255,472	16.5%	\$ 236,836	-7.3%	\$ 268,000	13.2%	\$ 289,750
<b>All Sold</b>	1,048	1,107	5.6%	1,419	28.2%	1,523	7.3%	1,786	17.3%	1,900	6.4%	1,931	1.6%	2,016	4.4%	1,878
Average Price	\$ 630,782	\$ 499,254	-20.9%	\$ 417,897	-16.3%	\$ 411,580	-1.5%	\$ 400,394	-2.7%	\$ 424,709	6.1%	\$ 405,687	-4.5%	\$ 403,186	-0.6%	\$ 449,980

<sup>1</sup>Data obtained from MLS of Hilton Head Island, Inc.



# Town Organizational Chart



\*Contract service provided by the Sheriff's Office and Shore Beach Services



## Accounting and Financial Policies

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# ***Accounting and Financial Policies***

The accounting and financial policies of the Town are adopted/reaffirmed as part of the budget adoption process.

## **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 and the proprietary funds use the accrual basis. The CAFR presents the Town's funds on a GAAP basis in the Government-wide and Fund Financial Statements. The Town adopts a formal budget for the General, Capital Projects, Debt Service and Stormwater Funds. In order to provide a meaningful comparison of actual results with the budget, the Town presents budget and actual statements for its four budgeted funds in the Other Supplementary Information section of the CAFR. The budgets are adopted on a modified accrual basis including the Stormwater Fund. The budget and actual statements are reconciled to the appropriate GAAP basis in the CAFR.

### **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 reports its Stormwater Fund, an enterprise fund in the Proprietary Fund Group, as 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 except the Stormwater Fund are considered governmental 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 all financial resources except those required to be accounted for in another fund. Its primary operating expenditures are general government, administrative services, sheriff/other public safety, fire, community services, and public projects and facilities.

## **Fund Financial Statements (CAFR) (continued)**

***Disaster Recovery Fund.*** This fund is used for accumulating resources for post-disaster recovery funding.

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

***Capital Projects Funds.*** These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities or equipment. For the new fiscal year, these funds are transitioning from a fiscal year budget to a project length budget.

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

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

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

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

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

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

## **Fund Financial Statements (CAFR) (continued)**

### ***Real Estate Transfer Fee Fund (Special Revenue Fund) (continued).***

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

***Non-major Funds (Special Revenue Fund).*** The Town reports the Palmetto Electric Franchise Fees and the Home Grant as Special Revenue funds under non-major governmental funds.

***Note on Funds without Formally Adopted Budgets.*** The Town does not formally adopt budgets for its Special Revenue Funds. These funds have minimal direct expenditures; instead, the majority of the sources in these funds are transferred to the three budgeted governmental funds and expended from those funds. The Tax Increment Financing Fund (TIF), Accommodations Tax Fund, Beach Preservation Fees Fund, Real Estate Transfer Fee Fund, Road Usage Fee, and Electricity Franchise Fee Fund budgets are reflected in the General Fund, Capital Projects Fund (CIP), and Debt Service Fund as “transfers in”. Any additional funds expended from these funds are approved at the time the funds are expended.

### **The Town reports the following enterprise fund:**

***Stormwater Utility Fund.*** The Clean Water Act, signed into law 1973, requires local governments to manage stormwater pollution. As a result of this federal mandate Beaufort County established a Stormwater Management Utility (SWU). The utility is responsible for protecting the health of our valuable waterways and for reducing flooding due to storms in our vulnerable low-lying region. The Town sets the fee and notifies Beaufort County to include the fee on its property tax bills. The County collects the Stormwater fee and remits the funds to the Town minus an administrative overhead fee. The Town uses these funds for drainage infrastructure maintenance and any associated debt service costs. The Town currently operates on a pay as you go basis.

### **Measurement Focus and Basis of Accounting**

The Town maintains all budgeted funds during the year using the modified accrual basis of accounting. The proprietary fund uses this same basis for budgetary purposes but is converted to accrual basis at yearend for the CAFR.

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

## **Measurement Focus and Basis of Accounting (continued)**

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

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

Proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting as described above for the government-wide financial statements. The operating statement does not report the issuance of debt, debt service principal payments and capital outlay.

## **Cash and Cash Equivalents**

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

## **Investments**

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

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

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

## **Investments (continued)**

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

## **Restricted Assets**

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

## **Capital Assets and Depreciation**

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

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

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

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

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

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

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

## **Physical Inventory**

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

## **Compensated Absences**

The Town has a policy to accrue compensated absences for employees when the obligation relating to the employee's rights to receive compensation is attributable to the employee's services already rendered, when the rights vest and accumulate and when the payment is payable. Vacation pay meets the above criteria for accrual, whereas sick pay does not. Sick pay does not vest until an employee reaches retirement eligibility. In accordance with GASB no liability is recorded for non-vesting accumulative rights to receive sick pay benefits.

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

## **Long-Term Obligations**

In the government-wide financial statements and the fund financial statements for the proprietary fund, 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 Charges on Advance Refunding**

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 charges on advance refunding are deferred and amortized over the term of the bonds using the effective interest method. Bond discounts and deferred charges on advance refunding 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.

In the government-wide financial statements, bond discounts, bond premiums and deferred charges on advance refunding are accounted for in the same manner as in the proprietary funds.

## **Budgetary Accounting**

Budgets are formally adopted for governmental funds: the General Fund, Debt Service Fund, and funds associated with the Capital Improvement Plan (CIP). The Town also adopts a formal budget for its proprietary fund: the Stormwater Fund operating as an enterprise. These are annual appropriations, except for the capital projects funds which are project-based appropriations.

The State Accommodations Fund budget is determined by Town Council as it awards grants in the middle of the fiscal year. Grants from 65% of the total fund are awarded for the calendar year. The remainder of the fund is established by State law (first \$25,000 and 5% transferred to the General Fund, and 30% designated for marketing to the Hilton Head Chamber of Commerce – Visitor and Convention Bureau).

The budget book also includes special revenue funds' plans as well. Budgets are not formally adopted for the various special revenue funds. However, they provide significant sources of funds for the three major governmental funds. The Town presents this funding as transfers out of the special revenue funds and transfers in to the formally budgeted funds. The Town's special revenue funds are the State Accommodations, Tax Increment Financing (TIF), Beach Preservation Fees, Hospitality Tax, Real Estate Transfer Fees (RETF), and Palmetto Electric Franchise Fees. The Town does not budget grants generally as it has few recurring grant funds. Beginning in fiscal year 2015, the Town established a special revenue fund for grants. A budget will not be formally adopted for this fund.

As required by State law, the Town Manager submits to Town Council a proposed annual budget for the General Fund, Debt Service Fund, CIP (capital projects funds), and the Stormwater Utility which includes proposed expenditures and the means of financing them.

Public hearings are held for citizens' comments regarding the budgets for the General Fund, Debt Service Fund, CIP (capital projects funds), and the Stormwater Fund.

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

Budgetary transfers between departments and projects may be authorized by the Town Manager up to established limits. Changes or amendments altering total expenditures of any fund must be approved by Town Council.

The Town prepares and adopts budgets on a basis consistent with the appropriate generally accepted accounting principles and basis of accounting. All appropriations except capital projects lapse at year end. Encumbrances at year-end are approved to be carried forward to the new year. Amounts specifically designated to be carried forward to the subsequent year are re-appropriated by ordinance in the following year.

## Financial Policies

### **Revenues**

The Town estimates its annual revenues by objective and analytical processes. General Fund 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/expenses.

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

Current revenues will be sufficient to support current expenditures/expenses (balanced budget) unless Council approves limited uses of excess prior year funds.

### **Expenditures/Expenses**

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

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

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

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

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

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

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

Expenditure forecasts for the General Fund and Stormwater Fund for the next three years shall be all-inclusive and will be reviewed and updated annually. Debt service costs are forecast for the next five years and will be reviewed and updated annually.

### **Capital Improvement Plan (CIP)**

The Town is required by State law to develop a ten-year Capital Improvements Plan (CIP) and update it annually. The CIP is the initial source for developing the capital improvement funding for the upcoming year. There are multiple funding sources (each a separate fund within the accounting system) for the CIP. This document reflects the projects to be undertaken by funding source.

State law recognizes millage as either operating or debt. The Town chooses to establish a separate millage for the General Fund and CIP; however for State millage purposes, both are combined into the operating millage.

## **Capital Improvement Plan (CIP) (continued)**

Once a project is approved and funds appropriated the project will automatically roll-over from year to year until the project is finished, unless Town Council directs otherwise. During the annual budget process Town Council will be asked to approve any new projects or adjustments to the already approved projects and appropriate into the CIP. Town staff will recommend funding sources for any new projects.

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

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

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 identified through savings on other capital projects or other means is adopted 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.

## **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.

The Town may confine long-term borrowing to capital improvements and projects that have lives of 4-50 years, (in accordance with the estimated useful life definition of a capital asset).

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 Management Policies (continued)

### *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 April 2017 (estimate) County-wide assessment, the total assessed value is \$858,824,922. The legal debt margin for the Town of Hilton Head Island is \$68,705,994. The Town Council has self-imposed a further limiting 80% cap to reserve bonding capacity in case of a disaster. Because of Hurricane Matthew, Council exercised its disaster capacity in issuing a \$20 million Bond Anticipation Note (BAN) to enable adequate cash flow while applying for reimbursement from FEMA, the State, and the County. At June 30, 2017 the Town had \$16,938,774 in bonding capacity 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.

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

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

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

### **Financial Reserves**

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.

## Disaster Planning Reserves

To protect its assets against catastrophic events, the Town established the following reserves.

### *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 following funds:

1. The Debt Service Fund to maintain an account reserved for the reduction of the Town's general obligation debt. This account shall be called debt defeasance. These funds may be used for early debt retirement or other debt payments; or
2. The Disaster Recovery Fund to maintain an account for post-disaster recovery.

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.

### *Restricted for Advertising*

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

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

The Town may distribute the funds in the following manner.

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

The local ATAX reserve is a component of the General fund. Beginning in Fiscal Year 2013, the Hospitality component has been held in the Hospitality Fund balance.

## **Disaster Planning Reserves (continued)**

### *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 estate 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 items.

- 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.
- 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.



Budget Process

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## *Budget Process*

### **Budget Calendar**

February 8, 2017	Budget kick-off departmental budget packages distributed
February 28, 2017	Department budgets due to Asst. Town Manager for initial review
March 3 – 10, 2017	Budgets due to Finance Department for budget integration
March 31, 2017	Finalize budget proposals and staffing requests
May 2, 2017	Town Manager delivers the proposed budget to the Town Council for first reading of ordinance
May 2 – June 7, 2017	Town Council workshops
June 13, 2017	Public hearing; revised first reading of the budget ordinance by Town Council
June 20, 2017	Second and final reading of budget

## **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 and professional services, consulting; printing and publishing; uniforms and protective gear; travel, meetings and conferences; office and operating supplies; repairs and maintenance; 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.

The *Townwide – Non-departmental* budget is used for centralized expenditures and purchases not assigned to a department or division. The Town distinguishes the expenditures in the budget in the following categories.

The *personnel* category reports employees' Palmetto Pass; retiree expenditures; short-term temporary salary and benefits including most summer interns; and workers' compensation deductibles (not premiums).

In the *operating category*, the Town reports most utilities, insurance, maintenance contracts, Palmetto Pass for Town vehicles, copier leases and supplies, and vehicle fuel.

The *grants* category includes Town funding for its affiliated organizations such as the Island Recreation Center; Coastal Discovery Museum management fee and turtle watch program; Solicitor's Office for career criminals program and drug court; Lowcountry Regional Transportation Authority, (LRTA); and the Beaufort County EDC.

The *capital outlay* category includes equipment and furniture costing \$5,000 or more, and software purchases costing \$50,000 or more which is not directly associated with a specific department. An example is for security cameras throughout the Town.

### 3. Department Expenditures by Division and Category

The *debt service* category is used for short-term debt such as capital leases or bank notes for equipment, vehicles, or software. Currently, the Town does not have any debt service in the General Fund.

#### **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 for each department.

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

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

The Director of Finance, in conjunction with the Deputy Director of Finance develop the revenue budget.

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

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

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

## **Budget Approval Process**

During the months of March and April, 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 at its first meeting in May.

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

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

## **Monitoring the Budget**

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

## **Budget Transfers, Amending the Budget and Encumbrances**

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

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

If reserve funds (amending the cost of the Capital Improvement Plan (CIP)) need to be used or a project slid (amending the CIP spending plan) the transfer must be approved by Town Council.

- d. Transfer up to One Hundred Thousand Dollars (\$100,000) between Town Council approved capital projects in the Tax Increment Financing Fund (TIF) per (c) above.
- 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 between the General Fund, Capital Projects Fund, Debt Service Fund, or Tax Increment Financing Fund (TIF) with the exception of transfers identified in (c) above related to the Capital Projects Funds , 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 ten percent (10%) or One Hundred Thousand Dollars (\$100,000), whichever is less. If the total contract amount exceeds said thresholds, the 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.

**Budget Transfers, Amending the Budget and Encumbrances (continued)**

*Encumbrances* – appropriations 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 legal encumbrances at year-end of the fund balance are provided through the passage of the new fiscal year budget to increase the revenues (funds from previous fiscal year(s)) and roll-forward the appropriated budget expenditures from the prior year. The threshold for encumbrance roll-over is \$1,500. Any encumbrances less than this threshold will be liquidated and must be expended using funds from the new fiscal year budget.

**Capital Budgets are Projected-Based**

Capital budgets are approved on a project-based basis. Unlike operating budgets that expire at year-end, capital budgets carry-forward until the project is complete.



Consolidated Budget Summary- Governmental Funds

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# Consolidated Budget Summary – All Town Funds

The chart below reflects the governmental, special revenue, enterprise, and Capital Improvement Plan (CIP) funds budgets for fiscal year 2018. On an annual basis the Town Council formally adopts budgets for the General Fund, Debt Service, and annual adjustments to the CIP.

	General	Road Usage Fee	Tax Increment Financing District	State ATAX	Real Estate Transfer Fee	Beach Preservation Fee	Hospitality Tax	Debt Service	Capital Projects	Electric Franchise Fee	Total Governmental Funds	Enterprise Fund Stormwater
<b>Revenues:</b>												
Real and Personal Property Taxes	\$ 13,473,000	\$ 570,000	\$ 4,000,000	\$ -	\$ -	\$ -	\$ -	\$ 9,537,600	\$ 688,949	\$ -	\$ 28,269,548	\$ -
Accommodations Tax	3,312,968	-	-	6,207,298	-	-	-	-	-	-	9,520,266	-
Hospitality Tax	-	-	-	-	-	-	6,500,000	-	-	-	6,500,000	-
Business Licenses/Franchise Fees	9,983,008	-	-	-	-	-	-	-	-	-	9,983,008	-
Permits	1,443,239	-	-	-	-	-	-	-	350,000	-	1,793,239	-
<b>Other Fees:</b>												
Impact	-	-	-	-	-	-	-	-	-	-	-	-
Real Estate Transfer	-	-	-	-	3,087,468	-	-	-	-	-	3,087,468	-
Beach Preservation	-	-	-	-	-	6,400,000	-	-	-	-	6,400,000	-
Electric Franchise	-	-	-	-	-	-	-	-	-	2,993,464	2,993,464	-
Stormwater	-	-	-	-	-	-	-	-	-	-	-	4,800,000
Lease Revenue	-	-	-	-	-	-	-	-	65,000	-	65,000	-
State Shared Funds	812,000	-	-	-	-	-	-	-	-	-	812,000	-
Grants	148,677	-	-	-	-	-	-	-	-	-	148,677	-
Prior year funds	191,250	-	-	-	-	-	-	-	200,000	-	391,250	-
Miscellaneous Revenue	2,899,470	-	-	-	-	-	-	169,870	195,000	-	3,264,340	-
Investment Income	2,500	-	2,000	350	200	3,100	-	36,000	-	300	44,450	450
<b>Total revenues</b>	<b>32,266,111</b>	<b>570,000</b>	<b>4,002,000</b>	<b>6,207,648</b>	<b>3,087,668</b>	<b>6,403,100</b>	<b>6,500,000</b>	<b>9,743,470</b>	<b>1,498,949</b>	<b>2,993,764</b>	<b>73,272,710</b>	<b>4,800,450</b>
<b>Expenditures/Expenses:</b>												
<b>General Government</b>												
Town Council	1,266,646	-	-	-	-	-	-	-	-	-	1,266,646	-
Town Manager	666,124	-	-	-	-	-	-	-	-	-	666,124	-
	1,932,770	-	-	-	-	-	-	-	-	-	1,932,770	-
<b>Administration</b>												
Finance	1,857,494	-	-	-	28,500	-	-	-	-	-	1,885,994	-
Administration/Legal	4,222,684	-	-	-	-	-	-	-	-	-	4,222,684	-
	6,080,178	-	-	-	28,500	-	-	-	-	-	6,108,678	-
<b>Community Services</b>												
Community Development	3,136,693	-	-	-	-	-	-	-	-	-	3,136,693	-
Public Projects and Facilities	5,724,759	-	-	-	-	-	-	-	-	-	5,724,759	966,000
	8,861,452	-	-	-	-	-	-	-	-	-	8,861,452	966,000
<b>Public Safety</b>												
Fire and Rescue	14,757,642	-	-	-	-	-	-	-	-	-	14,757,642	-
Sheriff/Other Public Safety	3,728,316	-	-	-	-	-	-	-	-	-	3,728,316	-
	18,485,958	-	-	-	-	-	-	-	-	-	18,485,958	-
<b>Townwide</b>												
	4,031,356	-	-	-	-	-	-	-	-	-	4,031,356	-
<b>Capital</b>												
	927,322	200,000	-	-	-	-	-	-	15,540,000	2,500,000	19,167,322	5,653,000
<b>Accommodations Tax Grants</b>												
Heritage Classic	-	-	-	1,771,971	-	-	-	-	-	-	1,771,971	-
Visitor and Convention Bureau	-	-	-	1,877,531	-	-	257,500	-	-	-	357,500	-
Administration	-	-	-	-	-	-	-	40,000	-	-	40,000	-
Debt Service	-	-	-	-	-	-	-	24,160,000	641,000	-	24,801,000	1,154,000
<b>Total expenditures</b>	<b>40,319,036</b>	<b>200,000</b>	<b>-</b>	<b>3,649,502</b>	<b>28,500</b>	<b>-</b>	<b>257,500</b>	<b>24,200,000</b>	<b>16,181,000</b>	<b>2,500,000</b>	<b>87,335,538</b>	<b>7,773,000</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	(8,052,925)	370,000	4,002,000	2,558,146	3,059,168	6,403,100	6,242,500	(14,456,530)	(14,682,051)	493,764	(14,062,828)	(2,972,550)
<b>Other financing sources (uses):</b>												
<b>Transfers In:</b>												
Accommodations Tax - State	1,565,900	-	-	-	-	-	-	-	-	-	1,565,900	-
Hospitality Tax	3,492,245	-	-	-	-	-	-	2,324,350	325,000	-	6,141,595	-
Real Estate Transfer	-	-	-	-	-	-	-	2,260,263	-	-	2,260,263	-
Beach Preservation	1,361,138	-	-	-	-	-	-	5,986,288	800,000	-	8,147,426	-
Electric Franchise	90,000	-	-	-	-	-	-	-	-	-	90,000	-
TIF	180,000	-	-	-	-	-	-	-	-	-	180,000	-
Capital Projects Fund:								5,535,000	-	-	5,535,000	-
Ad Valorem Taxes	453,000	-	-	-	-	-	-	-	-	-	453,000	-
Sale of Equipment/Land	175,000	-	-	-	-	-	-	-	-	-	175,000	-
Lease	-	-	-	-	-	-	-	65,000	-	-	65,000	-
Sunday Liquor Fees	50,000	-	-	-	-	-	-	-	-	-	50,000	-
Road Usage Fees	-	-	-	-	-	-	-	-	650,000	-	650,000	-
Stormwater Fees	125,000	-	-	-	-	-	-	-	-	-	125,000	-
<b>Transfers Out:</b>												
Accommodations Tax	-	-	-	(1,565,900)	-	-	-	-	-	-	(1,565,900)	-
Hospitality Tax	-	-	-	-	-	-	(6,141,595)	-	-	-	(6,141,595)	-
Real Estate Transfer	-	-	-	-	(2,260,263)	-	-	-	-	-	(2,260,263)	-
Beach Preservation	-	-	-	-	-	(8,147,426)	-	-	-	-	(8,147,426)	-
Electric Franchise	-	-	-	-	-	-	-	-	(90,000)	-	(90,000)	-
TIF	-	-	(5,715,000)	-	-	-	-	-	-	-	(5,715,000)	-
Capital Projects Fund:												
Ad Valorem Taxes	-	-	-	-	-	-	-	-	(453,000)	-	(453,000)	-
Sale of Equipment/Land	-	-	-	-	-	-	-	-	(175,000)	-	(175,000)	-
Lease	-	-	-	-	-	-	-	-	(65,000)	-	(65,000)	-
Sunday Liquor Fees	-	-	-	-	-	-	-	-	(50,000)	-	(50,000)	-
Road Usage Fees	-	(650,000)	-	-	-	-	-	-	-	-	(650,000)	-
Stormwater Fees	-	-	-	-	-	-	-	-	-	-	-	(125,000)
Bond Proceeds	-	-	-	-	-	-	-	-	13,886,000	-	13,886,000	3,100,000
Bond Proceeds Previously Recognized	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>7,492,283</b>	<b>(650,000)</b>	<b>(5,715,000)</b>	<b>(1,565,900)</b>	<b>(2,260,263)</b>	<b>(8,147,426)</b>	<b>(6,141,595)</b>	<b>16,170,901</b>	<b>14,918,000</b>	<b>(90,000)</b>	<b>14,011,000</b>	<b>2,975,000</b>
Revenues Over/(Under) Expenditures/Expenses	(560,642)	(280,000)	(1,713,000)	992,246	798,905	(1,744,326)	100,905	1,714,371	235,949	403,764	(51,828)	2,450
Fund balance - beginning (estimated)	19,417,775	850,000	3,756,336	2,195,646	1,236,200	15,176,978	4,283,986	9,849,697	1,079,947	3,049,365	60,895,931	1,728,881
Fund balance - ending	\$ 18,857,133	\$ 570,000	\$ 2,043,336	\$ 3,187,892	\$ 2,035,105	\$ 13,432,652	\$ 4,384,891	\$ 11,564,068	\$ 1,315,897	\$ 3,453,129	\$ 60,844,103	\$ 1,731,331

Note: the ending fund balances do not include the use of reserve funds for the Hurricane Matthew recovery effort.

# Consolidated Budget Summary – Governmental Funds

## Introduction

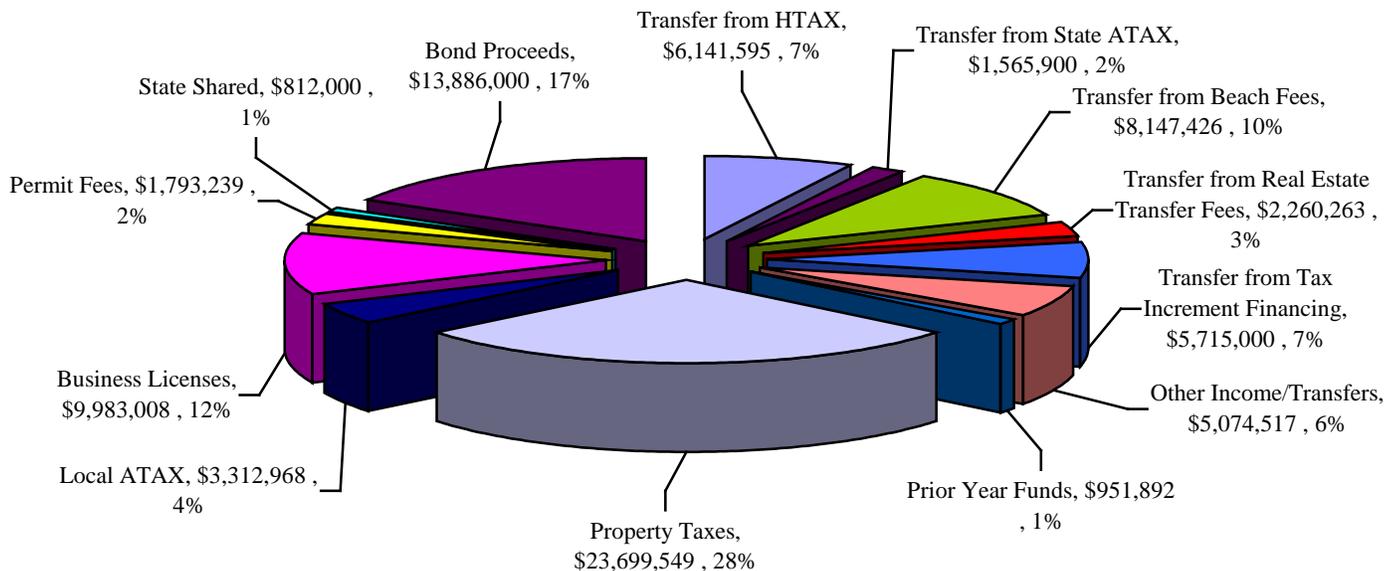
The fiscal year 2018 annual budget was developed based on the goals and vision of Town Council. The financial resources have been allocated in the budget in a manner that we believe will successfully meet the challenges and opportunities before the Town and set the stage for the Town’s continued success in the future.

## Fiscal Year 2018 Combined Budget Governmental Funds

The combined fiscal year 2018 budgeted expenditures for the three major governmental funds is \$81,443,036, including transfers into the General Fund from the Capital Improvement Plan (CIP). This represents a decrease of \$21.2 million or 21% compared to the fiscal year 2017 adopted budget. The General Fund budget increased by \$705,393 or 2%, the Debt Service Fund budget increased by \$10.6 million or 78%, and the Capital Improvement Plan budget decreased by \$32.5 million or 66%.

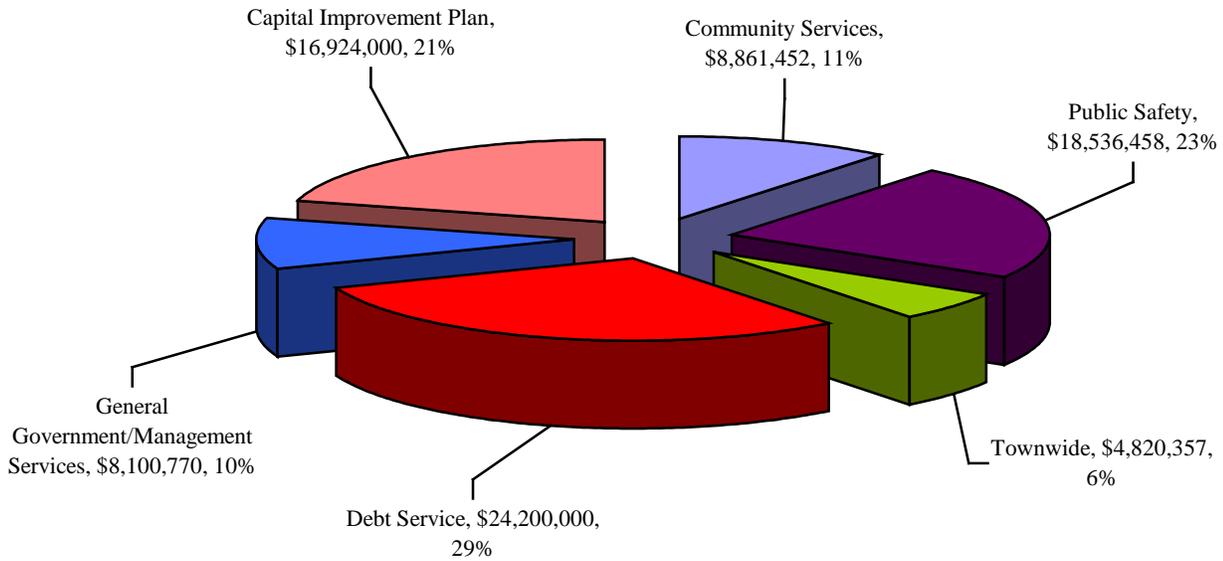
The fiscal year 2018 budget is balanced, prudent and responsive to community needs. Projected revenues will be sufficient to support program expenditures. In the General Fund, the Town will use \$560,642 in prior year funds (fund balance) and \$191,250 by carrying forward unspent Town Council Initiatives. Sufficient funds exist for these purposes.

### ALL GOVERNMENTAL FUNDS - WHERE THE MONEY COMES FROM



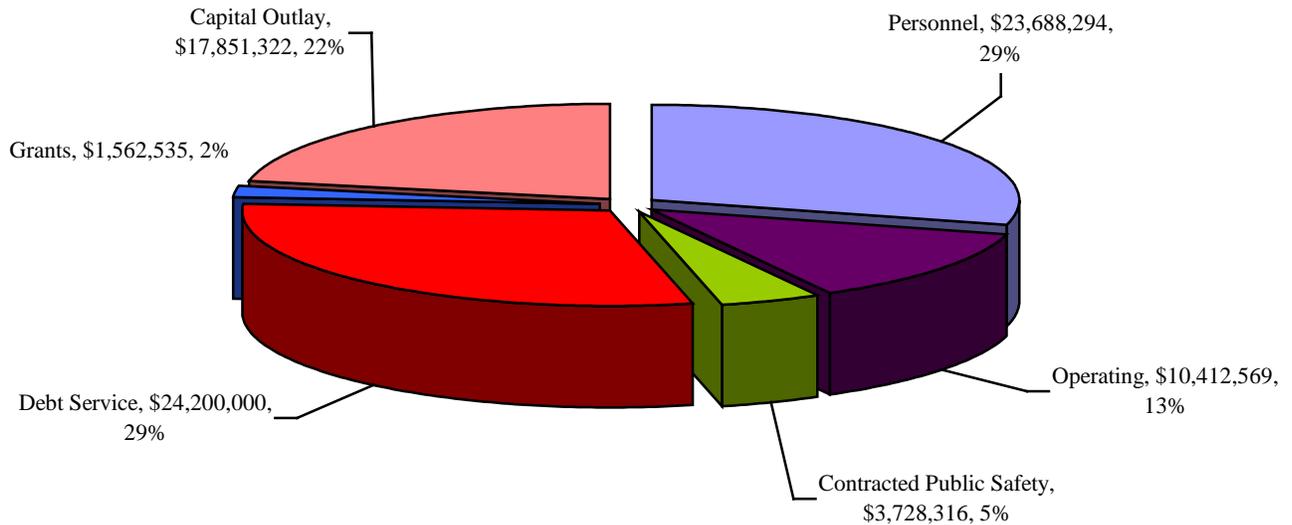
# Consolidated Budget Summary – Governmental Funds

## ALL GOVERNMENTAL FUNDS - WHERE THE MONEY GOES BY PROGRAM



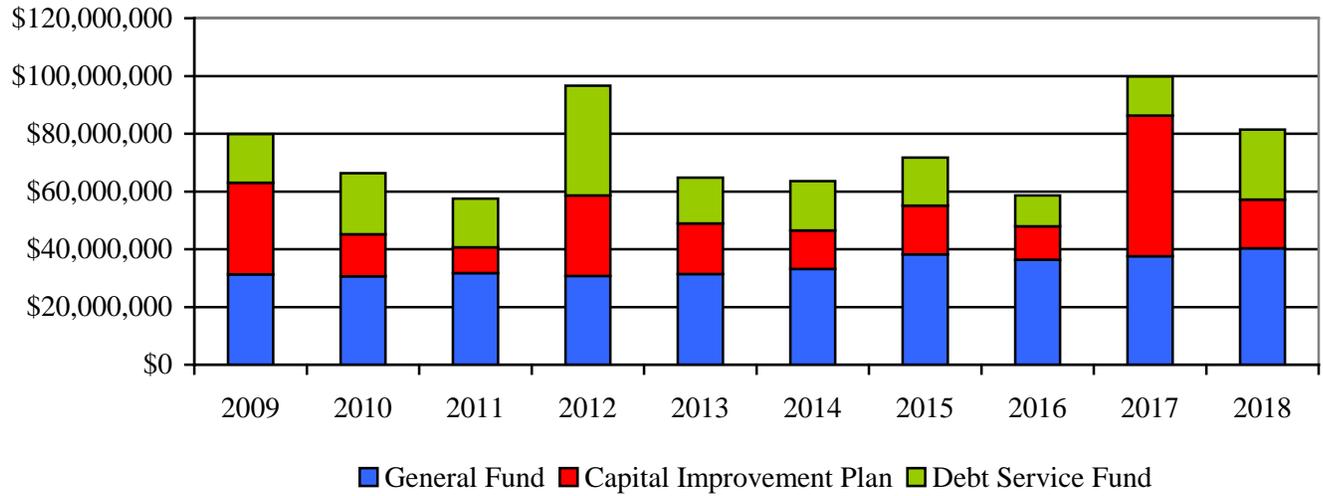

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## ALL GOVERNMENTAL FUNDS - WHERE THE MONEY GOES BY CATEGORY



# Consolidated Budget Summary – Governmental Funds

## Trend Analysis of Expenditures by Fund



Actual through 2016, expected in 2017, and proposed in 2018.

# *Consolidated Budget Summary – Governmental Funds*

## Consolidated Budgeted Governmental Fund Revenues and Expenditures – [General Fund, Debt Service Fund, and Capital Improvement Plan (CIP)] Historical, and Budget

	2015 Actual	2016 Actual	2017 Adopted	2018 Budget	+/- 2017 Adopted Budget	% 2017 Adopted Budget
<b>Revenues</b>						
Property Taxes	\$ 16,978,477	\$ 18,486,059	\$ 18,979,471	\$ 23,699,549	\$ 4,720,078	25%
ATAX - Local	3,362,270	3,215,849	3,119,000	3,312,968	193,968	6%
Business Licenses and Franchise Fees	9,210,538	9,143,438	9,371,000	9,983,008	612,008	7%
Permits	1,380,846	2,039,570	1,970,233	1,793,239	(176,994)	-9%
Intergovernmental	1,176,192	1,131,882	812,000	812,000	-	0%
Investment Income	39,721	41,619	41,501	38,500	(3,001)	-7%
Prior Year Funds	-	-	-	951,892	951,892	100%
Miscellaneous	3,526,519	3,196,413	3,087,321	4,408,016	1,320,695	43%
<b>Total</b>	<b>\$ 35,674,563</b>	<b>\$ 37,254,830</b>	<b>\$ 37,380,526</b>	<b>\$ 44,999,172</b>	<b>\$ 7,618,646</b>	<b>20%</b>
<b>Expenditures</b>						
General Government	\$ 1,046,890	\$ 1,203,788	\$ 1,833,846	\$ 1,932,770	\$ 98,924	5%
Management Services	5,373,628	4,947,486	5,785,125	6,168,000	382,875	7%
Community Services	7,238,600	7,793,950	8,490,379	8,861,452	371,073	4%
Public Safety	17,904,895	17,463,673	19,235,859	18,536,458	(699,401)	-4%
Townwide	3,921,463	4,350,152	4,268,434	4,820,356	551,922	13%
Capital	10,330,101	12,175,793	48,987,250	16,181,000	(32,806,250)	-67%
Debt Service	18,608,406	10,709,450	13,572,500	24,200,000	10,627,500	78%
<b>Total</b>	<b>\$ 64,423,983</b>	<b>\$ 58,644,292</b>	<b>\$ 102,173,393</b>	<b>\$ 80,700,036</b>	<b>\$ (21,473,357)</b>	<b>-21%</b>
<b>Excess/(Deficiency) of Revenues over Expenditures</b>	<b>\$ (28,749,420)</b>	<b>\$ (21,389,462)</b>	<b>\$ (64,792,867)</b>	<b>\$ (35,700,864)</b>	<b>\$ 29,092,003</b>	<b>-45%</b>
<b>Other Financing Sources (Uses)</b>						
Bond Issue/Other	\$ -	\$ 1,143,746	\$ 40,265,000	\$ 13,886,000	(26,379,000)	-66%
Operating Transfers In	25,961,793	23,322,889	22,444,224	24,508,184	2,063,960	9%
Transfers Out Bond	(1,035,039)	(3,489,340)	(453,000)	(743,000)	(290,000)	64%
Proceeds Previously Recognized	-	-	(1,750,000)	-	1,750,000	-100%
<b>Total</b>	<b>\$ 24,926,754</b>	<b>\$ 20,977,295</b>	<b>\$ 60,506,224</b>	<b>\$ 37,651,184</b>	<b>\$ (22,855,040)</b>	<b>-38%</b>
<b>Total Excess/(Deficiency) of Revenues over Expenditures</b>	<b>\$ (3,822,666)</b>	<b>\$ (412,167)</b>	<b>\$ (4,286,643)</b>	<b>\$ 1,950,320</b>	<b>\$ 6,236,963</b>	<b>-145%</b>

# ***Consolidated Budget Summary – Governmental Funds***

## ***Revenues and Other Sources***

The Town projects that revenues and other sources will decrease by \$17.2 million or 17% in the consolidated governmental funds budget over the adopted budget for fiscal year 2018.

- Property tax revenue for all three governmental budgeted funds will increase by \$4.7 million or 25% from the fiscal year 2017 adopted budget. The budget includes a 1.18 mil increase in the General Fund, and a 5.00 mil (5 year) millage override. The funds obtained from the 5.00 mil override will be used as part of the Hurricane Matthew recovery effort to pay the debt on an \$18.0 million bond issue to restore reserve funds. We are projecting the value of a mil to decrease slightly; and an allowance for uncollectible accounts of 96% based on the Town's experience.
- Business License revenues are expected to increase by \$555,170 primarily due to a business license rate increase of fifteen percent (15%) (General Fund) which will still place the Town in a low rate position compared to our peers.
- Franchise Fees revenues are expected to increase by \$56,800 (General Fund).
- The Town will issue the following new debt in fiscal year 2018:
  1. Beach Preservation Fee Bonds \$36.0 million – these funds will be used to defease a portion of the \$25.0 million 2014 Bond Anticipation Note and provide funding for the next phase of beach re-nourishment.
  2. Tax Increment Financing (TIF) Bonds, for the recently approved TIF extension \$32.0 million – the main projects being funded are the USC-Beaufort (USCB) project and Coligny/Pope Initiatives with a Community Park. It should be noted that the total of all projects to do in the TIF District is \$39.4 million. The plan is as growth is realized the remaining projects will be greenlighted. Otherwise, additional funding sources will need to be identified to cover the additional funding needs or the scope of the projects will need to be held back.
  3. General Obligation Bonds \$28.5 million – these funds will be used to defease a portion of the \$25.0 million 2014 Bond Anticipation Note and to fund capital projects and the purchase of fire apparatus.
  4. \$18.0 million General Obligation Bond to replenish reserves used to fund clean-up efforts associated with Hurricane Matthew. Funding for these bonds will come from a 5 mil override over the next five years and FEMA, State, and County reimbursement.

# ***Consolidated Budget Summary – Governmental Funds***

## ***Revenues and Other Sources (continued)***

In the consolidated governmental funds budget, the Town estimates that other financing sources will decrease by \$21.7 million. The major change is because in fiscal year 2017 \$38.5 million in bond funds were budgeted versus only \$13.9 million in fiscal year 2018. The Town does not formally budget its special revenues funds; the Town primarily transfers special revenues funds to the governmental funds to provide for debt service, capital projects and operations. The majority of the transfers are described below.

- \$6.1 million of hospitality tax current year revenue and prior year funds will be used to fund various operating expenditures, debt service payments, and various capital projects. This represents an increase of \$697,237 or 13% over the fiscal year 2017.
- \$8.1 million of beach preservation fee current year revenue and prior year funds will be used to fund various operating expenditures, debt service payments, and various beach renourishment capital projects. This is \$2.9 million or 57% over the fiscal year 2017.
- \$5.7 million of TIF funds will be used to fund various project management expenditures in the operating budget, various capital projects and debt service. This represents a decrease of \$807,500 or 12% less than fiscal year 2017.
- \$650,000 in road usage fees will be used to fund road improvements.
- \$1.6 million in State accommodation tax funds will be used to fund various operating expenditures.
- \$2.3 million in real estate transfer fee funds (RETF) will be used to fund debt service payments.
- The following funds will be transferred from various Capital Improvement Plan (CIP) funds to pay for various operating expenditures associated with the CIP:
  - Ad Valorem taxes \$453,000
  - Sunday Liquor Fees \$50,000
  - Sale of Land \$175,000
- The Stormwater Enterprise Fund provides \$90,000 to the General Fund for project management.
- The Electric Franchise Fund provides \$125,000 to the General Fund for project management.

# ***Consolidated Budget Summary – Governmental Funds***

## ***Expenditures and other Uses***

The Town's budgeted governmental funds expenditures will decrease by \$21.1 million in fiscal year 2018 over the fiscal year 2017 revised budget. The decrease is primarily due a reduction in the number of projects added to the Capital Improvement Plan. Fiscal year 2017 was already a high activity year before the hurricane hit. Fiscal year 2018 will be an opportunity to complete outstanding projects and recover from the hurricane financially. The Debt Service Fund expenditure budget will increase \$10.6 million primarily due to the expected issuance of beach, general obligation, and TIF bonds this year.

Overall, General Fund expenditures are programmed at \$40.3 million for fiscal year 2018 compared to \$39.6 million adopted budget for FY 2017, an increase of \$670,040 or 1.7%.

**Programs.** Town Council and staff have done a great job to hold operating costs level, while continuing the excellent services expected from citizens and visitors to the Island. A new department was added in fiscal year the Cultural/Arts Network.

**Personnel Expenditures (Excludes Personnel in Stormwater Fund).** The budget for total personnel expenditures includes a 3% increase (\$617,706) consisting of several factors. Some of the changes include a budgeted 3% merit increase budget of \$582,769 (includes salary and benefit cost), that is allocated by department to employees based on job performance.

Townwide Retirement – Includes a \$43,900 increase in 401k plan funding; and a \$128,660 increase in PORS retirement funding due to changes at the state to shore up its pension plan.

Medical/Dental – \$46,730 more than fiscal year 2017 budget.

Workers Compensation – \$11,900 more than fiscal year 2017 budget.

**Total Operating Expenditures (General Fund).** The Town's operating expenditures budget in the General Fund increased by \$826,015 or 9%. If you exclude the one-time funding of \$600,000 to establish a reserve for future dredging projects the increase is only \$226,015 (2%). This is indicative of the Town's efforts to hold expenses low as possible.

**Contracted Public Safety (General Fund).** The Town budgeted \$3.5 million for the Sheriff's Offices, no change from the previous year. An additional \$77,000 in funding has been placed in the contingency pending the outcome of a performance audit. Shore Beach services is budgeted at \$257,677 a slight increase for fiscal year 2018.

**Capital Outlay (General Fund).** The Town's budget for capital is \$927,322 a decrease of \$390,900. Fire and Rescue has been moved to the Capital Improvement Plan. Also, a one-time capital cost of \$600,000 was added this year to establish a reserve for future dredging projects.

**Grants (General Fund).** Grant funding will decrease in fiscal year 2018 by \$363,847 or 19%. The decrease is primarily due to: (1) Turtle Watch will be funded directly from the Beach Preservation Fee Fund (\$36,500), (2) Heritage Classic Foundation will be directly funded from the Hospitality Tax Fund (\$125,000), (3) Recreation Center capital purchases will be funded through the CIP plan (\$267,000), (4) elimination of First Tee funding (\$50,000) and (5) Event Management and Hospitality Training funding has been decreased by \$34,830. Also, the Solicitor Career Criminal Program funding was increased by \$85,000; this is one-time funding needed to reduce the backlog of cases.

## *Consolidated Budget Summary – Governmental Funds*

### *Expenditures and other Uses, continued*

- Coastal Discovery Museum – Historic Mitchelville initiative \$110,000 a \$10,000 increase over last year.
- Recreation Association – Operations – \$707,052, an increase of \$24,000.
- Recreation Association – Capital – moved to Capital Improvement Plan.
- Heritage Classic Foundation – funded in the Hospitality Tax Fund; \$257,500.
- Coastal Discovery Museum – \$75,000 the same as last fiscal year.
- Coastal Discovery Museum Capital – \$57,000 decreased by \$4,500.
- Sea Turtle Project – funded in the Beach Preservation Fee Fund; \$41,900.
- Multidisciplinary Court – \$50,000 the same as last fiscal year.
- Career Criminal Program – \$118,500, an increase of \$85,000.
- Public Art – Community Foundation – \$100,000; **\$50,000 will be funded in fiscal year 2018** and \$50,000 in fiscal year 2019; this grant is funded with Sunday Liquor Permit Fees.
- Event Management and Hospitality Program – \$110,000 a reduction of \$34,830 over fiscal year 2017. This program is funded from 5% of the local Accommodations Tax revenues per the Town Code. The approved budget is divided into two segments \$100,000 for program funding and \$10,000 for a consultant to evaluate the effectiveness of the program.
- LRTA – \$259,153, a \$9,153 increase over fiscal year 2017.
- County EDC – \$15,000, this is a new grant for fiscal year 2018.

# Consolidated Budget Summary – Governmental Funds

## 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

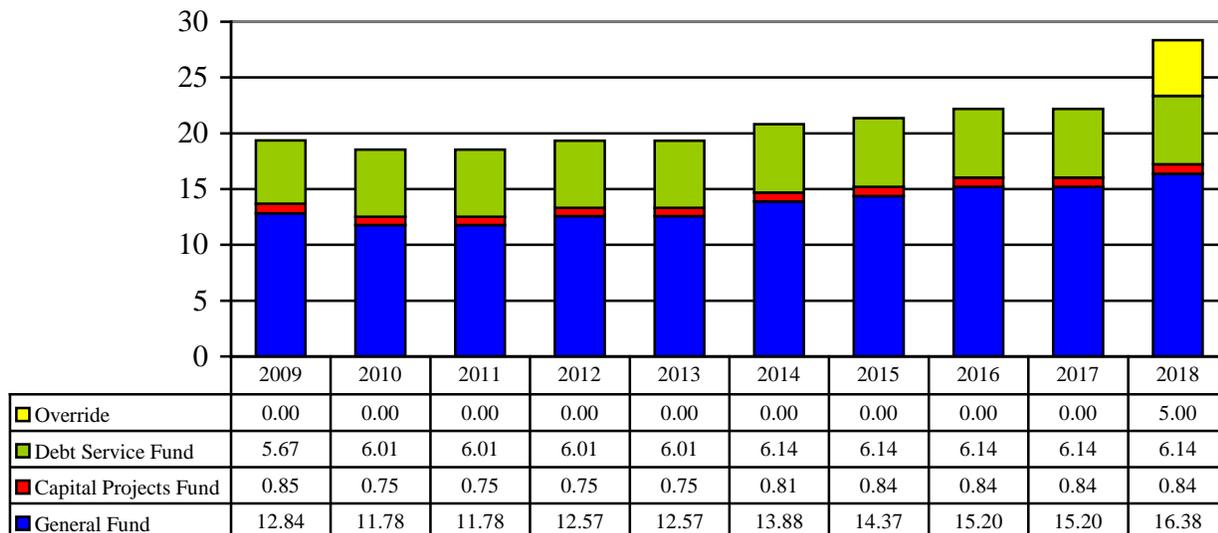
The tax levy is released in September and current taxes are payable from October 1<sup>st</sup> through December 31<sup>st</sup> of each year. On January 15, unpaid taxes are considered delinquent and penalties begin to accrue.

Property taxes are levied for the purposes of funding the provision of municipal services, the Capital Projects Fund, and the retirement of debt. For fiscal year 2018, 16.38 mils will be allocated to the General Fund (57% of levy), .84 mils to the Capital Projects Fund (3% of levy), 5 mils will be used to restore disaster reserves utilized for Hurricane Matthew recovery (18% of levy), and 6.14 mils (22 % of levy) will be used for the retirement of debt. The total Town millage rate is **28.36**.

The General Fund millage rate will be adjusted by the allowable CPI increase for the past three years plus the current year. Over the past three years the Town chose not to adjust the millage rate by the CPI. This is a 1.18 (7.8%) mil increase over last year’s millage rate of 15.20. The increase is necessary in order to rebalance the General Fund revenues with the expenditures, avoiding the use of turn-back funds from prior years.

The 5 mil override will fund \$18.0 million in General Obligation Bonds that will be used to replenish reserves.

### Historical Total Millage by Fund



# Consolidated Budget Summary – Governmental Funds

## Property Taxes - All funds; Impact on a primary residence

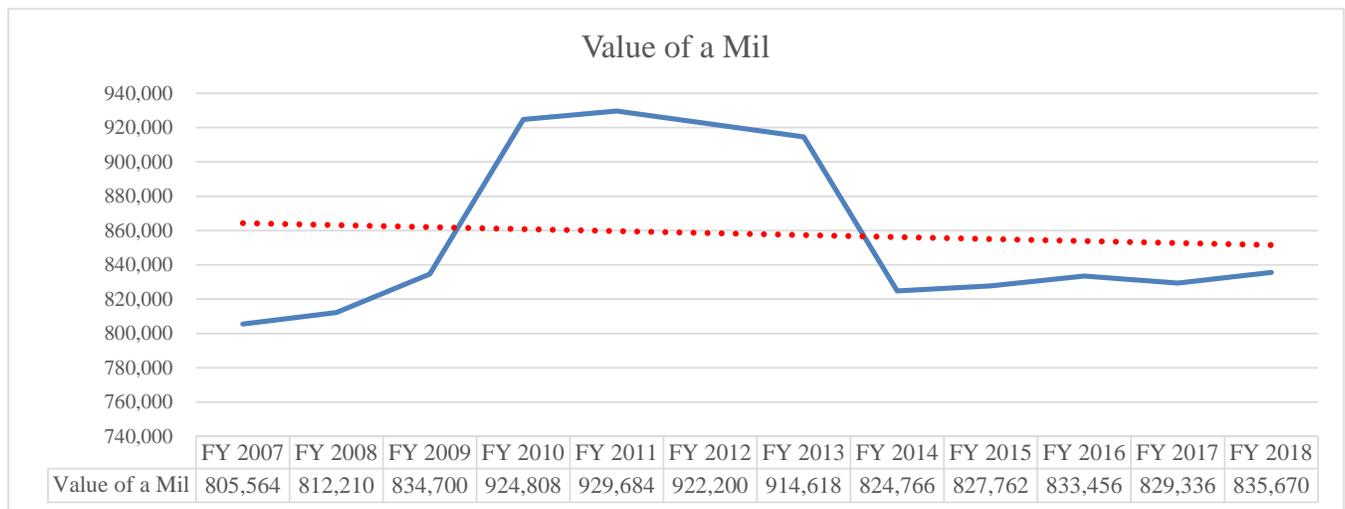
Millage Rate by Fund	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
General Fund	12.33	12.33	12.84	11.78	11.78	12.57	12.86	13.88	14.37	15.20	15.20	16.38
Disaster Recovery	-	-	-	-	-	-	-	-	-	-	-	5.00
Debt Service Fund	5.82	5.82	5.67	6.01	6.01	6.01	5.72	6.14	6.14	6.14	6.14	6.14
Capital Projects Fund	0.85	0.85	0.85	0.75	0.75	0.75	0.75	0.81	0.84	0.84	0.84	0.84
<b>Total Millage Rate</b>	<b>19.00</b>	<b>19.00</b>	<b>19.36</b>	<b>18.54</b>	<b>18.54</b>	<b>19.33</b>	<b>19.33</b>	<b>20.83</b>	<b>21.35</b>	<b>22.18</b>	<b>22.18</b>	<b>28.36</b>

Value of Home	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000	350,000
Taxable Value (4% Primary Residence)	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000	14,000
<b>Taxes Paid</b>												
General Fund	172.62	172.62	179.76	164.92	164.92	175.98	180.04	194.32	201.18	212.80	212.80	229.32
Disaster Recovery	-	-	-	-	-	-	-	-	-	-	-	70.00
Debt Services Fund	81.48	81.48	79.38	84.14	84.14	84.14	80.08	85.96	85.96	85.96	85.96	85.96
Capital Projects Fund	11.90	11.90	11.90	10.50	10.50	10.50	10.50	11.34	11.76	11.76	11.76	11.76
<b>Taxes Paid</b>	<b>266.00</b>	<b>266.00</b>	<b>271.04</b>	<b>259.56</b>	<b>259.56</b>	<b>270.62</b>	<b>270.62</b>	<b>291.62</b>	<b>298.90</b>	<b>310.52</b>	<b>310.52</b>	<b>397.04</b>

## Property Taxes – Value of a Mil

Millage Rate by Fund	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Budget	823,336	814,954	827,260	940,316	933,073	928,031	946,591	846,109	821,918	851,870	855,702	835,670
Actual	805,564	812,210	834,700	924,808	929,684	922,200	914,618	824,766	827,762	833,456	829,336	
Actual as % of Budget	-2.2%	-0.3%	0.9%	-1.6%	-0.4%	-0.6%	-3.4%	-2.5%	0.7%	-2.2%	-3.1%	



# Town Staffing

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Variance</u>
<b><u>General Government</u></b>						
Town Council	7.0	7.0	7.0	7.0	7.0	0.0
Town Manager	4.0	4.0	4.0	4.0	4.0	0.0
<b><u>Management Services</u></b>						
Administration/Legal	26.0	26.0	26.0	26.3	27.3	1.0
Finance	18.0	19.3	19.3	19.3	19.3	0.0
<b><u>Community Services</u></b>						
Community Development	26.0	26.1	27.4	27.7	28.7	1.0
Public Projects and Facilities	19.0	19.0	19.0	19.0	19.0	0.0
<b><u>Public Safety</u></b>						
Fire and Rescue	145.1	145.1	144.7	145.9	145.9	0.0
<b>Total General Fund</b>	<b>245.1</b>	<b>246.5</b>	<b>247.4</b>	<b>249.2</b>	<b>251.2</b>	<b>2.0</b>
<b>PPF Stormwater Fund</b>	3.0	4.0	4.0	4.0	6.0	2.0
<b>Total Town Staff</b>	<b>248.1</b>	<b>250.5</b>	<b>251.4</b>	<b>253.2</b>	<b>257.2</b>	<b>4.0</b>

## FTE Staffing Changes

- Administration – Cultural and Arts Network Coordinator (1) (funded mid-year 2017)
- Community Development – Projects Lead (1) (funded mid-year 2017)
- Stormwater – SW Engineering Associate (funded through the Stormwater Fund) (1)
- Stormwater – SW Inspector (funded through the Stormwater Fund) (1)



General Fund

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## *General Fund*

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	Personnel	Operating	Capital/Debt	Grants	Expenditures
Town Council	\$ 158,596	\$ 1,108,050	\$ -	\$ -	\$ 1,266,646
Town Manager	637,374	28,750	-	-	666,124
Administration/Legal	2,786,011	1,436,673	87,822	-	4,310,506
Finance	1,672,724	184,770	-	-	1,857,494
Community Development	2,843,383	293,310	-	-	3,136,693
Public Projects and Facilities	1,874,079	3,850,680	-	-	5,724,759
Fire and Rescue	13,365,117	1,392,525	50,500	-	14,808,142
Sheriff/Other Public Safety	-	3,728,316	-	-	3,728,316
Non-Departmental (Townwide)	351,010	2,117,811	789,000	1,562,535	4,820,356
<b>Totals</b>	<b>\$ 23,688,294</b>	<b>\$ 14,140,885</b>	<b>\$ 927,322</b>	<b>\$ 1,562,535</b>	<b>\$ 40,319,036</b>

# General Fund Summary

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

					2017		2018		% change	
	2013	2014	2015	2016	Adopted Budget	Estimated Actual	FY 2018 Budget	FY 2017 Budget	FY 2017 Est. Actual	
<b>Revenues</b>										
Property Taxes	11,500,914	11,447,533	11,894,284	12,647,166	12,950,052	12,610,002	13,473,000		4%	7%
ATAX Local 1%	2,499,067	2,798,783	3,068,339	3,215,849	3,119,000	3,280,166	3,312,968		6%	1%
<b>Business Licenses:</b>										
Business Licenses - Town	3,388,636	3,428,367	3,941,652	3,866,698	3,987,000	3,905,365	4,620,576		16%	18%
Business Licenses - MASC	4,385,502	4,367,542	4,392,826	4,357,613	4,484,000	4,401,189	4,405,590		-2%	0%
<b>Franchise Fees:</b>										
Cable	763,434	817,454	848,708	890,697	875,000	908,511	926,681		6%	2%
Beach Fee	21,811	24,234	27,352	28,430	25,000	29,282	30,160		21%	3%
Recycling	150,324	135,231	-	-	-	-	-		0%	0%
<b>Permit Fees:</b>										
Construction	481,110	588,868	552,722	1,189,212	794,233	574,831	592,076		-25%	3%
Development	13,212	6,615	15,101	20,902	11,000	12,488	12,863		17%	3%
Other	873,843	782,456	813,023	829,456	815,000	830,000	838,300		3%	1%
Intergovernmental	800,659	805,027	812,085	812,322	812,000	812,000	812,000		0%	0%
<b>Grants:</b>										
Beaufort County - Hazmat	11,677	11,677	11,677	11,677	11,001	11,677	11,677		6%	0%
Beaufort County - E911	140,328	159,724	132,041	135,083	132,000	132,000	132,000		0%	0%
DHEC	84,817	3,990	-	-	4,000	10,666	5,000		25%	-53%
SLED	6,261	-	-	-	-	-	-		0%	0%
SC Regional	-	-	-	-	-	-	-		0%	0%
<b>Miscellaneous Revenue:</b>										
Beach Services	223,196	230,839	239,358	229,643	245,000	230,000	230,000		-6%	0%
Donations	155	273	2,429	146	500	200	200		-60%	0%
Municipal Court	261,776	224,217	198,948	210,243	190,000	220,000	220,000		16%	0%
Other	240,638	267,125	223,925	268,241	250,000	267,068	267,070		7%	0%
Public Safety - EMS	1,198,868	1,059,918	1,403,782	1,383,496	1,394,700	1,370,799	1,490,000		7%	9%
Public Safety - County D/T	53,758	55,103	55,721	53,781	55,000	53,424	54,000		-2%	1%
Town Codes	246	230	46	10	250	20	200		-20%	900%
Prior Year Funds	-	-	-	-	2,013,643	1,655,899	560,642		100%	100%
Roll-Forward of Prior Year Budget	-	-	-	-	-	508,750	191,250		0%	-62%
Victim's Assistance	42,477	36,980	34,399	37,134	45,000	37,727	38,000		-16%	1%
<b>Transfers In:</b>										
EDC	-	-	-	-	-	-	-			
Beach Fees	981,705	1,111,138	1,111,138	1,111,138	1,111,138	1,111,138	1,361,138		22%	22%
CIP - Ad Valorem	-	-	-	1,413,000	453,000	453,000	453,000		0%	0%
CIP - Sunday Liquor	37,500	359,703	418,150	37,500	50,000	50,000	50,000		0%	0%
CIP - Land	-	-	594,000	986,752	175,000	175,000	175,000		0%	0%
Road Usage Fee	-	-	-	-	509,000	-	-		-100%	0%
Hospitality Fee	2,974,236	3,570,012	4,391,195	3,270,069	3,392,245	3,392,245	3,492,245		3%	3%
TIF	182,930	163,775	169,398	169,398	175,000	175,000	180,000		3%	3%
ATAX	1,178,148	1,270,356	1,338,188	1,596,057	1,347,181	1,365,900	1,565,900		16%	15%
Electric Franchise fee	82,551	63,600	311	87,878	90,000	90,000	90,000		0%	0%
Stormwater	236,131	74,258	94,258	94,258	95,000	95,000	125,000		32%	32%
Lease/Other	-	57,614	12,000	-	-	49,002	-		0%	0%
Dredging Reserve	-	-	-	-	-	-	600,000		0%	0%
Investments	2,732	2,662	2,347	2,454	2,700	2,444	2,500		-7%	2%
<b>Total Revenues</b>	<b>32,818,642</b>	<b>33,925,304</b>	<b>36,799,403</b>	<b>38,956,303</b>	<b>39,613,643</b>	<b>38,820,793</b>	<b>40,319,036</b>		<b>2%</b>	<b>4%</b>
<b>Increase/Decrease</b>		<b>1,106,662</b>	<b>2,874,099</b>	<b>2,156,900</b>	<b>657,340</b>	<b>(135,510)</b>	<b>1,498,243</b>			
<b>%</b>		<b>3.37%</b>	<b>8.47%</b>	<b>5.86%</b>	<b>1.69%</b>	<b>-0.41%</b>	<b>3.86%</b>			

# General Fund Summary, continued

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

	2013	2014	2015	2016	2017		2018		% change	
					Adopted Budget	Estimated Actual	FY 2018 Budget	FY 2017 Budget	FY 2017 Est. Actual	FY 2017
<b>Expenditures</b>										
<b>General Government:</b>										
Town Council	374,956	433,654	408,860	427,765	474,768	513,409	526,646		11%	3%
Town Council - Initiative	-	-	-	-	700,000	508,750	740,000		6%	45%
Town Manager	593,550	626,486	638,030	653,768	659,078	714,828	666,124		1%	0%
<b>Total General Government</b>	<b>968,506</b>	<b>1,060,140</b>	<b>1,046,890</b>	<b>1,081,533</b>	<b>1,833,846</b>	<b>1,736,987</b>	<b>1,932,770</b>		<b>5%</b>	<b>11%</b>
<b>Management Services:</b>										
<b>Finance</b>										
Administration	282,118	294,044	291,907	291,019	306,737	341,901	319,757		4%	-6%
Accounting	546,355	571,742	606,567	606,998	647,377	600,073	693,463		7%	16%
Revenue and Collections	677,526	676,924	606,206	604,859	871,726	636,684	844,274		-3%	33%
	1,505,999	1,542,710	1,504,680	1,502,876	1,825,840	1,578,658	1,857,494		2%	18%
<b>Administrative Services</b>										
Administrative Support	171,549	183,724	264,885	220,591	264,761	238,113	257,268		-3%	8%
Legal	379,626	457,520	495,858	465,729	535,611	496,757	545,918		2%	10%
Cultural Arts Network	-	-	-	-	-	-	182,853		100%	100%
Municipal Court	376,952	392,215	404,911	413,928	349,916	371,104	398,872		14%	7%
Operations	1,813,267	2,082,435	2,166,005	1,929,433	2,189,804	2,198,717	2,262,359		3%	3%
Human Resources	526,432	522,981	537,289	555,813	619,193	625,192	663,236		7%	6%
	3,267,826	3,638,875	3,868,948	3,585,494	3,959,285	3,929,883	4,310,506		9%	10%
<b>Total Management Services</b>	<b>4,773,825</b>	<b>5,181,585</b>	<b>5,373,628</b>	<b>5,088,370</b>	<b>5,785,125</b>	<b>5,508,541</b>	<b>6,168,000</b>		<b>7%</b>	<b>12%</b>
<b>Community Services:</b>										
<b>Community Development</b>										
Administration	562,957	541,552	469,752	479,077	538,871	568,926	513,950		-5%	-10%
Comprehensive Planning	366,299	466,352	518,454	520,792	546,189	490,931	704,285		29%	43%
Development, Review and Zoning	625,144	650,164	613,114	688,858	767,895	616,798	815,183		6%	32%
Building	664,599	636,045	653,044	754,959	759,673	589,591	726,381		-4%	23%
CD Services	274,917	287,875	303,408	329,021	355,020	348,391	376,894		6%	8%
	2,493,916	2,581,988	2,557,772	2,772,707	2,967,648	2,614,637	3,136,693		6%	20%
<b>Public Projects and Facilities</b>										
Administration	239,383	248,101	254,895	263,379	270,136	255,378	289,604		7%	13%
Engineering	723,366	577,277	924,937	923,622	1,198,577	1,168,811	1,071,992		-11%	-8%
Facilities Management	2,539,757	2,999,444	3,500,999	3,858,960	4,054,018	3,945,411	4,363,163		8%	11%
	3,502,506	3,824,822	4,680,831	5,045,961	5,522,731	5,369,600	5,724,759		4%	7%
<b>Total Community Services</b>	<b>5,996,422</b>	<b>6,406,810</b>	<b>7,238,603</b>	<b>7,818,668</b>	<b>8,490,379</b>	<b>7,984,237</b>	<b>8,861,452</b>		<b>4%</b>	<b>11%</b>

# General Fund Summary, continued

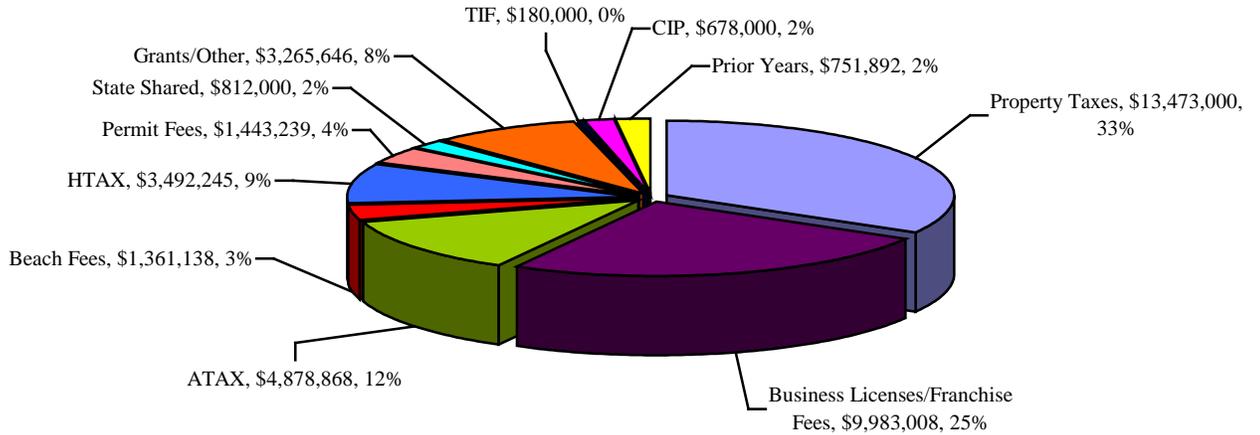
## Revenues and Expenditures by Program/Department/Division Analysis – Historical, Estimated Actual, and Budget

					2017		2018		
	2013	2014	2015	2016	Adopted Budget	Estimated Actual	FY 2018 Budget	FY 2017 Budget	FY 2017 Est. Actual
<b>Public Safety:</b>									
<b>Fire Rescue</b>									
Administration	308,546	390,652	321,583	310,870	360,157	360,868	378,015	5%	5%
Operations	9,148,030	9,262,673	9,501,028	9,599,610	9,777,424	9,950,264	9,966,135	2%	0%
Fire Prevention	540,727	559,669	572,246	599,698	624,350	561,292	624,994	0%	11%
Fleet Maintenance	504,545	541,097	538,316	547,936	609,533	533,312	595,463	-2%	12%
Communications	1,136,446	1,089,587	1,108,894	1,067,697	1,154,362	1,075,758	1,160,990	1%	8%
Safety and Professional Development	701,681	698,039	713,425	726,861	741,294	731,745	654,358	-12%	-11%
Planning/EMS Training	-	-	197,348	204,384	209,284	115,538	322,784	54%	179%
Emergency Management	122,290	134,141	133,138	140,944	153,899	148,063	158,023	3%	7%
E911 Communications	238,152	246,373	257,640	284,155	300,807	294,819	234,439	-22%	-20%
Support Services	760,133	943,494	1,340,866	951,155	1,586,853	1,385,679	712,941	-55%	-49%
<b>Total Fire Rescue</b>	<b>13,460,550</b>	<b>13,865,725</b>	<b>14,684,484</b>	<b>14,433,310</b>	<b>15,517,963</b>	<b>15,157,338</b>	<b>14,808,142</b>	<b>-5%</b>	<b>-2%</b>
<b>Public Safety - Police Services</b>	<b>3,181,737</b>	<b>3,153,057</b>	<b>3,220,413</b>	<b>3,443,143</b>	<b>3,717,896</b>	<b>3,717,896</b>	<b>3,728,316</b>	<b>0%</b>	<b>0%</b>
<b>Townwide (non-departmental):</b>									
Personnel	123,581	136,366	214,044	167,142	443,609	479,117	351,010	-21%	-27%
Operating	1,364,548	1,403,298	1,380,034	1,402,856	1,866,443	1,382,252	2,117,811	13%	53%
Capital	-	28,349	41,635	30,012	32,000	32,000	789,000	2366%	2366%
Capital Equipment Lease	-	-	-	-	-	-	-	0%	0%
Transfers	-	-	-	986,752	-	-	-	-	-
Grants	1,459,304	1,958,302	2,285,747	2,780,166	1,926,382	2,822,425	1,562,535	-19%	-45%
<b>Total Townwide (non-departmental)</b>	<b>2,947,433</b>	<b>3,526,315</b>	<b>3,921,460</b>	<b>5,366,928</b>	<b>4,268,434</b>	<b>4,715,794</b>	<b>4,820,356</b>	<b>13%</b>	<b>2%</b>
<b>Total Expenditures</b>	<b>31,328,473</b>	<b>33,193,632</b>	<b>35,485,478</b>	<b>37,231,952</b>	<b>39,613,643</b>	<b>38,820,793</b>	<b>40,319,036</b>	<b>2%</b>	<b>4%</b>
<b>Net change in fund balance</b>	<b>1,490,169</b>	<b>731,672</b>	<b>1,313,925</b>	<b>1,724,351</b>	<b>-</b>	<b>-</b>	<b>-</b>		
<b>Fund balance - beginning</b>	<b>15,813,557</b>	<b>17,303,726</b>	<b>18,035,398</b>	<b>19,349,323</b>	<b>21,073,674</b>	<b>21,073,674</b>	<b>15,000,000</b>		
<b>Use of Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,013,643)</b>	<b>(1,655,899)</b>	<b>(560,642)</b>		
<b>Transfer to Hurricane Matthew Fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,417,775)</b>	<b>-</b>		
<b>Fund balance - ending</b>	<b>17,303,726</b>	<b>18,035,398</b>	<b>19,349,323</b>	<b>21,073,674</b>	<b>19,060,031</b>	<b>15,000,000</b>	<b>14,439,358</b>		

Note: the ending fund balance does not include the use of reserve funds for the Hurricane Matthew recovery effort.

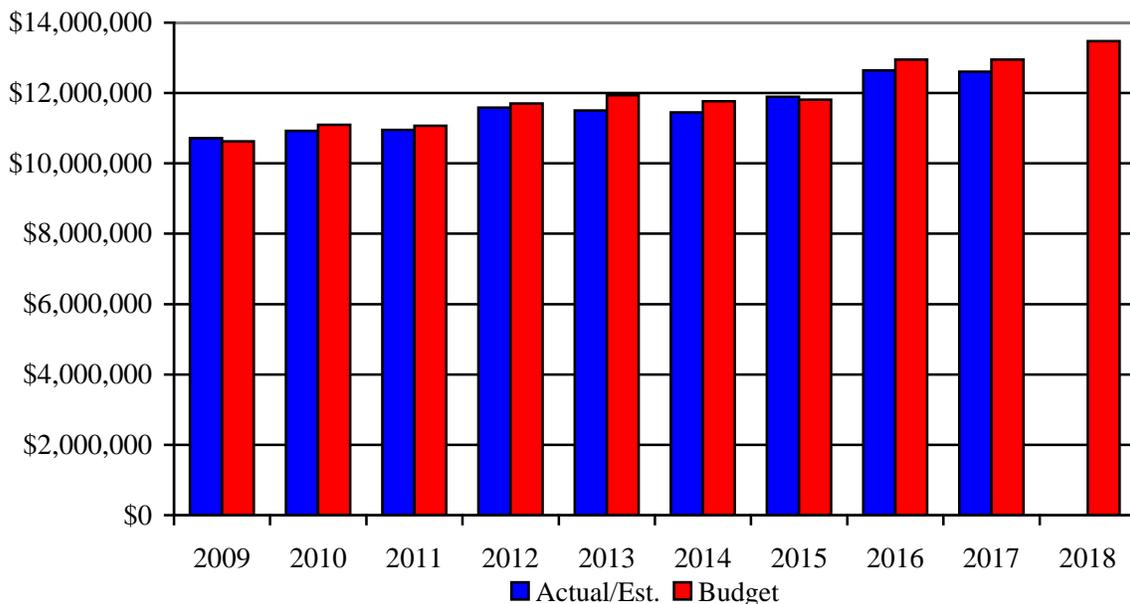
## General Fund Revenues

General Fund revenues and transfers in from other funds in fiscal year 2018 are projected to be \$40,319,036 which is \$705,393 more than the fiscal year 2017 adopted budget.



## Property Taxes

Property taxes (\$13,473,000) are calculated using the millage rate of 16.38. This is an increase of 7.8% over the fiscal year 2017 millage rate of 15.20. The 1.18 increase is based on following allowable CPI adjustments: (1) current year allowable increase of 0.20 mils, (2) most recent year unused increase of .42 mils, and (3) and two years previous unused increase of .56 mils. The millage rate increase will generate approximately \$993,000 in additional revenue. The increase is necessary for two reasons, (1) the Town will lose the two years previous unused increase if it is not taken this year, and (2) the increase is needed to realign the Town's revenues with expenditures. In the past the Town has relied on turn-back funds from the prior year or fund balance to balance the budget. Over the past several years revenues have remained flat and the amount of turn-back has lessened thus requiring us to rebalance the revenue budgets to more closely align with expenditures.

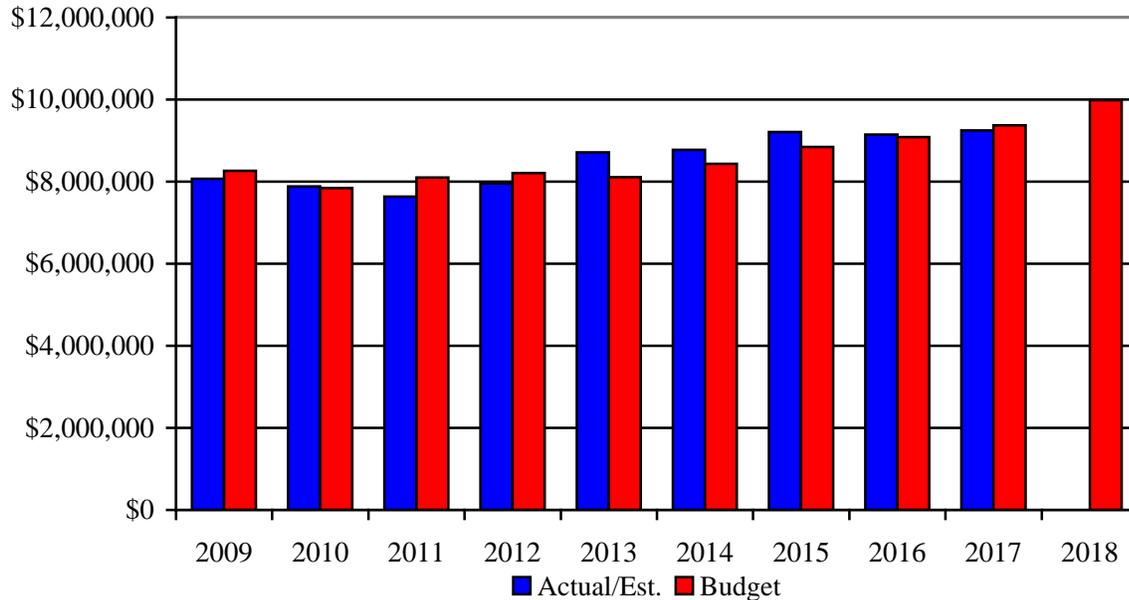


## General Fund Revenues (continued)

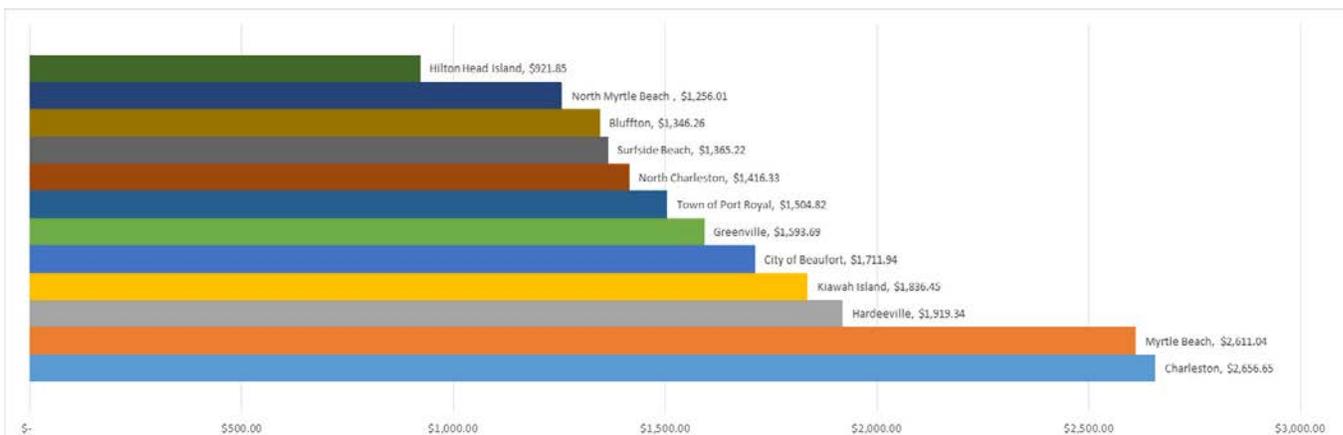
### Business Licenses and Franchise Fees

Business licenses and franchise fees represent the second largest single revenue source for the General Fund. The most significant source is the business license fee levied upon each \$1,000 of gross receipts, sales, or premiums of business conducted within the corporate limits of the Town. The fiscal year 2018 budget of \$9.0 million in business license receipts is 7% more than the fiscal year 2017 budget of \$8.5 million. There are two business license budgets, (1) the Town's portion, \$4.6 million, which is an increase of 16% over the previous year primarily due to a 15% increase in local business license rates, and (2) the Municipal Association of South Carolina portion, \$4.4 million, which is approximately the same as last fiscal year.

Franchise fee revenue is anticipated to be \$956,841 in fiscal year 2018, an increase of approximately 6% over the budget in FY 2017.



### Average Business License Fees Compared to Other Municipalities (Town of Hilton Head Island reflects 15% increase)



## General Fund Revenues (continued)

### Permit Fees

## **General Fund Revenues (continued)**

### **Permit Fees (new construction) – \$592,076**

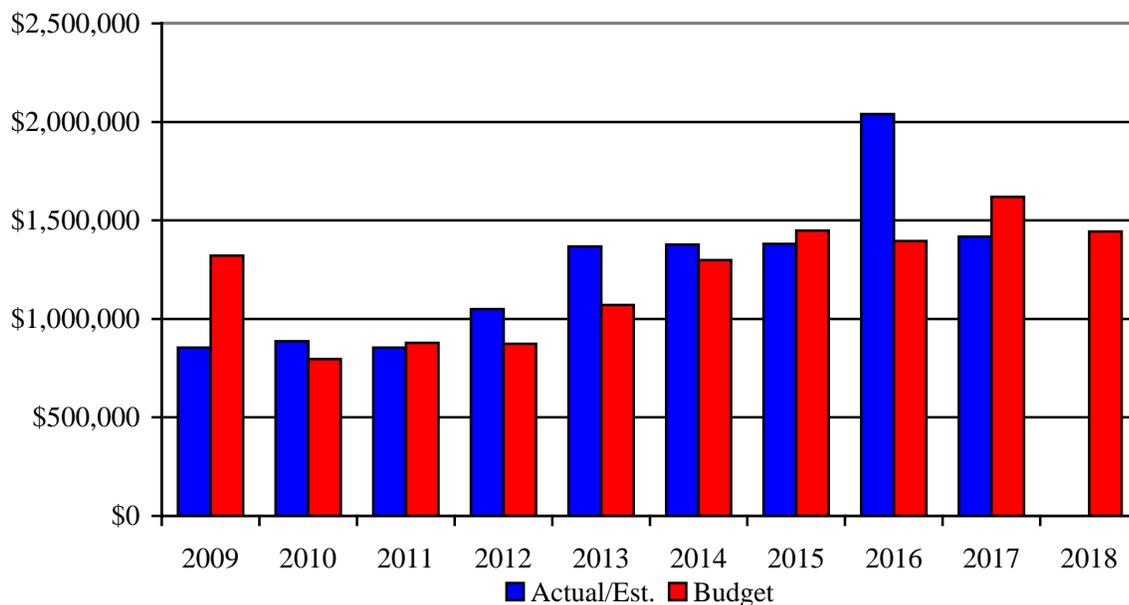
Permit fee revenue from new construction will decrease \$202,157 over the fiscal year 2017 budget.

### **Permit Fees (development) – \$12,863**

Revenue from permit fees associated with development will increase \$1,863 over the fiscal year 2017 budget.

### **Permit Fees (other) – \$838,300**

Revenue from other permit fees will increase \$23,300 over the fiscal year 2017 budget.

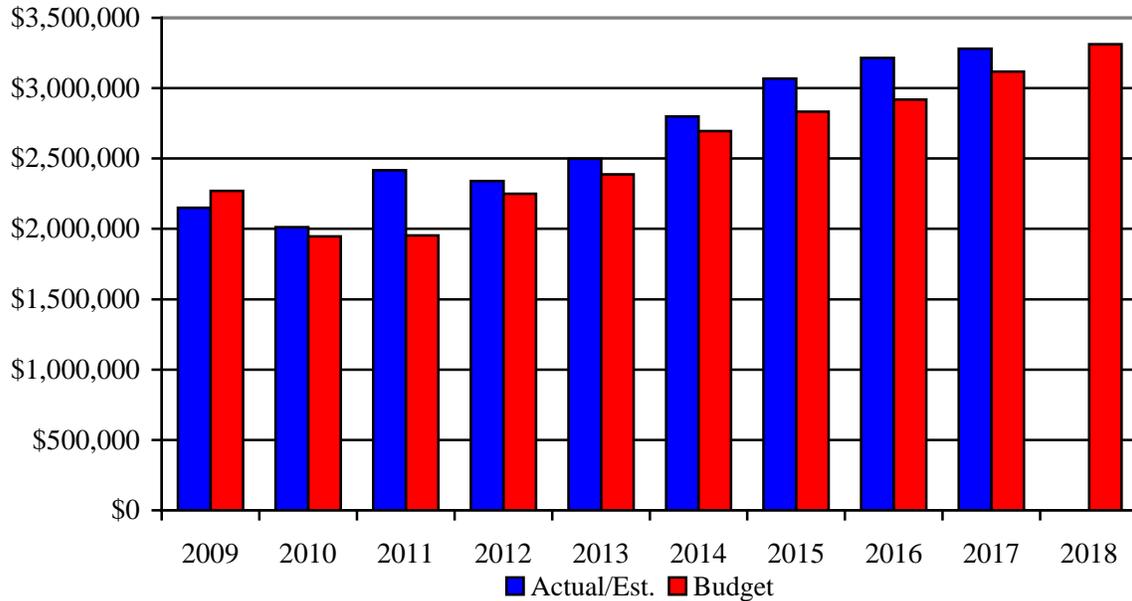


### Local Accommodation Tax

The 1% local accommodations tax will generate \$3.3 million in revenue. This figure is an increase of \$193,968 over the 2017 fiscal year budget as well as this year's projected actual revenue. These funds may be used for tourism-related buildings, including, but not limited to, civic centers, coliseums, and aquariums; cultural, recreational, or historic facilities; beach access and re-nourishment; highways, roads, streets, and bridges providing access to tourist destinations; advertisements and promotions related to tourism development; water and sewer infrastructure to serve tourism-related demand and the operation and maintenance of those items previously enumerated and police, fire protection, emergency medical services, and emergency-preparedness operations directly attendant to those facilities.

## General Fund Revenues (continued)

### Accommodation Tax Local 1% (continued)



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

- Event Management and hospitality training program fund** – The Town sets aside five (5) percent of this local accommodations tax for special events production, volunteerism and hospitality training 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 be mission driven to promote tourism development. 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 prior to April 1 of each calendar year for inclusion in the Town's proposed annual budget. Town Council shall consider the budget and award the organization a reimbursable grant on a June 30 fiscal year basis.
- Reserve fund** – The Town sets aside, in a separate account, five (5) percent of the one (1) percent local accommodations tax, as a reserve fund for disaster management communications-oriented programs. These funds are used to provide for post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds are distributed upon authorization by the Town Manager.

## **General Fund Revenues (continued)**

### **Transfer In – Accommodation Tax (State)**

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

It is anticipated that this line item will provide \$1.6 million in funds to the General Fund. This is an increase of \$218,719 over the fiscal year 2017 budget.

### **Transfer In – Hospitality Tax**

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

These funds are used to support the Public Safety function of Town Government. It is anticipated that this line item will provide approximately \$3.5 million in funds to the General Fund. This is \$100,000 more than the amount budgeted in fiscal year 2017.

### **Transfer In – Beach Preservation Fee**

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

It is anticipated that this line item will provide \$1.4 million in funds to the General Fund. This is \$250,000 more than the amount budgeted in fiscal year 2017.

### **Transfer In – Electricity Fees**

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

This line item will provide \$90,000 in funds to the General Fund. These funds are used to reimburse the General Fund for project management costs associated with the burial of power lines.

## **General Fund Revenues (continued)**

### **Transfer In – Stormwater Fees**

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

It is anticipated that this line item will provide \$125,000 in funds to the General Fund. These funds are used to reimburse the General Fund for project management costs.

### **EMS**

Funds received through Fire Rescue for medical services rendered are projected be approximately \$1.5 million. This represents a \$95,300 increase from the fiscal year 2017 budget. A 15% rate increase is planned for 2018, net after the allowance for uncollectible an 8% increase in revenues.

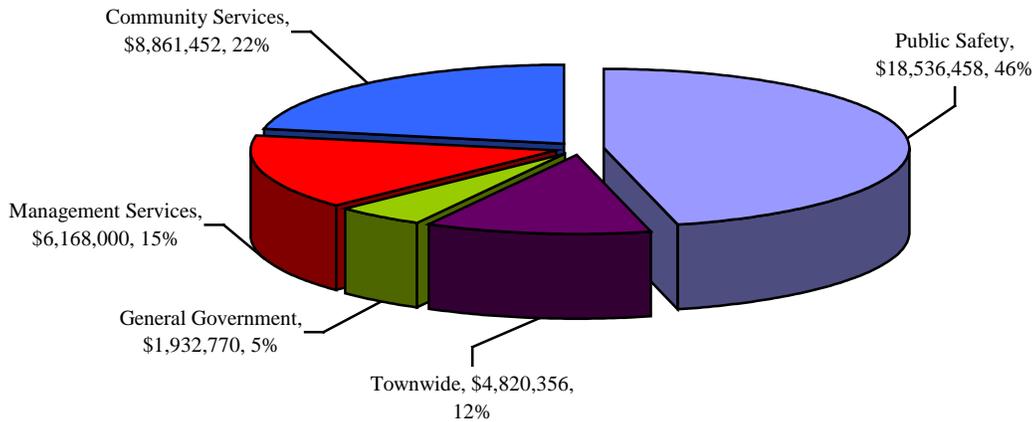
### **Funds from Prior Years (Fund Balance)**

At the end of fiscal year 2016, the Town's General Fund had approximately \$3.7 million in unassigned fund balance. (Note that this is above the 30% general reserve and other assigned balances.) The 2018 budget plans to use \$560,642 of these funds to balance the budget. In addition, \$191,250 of Town Council Initiatives will be rolled forward from fiscal year 2017 to fiscal year 2018.

## General Fund Expenditures

Overall, expenditures are programmed at \$40.3 million for fiscal year 2018 compared to the \$39.6 million fiscal year 2017 budget, an increase of \$705,393 or 1.8 %. The Town's primary programmatic changes include a decrease in funding of \$363,847 for Community Grants (Heritage Classic will be funded from the Hospitality Tax Fund eliminating the transfer to the General Fund; Turtle Watch will be funded from the Beach Preservation Fee Fund eliminating the transfer to the General Fund; and Recreation Center capital equipment purchases have been moved to the Capital Improvement Plan; a \$251,368 increase in Townwide (non-departmental) operating spending – which is primarily due to an increase in the Contingency; a new department has been added (Culture Arts Network) at a cost of \$182,853; Fire and Rescue equipment purchases have been moved to the Capital Improvement Plan. Town Council Initiatives have been funded at \$740,000 (\$191,250 of 2017 funds will be roll-forward to pay for a portion of this budget). The proposed spending plan also includes an average 3% personnel and benefits merit increase of \$582,769, allocated by department.

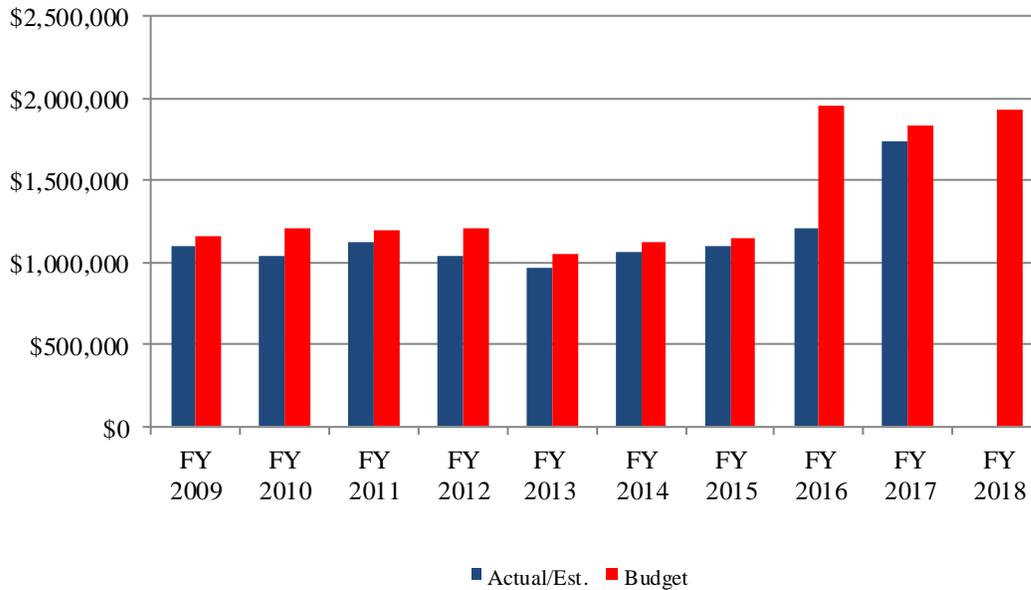
### General Fund Expenditures by Program



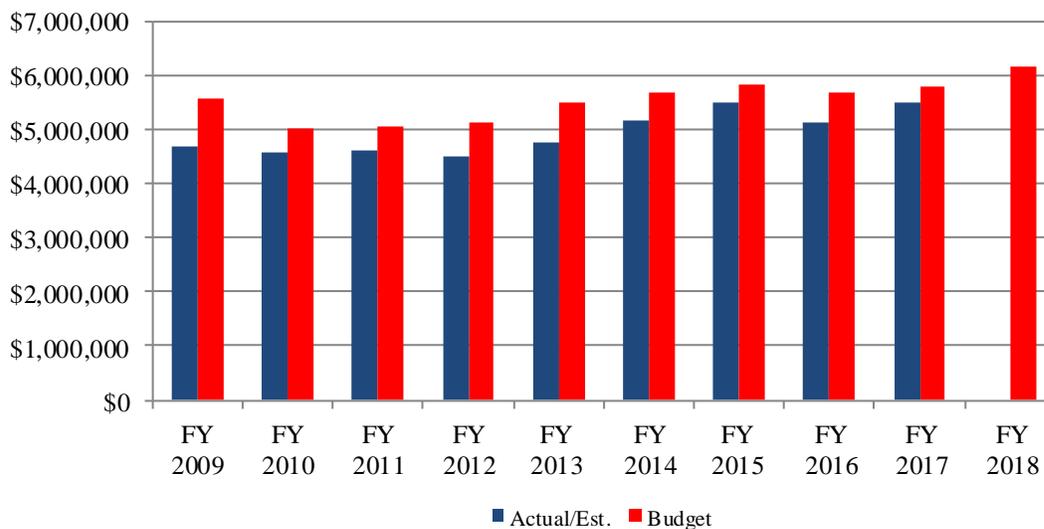
## Trend Analysis – Expenditures by Program

The following charts depict the trends in expenditures by program. For explanations of significant changes, refer to the Consolidated Budget Highlights section of the Consolidated Budget Summary.

### Expenditures - General Government (Town Council, Town Manager)

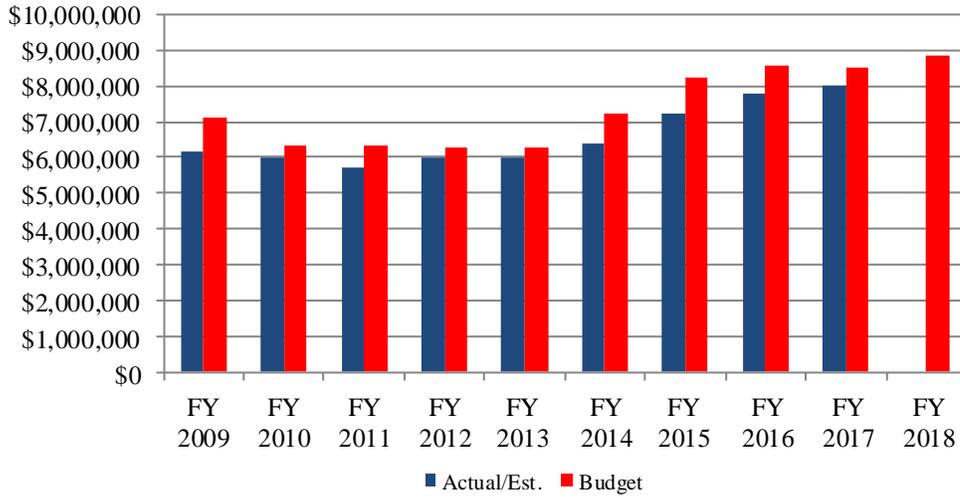


### Expenditures - Management Services (Administration/Legal, Administrative Services, Finance, Human Resources)

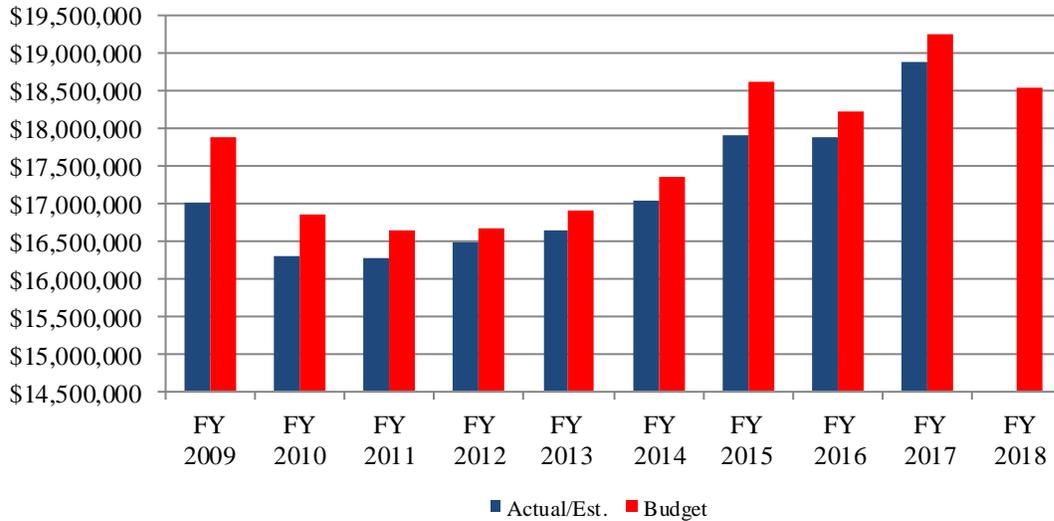


# Trend Analysis – Expenditures by Program

## Expenditures - Community Services

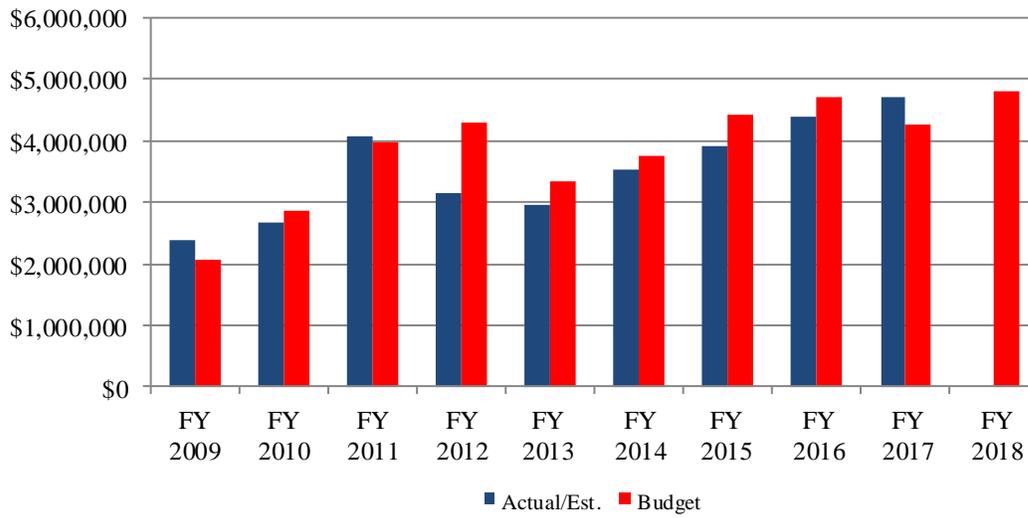


## Expenditures - Public Safety



# Trend Analysis – Expenditures by Program

## Expenditures - Townwide



## **Department Budgets**

Program: General Government

Department: Town Council

### **Mission**

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

### **Core Services**

#### ***Open Town Government***

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

## ***THE TOWN'S KEY PRIORITIES FOR 2017***

### **Visioning**

Visioning for the Island's future will be a major initiative for 2017. Under the leadership of the Town Council, with assistance from Town staff, a professional consultant, and augmented by the Vision Project Management Team, the community will embark upon an engaging initiative of planning for our Island's future, which shall include the development of a vision statement and a detailed action plan with implementation strategies by year-end.

### **Heirs Property**

In 2017, the Planning Commission will engage a non-profit that has extensive experience in the area of heirs' property. The non-profit will educate property owners on issues related to heirs' property and how to work through these issues. Based on input received during these education sessions, the Town staff and the Planning Commission will develop a scope of work to hire a consultant to review the Land Management Ordinance. The consultant's work product will be recommended LMO changes to address concerns related to heirs' property. It is anticipated the consultant will draw heavily upon work that have been done in other communities related to these issues.

### **Regionalization**

Our Town depends upon satisfactory regional solutions to many critical issues. In 2017, the Intergovernmental & Public Safety Committee will work collectively with elected officials and administrators from neighboring municipalities, Beaufort County and the State of South Carolina to identify, define and pursue agreed upon goals and objectives. Prioritized, proposed goals and objectives shall be recommended to Town Council by March 31, 2017.

### **Infrastructure**

By June 30, the Storm Water Plan from the County, including the fee arrangement/ schedule will be considered by the Town Council. Staff will review the report recently submitted by the Telecommunication Task Force and provide recommendations for Town Council consideration by year end. A Plan for the scheduling of private road improvements will have been accepted and adopted by Town Council on or before December 31, 2017.

### **Culture and Arts Advisory Committee**

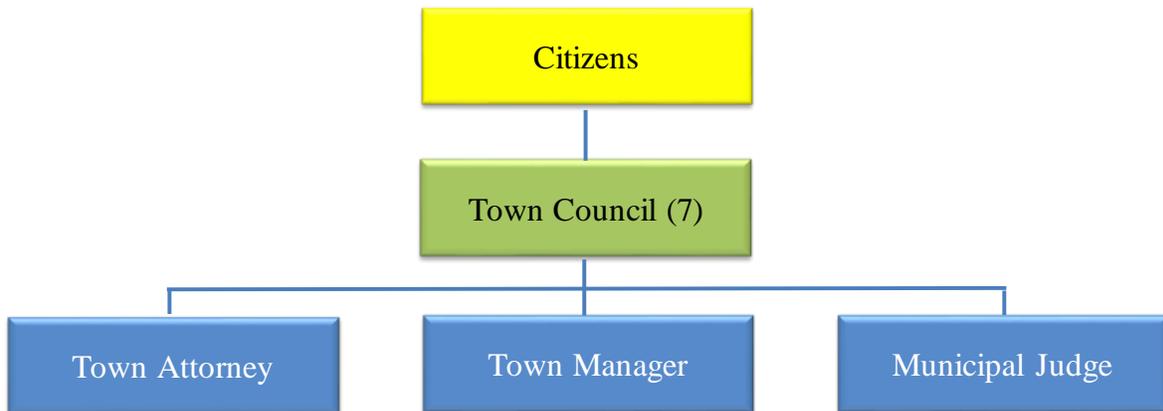
The entertainment, arts, culture and heritage assets of the town will be elevated in 2017 by the formation of a new town citizen Culture and Arts Advisory committee and a full-time town staff position of a Culture and Arts Network Director. Their work will be supplemented by the on-going efforts of the Venue Committee who will make recommendations regarding potential future community culture and arts venue opportunities.

**THE TOWN'S KEY PRIORITIES FOR 2017**

**Workforce Availability**

**Housing:** Acknowledging that workforce availability continues to be an increasing problem for the Island, in 2017 the Public Planning Committee will form a task force that will thoroughly study this issue and make recommendations to Town Council regarding viable solutions prior to year-end.

**Transportation:** Town Staff and the Public Planning Committee will work with the Low Country Transportation Authority (LRTA) to develop a plan by the end of 2017 to implement three public transportation services. These are: 1) a service to meet the commuting needs of Hilton Head employees that live off-island, 2) a service to offer Coligny beach users with remote parking and a transportation alternative to their personal vehicles, and 3) an inter-island shuttle between Shelter Cove and the Coligny area. It is anticipated that this plan will identify one of these services that will begin by May 2018.



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

**Expenditures by Program/Category**

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Town Council</b>									
Personnel	108,380	131,443	131,073	132,895	158,518	158,518	158,596	78	0%
Operating	266,576	302,211	277,787	294,870	316,250	354,891	368,050	51,800	16%
Initiatives	-	-	-	-	700,000	508,750	740,000	40,000	6%
Capital	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>374,956</b>	<b>433,654</b>	<b>408,860</b>	<b>427,765</b>	<b>1,174,768</b>	<b>1,022,159</b>	<b>1,266,646</b>	<b>91,878</b>	<b>8%</b>
Personnel	7.0	7.0	7.0	7.0	7.0	7.0	7.0		

Program: General Government  
Department: Town Manager

**Mission**

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

**Core Services**

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

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

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

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

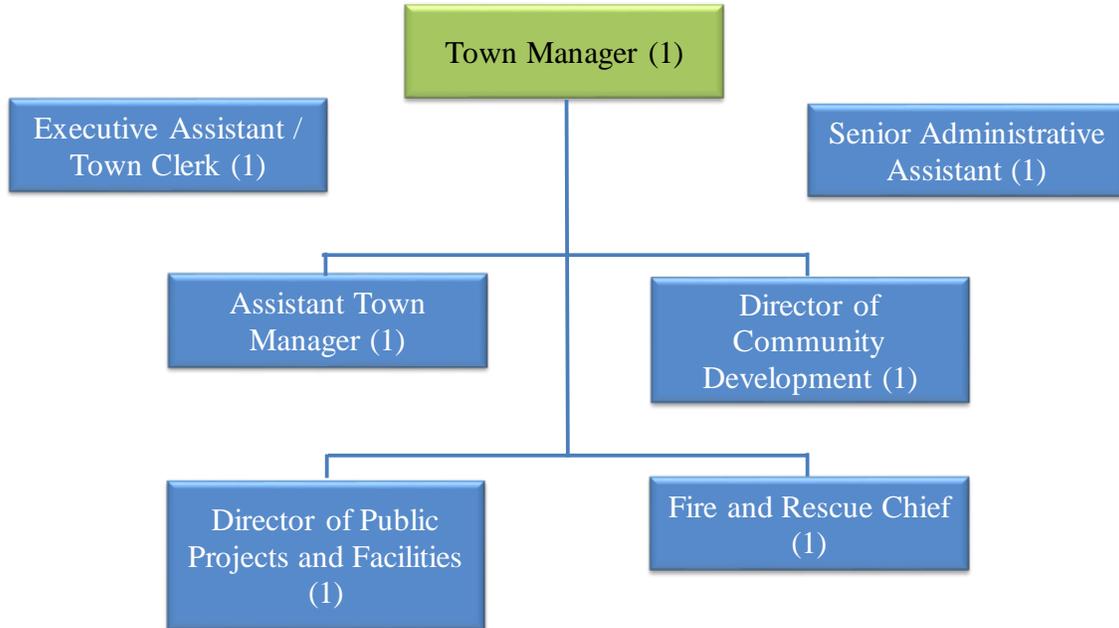
**FY 2017 Accomplishments**

- Successfully guided Town staff through the initial phases of the Hurricane Matthew recovery effort
- Successfully kicked off the construction of the University of South Carolina Hilton Head Campus

**FY 2018 Goals**

- Continued focus on Hurricane Matthew recovery effort
- Continued focus on the Visioning Project
- Continued focus on the Arts and Cultural Planning initiative
- Continued focus on the sewer installation project
- Continued focus on the Circle to Circle Project
- Continued focus on economic development initiatives

Program: General Government  
 Department: Town Manager



Note: The Town Manager and Assistant Town Manager are budgeted in this Department. Also, the two assistants are budgeted in the Town Manager's Department; however, they are direct reports to the Administration Department's Administrative Manager. The salaries of the Fire Rescue Chief, and Public Projects and Facilities Director are budgeted in their respective Departments.

**Expenditures by Program/Category**

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Town Manager</b>									
Personnel	574,213	598,342	622,073	637,828	633,858	692,778	637,374	3,516	1%
Operating	19,337	28,144	15,957	15,940	25,220	22,050	28,750	3,530	14%
Capital	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>593,550</b>	<b>626,486</b>	<b>638,030</b>	<b>653,768</b>	<b>659,078</b>	<b>714,828</b>	<b>666,124</b>	<b>7,046</b>	<b>1%</b>
Personnel	4.0	4.0	4.0	4.0	4.0	4.0	4.0		

Program: Management Services  
Division: Administration/Legal

### **Mission**

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

### **Core Services**

#### **Administration**

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

#### **Legal Services**

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

### **FY 2017 Accomplishments**

- Oversaw the State's Legislative Agenda and its strategies and provided assistance to support the Town's positions on 2016-2017 State Legislation.
- Assisted with the development and implementation of the Town Council Key Priorities 2016 and organization of the annual Council workshop.
- Scheduled guests and staff for WHHI's 843TV.
- Permitted over 64 Special Events and 35 non-special events on the Island.
- Processed over 400 Freedom of Information Requests, 25 Subpoenas, and 150 Contracts and Addendums.
- Assisted with providing resources, materials, information on Town policies and procedures, and applicable State laws to incoming Town Committee, Commission, and Board members.
- Assisted with the recruitment and appointments of Board and Commission members.
- Assisted with Public Information Enhancement promotion for the Town.
- Assisted with the planning and organization of the Mayor's Youth Community Service Award Program.

**FY 2017 Accomplishments (continued)**

- Assisted with the planning, implementation, and organization of Middle School Student Government Day and High School Student Government Day.
- Assisted with the dissemination of Town information in newspaper articles, quarterly newsletter, magazines, television, and Facebook to keep the community informed on Town issues and projects.
- Assisted with the dissemination of Town information and the recovery efforts during and after Hurricane Matthew.
- Managed various Town staff during Hurricane Matthew and worked with State/Federal legislators.
- Coordinated an Island-wide canvas of neighborhood blitzes to ensure all contractors and subcontractors working in the Town have a current business license and all necessary permits for the work they are performing. Goal is to cover every PUD/neighborhood a minimum of 2 times a year... Assisted with monitoring enforcement method whereby building inspectors now assist in verifying that all contractors and subcontractors have a current business license and all required permits when they conduct any inspection at a construction site.
- Continued education of residents, guests, rental companies, and hotels regarding Light Ordinance and the effects of lights on sea turtles in an effort for an enhanced and successful turtle nesting season.

**FY 2018 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 2016 Actual	FY 2017 Projected	FY 2018 Budget
Average review of contracts within 3 days	145	150	150
Workers compensation compliance	99%	99%	99%

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

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Average response to FOIA Requests within 10 days	400	425	450

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

**Goal 2:** To oversee the State Legislative Agenda and strategies and provide assistance to support the Town’s positions on 2016-2017 legislative issues.

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

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Review and Distribute MASC Legislative Alerts	30	30	30
Draft Committee Agendas and attend meetings	8	8	12
Letters of support or opposition	12	12	12

**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.

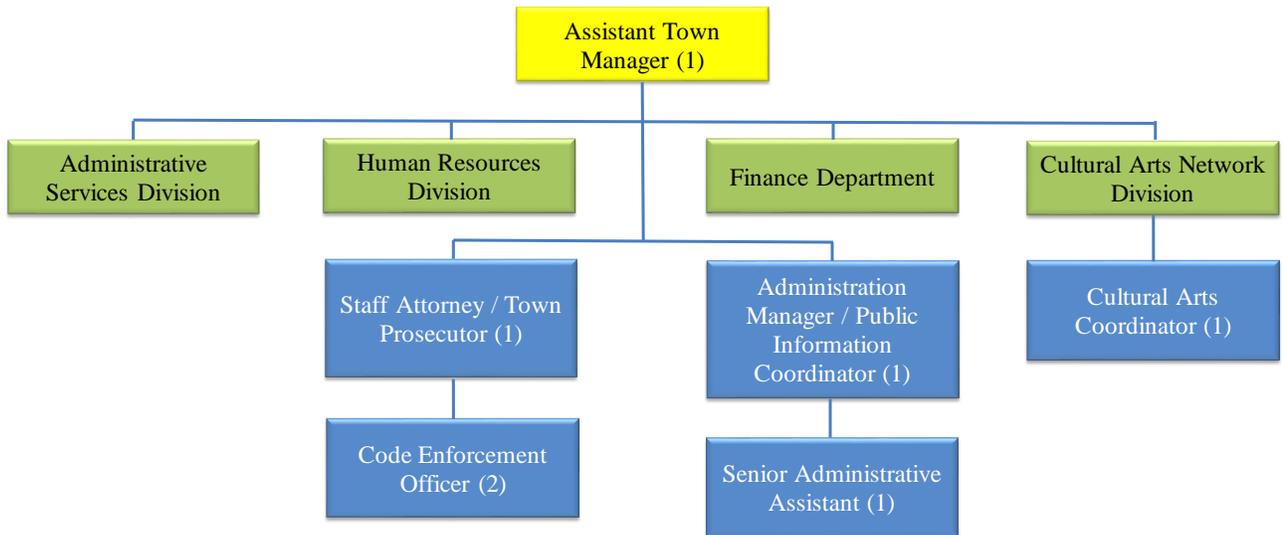
	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Number of special event applications processed	55	64	65
Number of non-special events reviewed and Processed	30	35	35

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

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

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Attorney prosecutions	65	75	75
Attorney assists Deputy with prosecution	18	20	20
Attorney assists Code Enforcement with prosecution	16	15	15

Program: Management Services  
 Division: Administration/Legal



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

**Expenditures by Program/Category**

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Administration/Legal</b>									
Personnel	356,819	430,499	451,825	436,774	468,786	432,798	505,086	36,300	8%
Operating	22,807	27,021	21,297	28,955	38,825	36,225	40,832	2,007	5%
Capital	-	-	22,736	-	28,000	27,734	-	(28,000)	0%
<b>Total</b>	<b>379,626</b>	<b>457,520</b>	<b>495,858</b>	<b>465,729</b>	<b>535,611</b>	<b>496,757</b>	<b>545,918</b>	<b>10,307</b>	<b>2%</b>
Personnel	5.0	5.0	5.0	5.0	5.0	5.0	5.0		

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Cultural Arts Network</b>									
Personnel	-	-	-	-	-	-	128,553	128,553	100%
Operating	-	-	-	-	-	-	54,300	54,300	100%
Capital	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>182,853</b>	<b>182,853</b>	<b>100%</b>
Personnel	0.0	0.0	0.0	0.0	0.0	0.0	1.0		

Program: Management Services  
Division: Administrative Services

### **Mission/Core Services**

#### **Records Administration**

Administer Town Records and provides 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**

Establish and manage the Town's enterprise network architecture based upon industry standards to deliver secure, reliable and cost-efficient IT services to citizens and staff. 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 wide area security camera network. Provide technical support for all enterprise level software to include the design and maintenance of the Town's Geographic Information System. Provide computer training and support for audio visual systems to include those that support Council Chambers and the Municipal Court.

### **FY 2017 Accomplishments**

- Provided procurement support for a multitude of projects to include hiring of consultants for the Vision/Venue Projects, construction contracts for the Island Recreation Center, contract for a record keeper for our 401K retirement program and numerous other solicitations.
- Evacuated all IT assets during hurricane Mathew, provided support for the EOC.
- Restored services to all town facilities after hurricane Mathew.
- During Recovery phase we supported the damage assessment of 19,000 structures with the software we developed in our GIS database.
- Provided public information program for both beach renourishment and for Hurricane Mathew updates utilizing our GIS database, the Town website and other social media outlets.
- Processed numerous insurance claims for storm damage. Worked with vendors and insurance adjuster to restore network of 300 security cameras at 13 locations that sustained significant damage due to the hurricane. Additional significant claims for the floating dock at the rowing and sailing park. Damage to the pumps at Jarvis Creek and Wexford. Other minor damage to town structures.
- Continued our multi-year efforts to digitize all town records/convert microfilm to fully implement our enterprise records management system.
- Continued our efforts to create a secondary service point for all IT services utilizing the latest technology improvements in replicating services through server virtualization.

Program: Management Services  
 Division: Administrative Services

**FY 2018 Goals, Objectives, and Performance Measures**

**Goal (IT):**

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

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

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
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 calls for software support within 1 hour and to complete all departmental Help Desk requests in a timely manner.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Respond to critical calls in 1 hour	95%	97%	97%
Help Desk (DP) requests completed:			
Within 30 days	3	3	3
Within 60 Days	0	0	0

**Goal (Municipal Court):**

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

**Objective:** To review probable cause affidavits, issue arrest/search/bench warrants, issue orders, research case law, hold trials and hearings, set dockets, review case load for dockets and complete 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 2016 Actual	FY 2017 Projected	FY 2018 Budget
Number of cases docketed	3,448	3,500	3,500
Number of cases disposed	3,448	3,500	3,500
Number of bench warrants issued	322	300	300

Program: Management Services  
 Division: Administrative Services

**FY 2018 Goals, Objectives, and Performance Measures, Continued**

**Goal (Records Administration):**

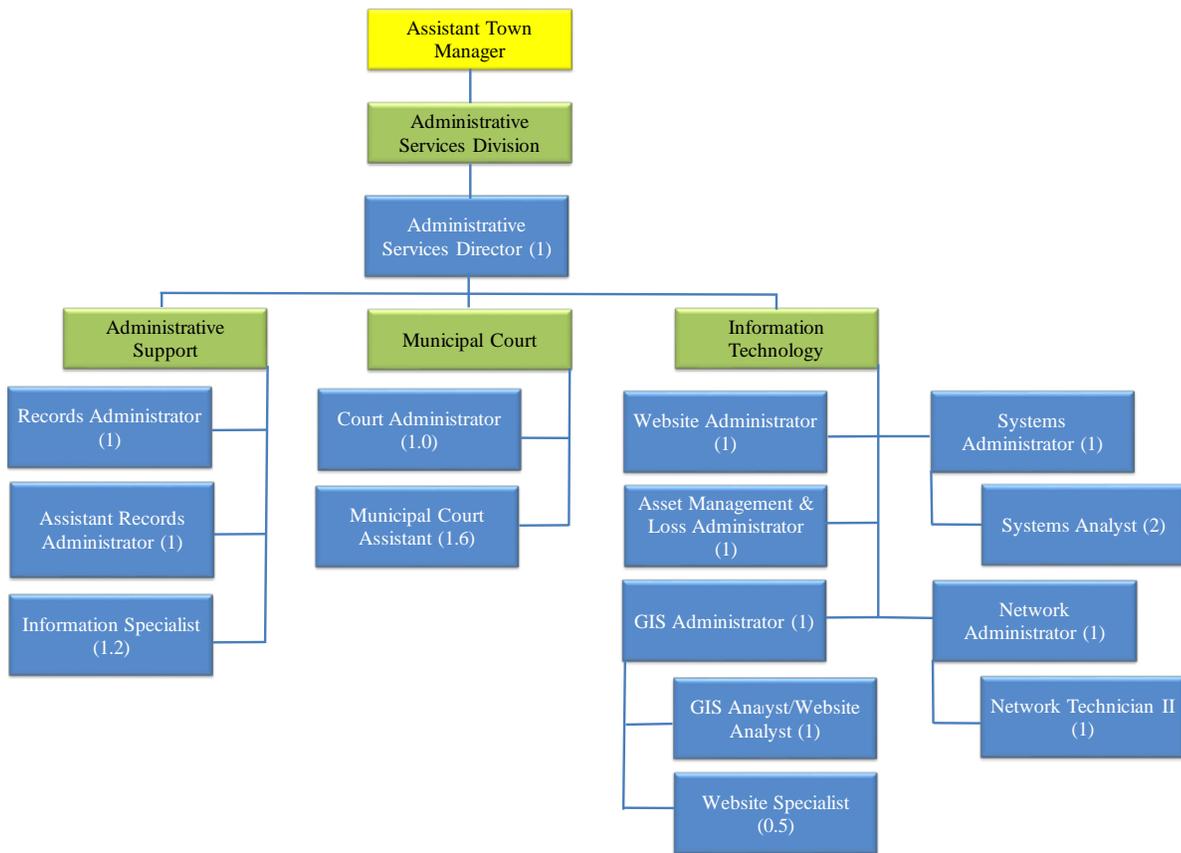
To administer the Town Records Management Program:

**Objective:** To receive and process official town records from all departments. To ensure that records are processed according to tier designated life cycle, creation, digital or physical storage and destruction as appropriate for each record type. To make records readily available to staff and the public.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Microfiche records converted to digital	19,407	10,000	10,000
Records requests filled	1,338	1,400	1,400

**Goal (Procurement)**

Oversee all solicitations and contracts for goods and services.



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

Program: Management Services  
 Division: Administrative Services

**Expenditures by Program/Category**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Budget \$</b>	<b>Budget %</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Estimated Actual</b>	<b>Budget</b>	<b>Change</b>	<b>Change</b>
<b>Administrative Services - Program Summary</b>									
Administrative Support	171,549	183,724	264,885	220,591	264,761	238,113	257,268	(7,493)	-3%
Municipal Court	376,952	392,215	404,911	413,928	349,916	371,104	398,872	48,956	14%
Information Technology	1,813,267	2,082,435	2,166,005	1,929,433	2,189,804	2,198,717	2,262,359	72,555	0%
<b>Total</b>	<b>2,361,768</b>	<b>2,658,374</b>	<b>2,835,801</b>	<b>2,563,952</b>	<b>2,804,481</b>	<b>2,807,934</b>	<b>2,918,499</b>	<b>114,018</b>	<b>4%</b>
<b>Administrative Services - By Category</b>									
Personnel	1,337,326	1,500,627	1,513,380	1,563,446	1,523,500	1,486,877	1,678,246	154,746	10%
Operating	763,492	795,014	958,261	859,622	1,132,259	1,172,335	1,152,431	20,172	2%
Capital	260,950	362,733	364,160	140,884	148,722	148,722	87,822	(60,900)	0%
<b>Total</b>	<b>2,361,768</b>	<b>2,658,374</b>	<b>2,835,801</b>	<b>2,563,952</b>	<b>2,804,481</b>	<b>2,807,934</b>	<b>2,918,499</b>	<b>114,018</b>	<b>4%</b>
Personnel	17.0	17.0	17.0	17.0	17.3	17.3	17.3		

Program: Management Services

Division: Human Resources

### **Mission**

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

### **Core Services**

#### **Recruitment and Selection**

Develop, implement and administer recruitment and selection activities including advertising, screening, interviewing, assessment/testing, background checking, new hire selection, and offer determination designed to attract qualified employees.

#### **Total Rewards Management**

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

#### **Talent Management**

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

#### **Organization Effectiveness**

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

### **FY 2017 Accomplishments**

- Managed RFP solicitation and proposal evaluation for Retirement and Retirement Health Savings Plan administrator/record-keeper services. Selected new providers and implemented 6-month conversion processes to implement new plan designs, new investment line-ups, software support, data transfer, employee communications and education. New program will result in enhanced fund line-up, reduced fees, expanded on-site employee support, sponsor compliance assistance, and a more user-friendly web interface.
- Implemented enhanced defined contribution plan employer match formula, resulting in a significant increase in employee retirement plan contribution rates to take advantage of new match. Initiated selection process for consultant to provide ongoing investment advisory services for the Town's Retirement and Retirement Health Savings Plans.
- Provided disaster recovery support following Hurricane Matthew to include designing and communicating disaster pay policies for exempt and non-exempt employees, securing temporary housing for employees whose homes were uninhabitable or inaccessible to expedite their return to work, and coordinated acquisition of additional temporary staffing support in areas of need.

Program: Management Services

Division: Human Resources

**FY 2017 Accomplishments, Continued**

- Assisted Finance and Community Development Departments with organization review and restructuring to better align staff in support of Town goals. Supported other organization redesigns, succession planning and position modifications, resulting in improved performance quality, increased productivity, and reduced cost.
- Managed an unusually high number of class spec revisions, position evaluations, and recruitment processes to fill a significant increase in position vacancies due to turnover. Support was provided in an expedited manner to limit periods of staff shortages.
- Developed and delivered townwide training strategy and initiatives to support service delivery goals; maintained townwide training focus to include compliance, core competency, software, financial, new supervisor and leadership training; used in-house training resources where feasible; varied delivery methods to meet employee preferences and group needs.
- Evaluated tools to measure/enhance employee engagement (i.e. surveys, suggestion programs, stay interviews), with implementation of selected tool(s) expected to begin within 6 months.
- Managed HR programs to comply with new/changing federal and state laws (i.e. implemented Affordable Care Act required reporting to the IRS and employees); addressed changes in regulations and monitored pending legislative impact; implemented improved records retention practices to comply with legal requirements and facilitate improved access to employee records.
- Continued to partner with supervisors to effectively evaluate and document performance through development and distribution of resources for new supervisors, increased training/support for new and experienced supervisors, clarification of performance objectives/expectations, stronger justification of performance results, and focused HR/upper level management intervention in addressing performance deficiencies. Continued evaluation of performance management software designed to support more effective performance feedback and to improve process workflow.
- Designed and implemented online employee suggestion program to solicit ideas from employees on ways to improve customer service, save time, improve safety, enhance employee satisfaction, improve equipment, reduce cost, etc. Effectiveness of the program will be evaluated at the end of trial period to determine whether modifications are needed.
- Maintained cost-effective Workers' Compensation program including use of deductible to reduce premiums, increased discounts/credits, continued emphasis on employee safety, light duty assignments to encourage return to work, and HR staff certification in risk management.
- Continued delivery of employee wellness initiatives to include on-site health screenings, flu shots, EAP overviews, lunch and learn sessions, individual and team health-related activities and wellness webinars; supported Employee Health & Wellness Committee in ongoing implementation of comprehensive strategy for delivery of wellness initiatives.
- Designed and implemented compensation program changes in response to employee and business needs; modified merit allocation process to involve all supervisory levels; continued use of merit matrix in Fire Rescue to facilitate merit allocation consistent with compensation philosophy; encouraged performance-based rewards differentiation; provided funding to address individual situations.

Program: Management Services  
 Division: Human Resources

**FY 2018: Goals, Objectives, and Performance Measures**

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

**Objective:** Effectively manage recruitment process.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
# of positions filled	32	50	35
# of external hires	22	27	18
% of external offers accepted	85%	80%	85%
Average time to fill positions (requisition approval to offer acceptance)	38 days	33 days	30 days
Direct cost per hire (exc. staff time)	\$1,346	\$1,230	\$1,200

**Objective:** Retain employees capable of achieving Town goals.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Overall turnover rate	14.8%	10.0%	9.0%
Voluntary turnover rate	11.0%	8.0%	7.0%
Involuntary turnover rate	3.8%	2.0%	2.0%
Turnover Rate during 1 <sup>st</sup> year	11.4%	5.0%	5.0%
High performer loss (rating $\geq$ 3.25)	1	2	2

**Goal 2:** Offer competitive total rewards program.

**Objective:** Maintain competitive compensation programs.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Salary budget increase % vs. public sector national avg.	0.3% more	0.3% less	0.3% less
Salary budget increase % vs. national avg. (< 500 employees)	0.3% less	0.2% less	0.3% less
% high performers paid > range mid	52%	54%	55%
# of resignations due to salary	0	0	1

Program: Management Services  
 Division: Human Resources

**FY 2018: Goals, Objectives, and Performance Measures (continued)**

**Objective:** Maintain competitive benefit programs.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Benefits as % of total compensation	26.6%	27.5%	28.7%
Town medical premium/month vs. national average (single coverage)	\$114 or 20% less	\$145 or 24% less	\$164 or 26% less
Eligible employee participation rate in 401k match plan	94%	94%	96%
# of resignations due to benefits	0	0	0

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

**Objective:** Facilitate effective succession planning and career development

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
# of promotions	10	18	14
# of transfers	0	5	3
Internal placement rate	31%	46%	49%

**Objective:** Provide effective interdepartmental talent development initiatives.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
# of interdepartmental participant training hours	2,239	3,210	2,600
% of employees participating in tuition reimbursement program	3%	3%	3%
# certification/degree bonuses given	6	4	5

**Objective:** Maintain effective employee job performance.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
% of employees meeting expectations	97%	95%	95%
% of employees with improved ratings	41%	25%	25%
# of Employee Recognition Awards	12	15	14

Program: Management Services  
 Division: Human Resources

**FY 2018: Goals, Objectives, and Performance Measures (continued)**

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

**Objective:** Optimize position and organization design

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
# of positions created/re-evaluated	6	20	5
# of organization redesigns supported	3	4	2

**Objective:** Maintain employee productivity and engagement.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Non-FMLA sick leave (% of work hours)	1.73%	1.75%	1.75%
Average length of service (in years)	11.01	10.37	11.00

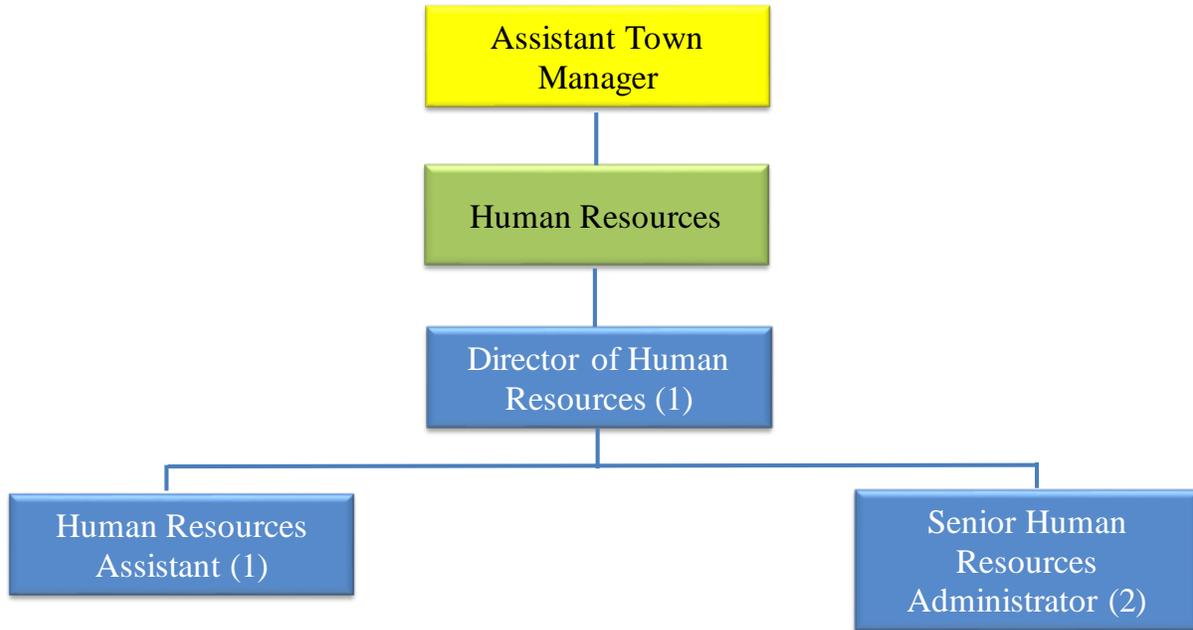
**Objective:** Support workplace safety

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
# of reported employee injuries	14	14	10
# of calendar days away from work due to injury/illness or on restricted duty	464	50	40

**Objective:** Encourage participation in wellness initiatives.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
% using dental preventive care benefit	36%	38%	40%
% participating in on-site health screening	32%	35%	38%

Program: Management Services  
 Division: Human Resources



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

**Expenditures by Program/Category**

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Human Resources</b>									
Personnel	401,495	412,160	428,968	447,381	457,043	468,568	474,126	17,083	4%
Operating	124,937	110,821	108,321	108,432	162,150	156,624	189,110	26,960	17%
Capital	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>526,432</b>	<b>522,981</b>	<b>537,289</b>	<b>555,813</b>	<b>619,193</b>	<b>625,192</b>	<b>663,236</b>	<b>44,043</b>	<b>7%</b>
Personnel	4.0	4.0	4.0	4.0	4.0	4.0	4.0		

Department: Finance  
Program: Management Services

### **Mission**

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

The Finance Department's mission incorporates the following principles:

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

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

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

**Quality** – Achievement and maintenance of a high quality service.

### **Core Services**

#### **Financial Administration**

Provide strong financial leadership in all areas of activity undertaken by the Town. Promote the use of technology to ensure the efficient use of the Town's resources. Develop and manage the Town's financial policies and exercise budgetary controls over all expenditures. Provide effective cash and debt management for the Town ensuring strong bond ratings are maintained. Oversee the compilation of accurate comprehensive annual financial reports and budgets in compliance with governmental standards, practices and recommendations. Provide oversight of technological and systems improvements within the department. Ensure the department is committed to providing the highest quality customer services.

#### **Accounting Services**

Provide administration of the Town's general ledger, payroll, accounts payable, financial audits, State reporting and grants. Provide accounting functions for the Island Recreation Association and Coastal Discovery Museum. Responsible for maintaining the following funds: General, Tax Increment Financing District (TIF), Debt Service, Capital Projects, Accommodations Tax - State, Accommodations Tax – Local, Beach Preservation Fee, Hospitality Tax, Stormwater Fee, Real Estate Transfer Fee, Home Grant, Road Usage Fee, and Electric Franchise Fee. Provide effective accounting support to staff and committees. Compile accurate monthly and comprehensive annual financial reports in compliance with governmental standards, practices and recommendations to be published on the Town's website and submitted to the Government Finance Officers Association.

#### **Revenue and Collections Services**

Collection of Town-wide funds including business license fees, hospitality taxes, accommodations taxes, beach preservation fees, franchise fees, and beach passes. Perform Emergency Medical Services billing and collections. Oversee the processes associated with the Town's setoff debt collection program. Maintain the Town's business license database, and ensure compliance with the business license ordinance through on-site inspections. Compile accurate annual financial budgets in compliance with governmental standards, practices and recommendations to be published on the Town's website and submitted to the Government Finance Officers Association.

Program: Management Services  
 Department: Finance

**FY 2017 Accomplishments**

- The Town successfully completed our Payment Card Industry (PSS/PSI) Compliance certifications.
- Revenue and Collections continued to enroll in an expanding list of EMS Insurance Payers that offer direct and/or alternative payment options.
- Successfully saved \$3.0 million in a combined three bond issue refunding transaction.
- Successfully went to the bond market for a \$25.0 million bond anticipation note the Capital Improvement Plan.
- Successfully went to the bond market for a \$20.0 million bond anticipation note for hurricane recovery activity.
- Successfully planned, setup, and implemented the hurricane response accounting system.
- Successfully provided funding for the first year of the Capital Improvement Plan.
- Worked with counsel and financial advisor to recommend strategies to protect and improve the Town’s bond ratings this fiscal year.
- Developed and implemented the Town’s financial plan for the response to Hurricane Matthew.

**FY 2018 Goals, Objectives, and Performance Measures**

**Goal:** Maintain strong credit rating of the Town.

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

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Standard & Poor’s Bond Rating	AA+	AA+	AA+
Moody’s Investors Bond Rating	Aaa	Aaa	Aaa
Fitch Bond Rating	AA+	AA+	AA+

Program: Management Services  
 Department: Finance

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

**Goal:** Provide a high level of customer service in the Revenue and Collections Division.

**Objective:** To issue licenses and accounts and process cash receipts in a timely and accurate manner.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Business license renewals processed	5,751	6,040	6,050
New business licenses processed	1,046	1,000	1,000
Local ATAX/Beach Preservation Fee Permits*	1,623	1,700	1,750
Local ATAX/Beach Preservation Fees receipts processed	6,086	6,990	7,000
Hospitality Account Permits	3,811	2,670	2,700
Beach passes issued	1,004	591 <sup>#</sup>	1,050
Miscellaneous receipts processed	2,338	2,185	2,200
EMS # calls billed	4,065	4,055	4,100
EMS collections (payments)	\$1,467,935	\$1,470,000	\$1,480,000
EMS charges billed	\$1,806,632	\$2,080,000	\$2,100,000

*\*Rental management companies represent one account regardless of number of properties served.*

*#Beach Passes not issued during Hurricane Recovery (Oct 5, 2016 through January 11, 2017)*

**Goal 1:** Support paperless records retention to allow the Finance Department to be environmentally responsible and allows faster and more efficient access to financial information.

**Objective:** Archive Revenue and Collection primary and support documentation with 30 days of processing.

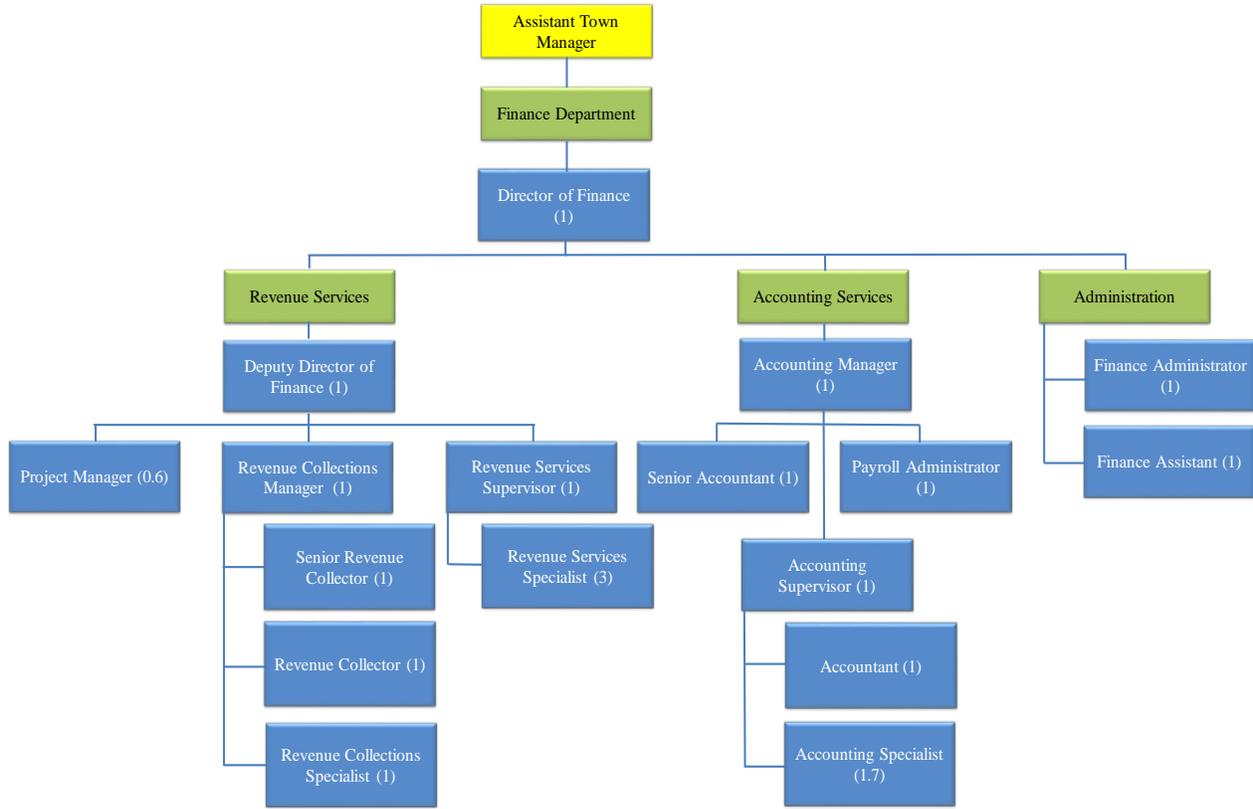
	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Revenue and Collection documents	5,751	6,040	6,050
EMS documents	1,046	1,000	1,000

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

**Objective:** Conduct business license site visits/contacts.

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Business license site visits/contacts	3,333	3,800	4,200

Program: Management Services  
 Department: Finance



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

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Finance - Program Summary</b>									
Administration	282,118	294,044	291,907	291,019	306,737	341,901	319,757	13,020	4%
Accounting Services	546,355	571,742	606,567	606,998	647,377	600,073	693,463	46,086	7%
Revenue Services	677,526	676,924	606,206	604,859	871,726	636,684	844,274	(27,452)	0%
<b>Total</b>	<b>1,505,999</b>	<b>1,542,710</b>	<b>1,504,680</b>	<b>1,502,876</b>	<b>1,825,840</b>	<b>1,578,658</b>	<b>1,857,494</b>	<b>31,654</b>	<b>2%</b>
<b>Finance - By Category</b>									
Personnel	1,360,227	1,412,643	1,343,734	1,345,430	1,660,949	1,416,969	1,672,724	11,775	1%
Operating	145,772	130,067	160,946	157,446	164,891	161,689	184,770	19,879	12%
Capital	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>1,505,999</b>	<b>1,542,710</b>	<b>1,504,680</b>	<b>1,502,876</b>	<b>1,825,840</b>	<b>1,578,658</b>	<b>1,857,494</b>	<b>31,654</b>	<b>2%</b>
Personnel	18.0	18.0	19.3	19.3	19.3	19.3	19.3		

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 implementation of the Land Management Ordinance to ensure development and redevelopment activities are in compliance.
- Oversees revision to the Comprehensive Plan to improve its effectiveness in guiding the future of the community.
- Oversees implementation of building codes and effective code enforcement.
- 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 that impact our community.
- Assists in developing and addressing Town Council's Key Priorities.
- Coordinates land acquisition efforts of Town Council.
- Oversees process improvements within department and with other departments.
- Coordinates review board activity, meetings, agendas and packets.
- Promotes public education of department's projects and function.
- Updates and implements the Town's Disaster Recovery Plan.

#### **Development, Review and Rezoning**

- Manages and coordinates efforts to implement the Land Management Ordinance by the review of all applications for Development Plans, Subdivisions, Variances, Special Exceptions, Appeals, Zoning Map Amendments, Public Project Reviews and Master Plan Amendments ensuring all applications are in compliance with the Comprehensive Plan.
- Oversees natural resource protection of the Island including beach, tree and wetland regulations, and water quality preservation.
- Continues environmental monitoring for water quality and created wetlands, and Land Management Ordinance effectiveness for tree protection.
- Oversees Urban Design Program and Guidelines.
- Provides for periodic review and update of the Land Management Ordinance.
- Manages the Community Rating System, assuring that construction within the Town is in compliance with FEMA regulations thereby providing savings on flood insurance premiums for the residents and businesses on the Island.

Program: Community Services  
Department: Community Development

### **Core Services, Continued**

#### **Comprehensive Planning**

- Guides the revision and implementation of the Comprehensive Plan focusing on Redevelopment strategies, Sustainable strategies, Capital Improvement Program projects, and Land Management Ordinance amendments.
- Provides support services and programs for economic development initiatives in the Town.
- Provides for grant research and writing to secure funding for various town projects and programs.
- Implements all aspects of CDBG Entitlement Grant Activities.
- Undertakes and guides Special Projects as identified by Town Council or Town Management.
- Oversees Sustainable Practices Program and Implementation.
- Provide staff support to Capital Improvement Plan (CIP) and storm water initiatives as needed.

#### **Building**

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

#### **Community Development Services**

- Serves as front line for general information and permitting process. Approves smaller permits for site development.
- Maintains accurate records and statistics of construction on Hilton Head Island.
- Communicates with the construction/development community to address code issues, inspection issues and procedures for permitting and inspection, and planning/development issues.

### **FY 2017 Accomplishments**

- LMO Amendments – Worked with LMO Committee, the Planning Commission and Town Council to adopt numerous LMO amendments.
- MPO – Worked with Metropolitan Planning Organization (LATS) Technical Committee to implement adopted Long Range Transportation Improvement Plan.
- Arts Strategy – Assisted the Arts & Cultural Strategic Planning Committee in their drafting the job description for the HHICAN Director and the Powers & Duties of the Culture and Arts Advisory Committee.
- Visioning – Coordinated with Town Council for appointment of a Vision Project Management Team (VPMT). Drafted, advertised and completed an RFP selection process for a Vision Consultant and executed a contract for the project. Updated the consultants contract to add a communications plan under the direction of the Public Planning Committee. Coordinated with HR and VPMT on job description and solicitation for Project Lead.
- Circle to Circle Committee – Completed CTC committee support and delivered recommendations to Town Council in August 2016.

Program: Community Services  
Department: Community Development

**FY 2017 Accomplishments (continued)**

- CTC Ad Hoc Committee – Provided support to committee on recommended actions that could be implemented by spring 2017. Recommendations were delivered to Town Council in December 2016.
- HUD Entitlement – Completed the 1-year Annual Action Plan mandated as part HUD’s CDBG Entitlement Program.
- HUD Entitlement – Drafted for approval a substantial amendment to the Consolidated Plan.
- HUD CDBG – Administered all grant responsibilities related to HUD CDBG year 1 project to pave Blazing Star Lane.
- HUD CDBG – Initiated administrative requirements for pursuit of HUD CDBG year 2 project to pave Rhiner Drive, including environmental review requirement
- Beach Management Plan – Drafted for approval modifications based on State comments. Scheduled for Town Council adoption in early spring 2017.
- Recreation Center expansion – Provided support for RFQ selection and contract award for the project.
- Shelter Cove Towne Centre and Apartments – Continuing to oversee redevelopment activities and development agreement including working with consultant to plan and permit the pier.
- Mitchelville Project – Drafted for approval a MOU and lease agreement for the MPP’s use of Fish Haul Creek Park. Working with Town Council on adoption.
- Sewer Master Plan – staff provided input on regulatory efficiencies to enhance implementation of the 5-year sewer build out recommendations for HHPSD.
- USCB Hospitality Facility – Coordinated with the University of South Carolina on ARB and DRB Final Approval. Development Review approval expected by the end of the Fiscal Year. Worked with the engineering division and traffic consultants to design roadway and intersection improvements scheduled for construction in fall 2017.
- Education Opportunities – Hosted a state-wide training on I-codes in conjunction with SC Building Codes Council, BOASC, and local code enforcement agencies; teaching regional courses in Building Codes in the spring; and participated in the Spring Home and Garden Show for Code and inspection education.
- Coligny Park – Received approval from various boards for project; issued Request for Proposals for park and infrastructure improvements. Worked with legal team and Town Council on potential property acquisition. Development Review approval process initiated. Drafted and coordinated adoption of a MOA with the Sandbox Children’s Museum.
- Comprehensive Plan – Drafted for approval the state-mandated 5-year review of the Comprehensive Plan. Adoption by Town Council expected in early spring 2017.
- Venue – Coordinated with Town Council for hiring a consultant for Phase 1 Needs Assessment for entertainment, arts, culture, and heritage. Worked with Venue Committee and consultant to conduct +/- 115 interviews and 5 community forums to gather public information. Worked with Venue Committee and consultant to prepare Phase 1 recommendations to Town Council in early spring 2017.
- Awards: Applied for Tree City USA recognition. Submitted requisite Stage 3 Audubon materials to qualify for the Sustainable Communities Award.
- Grants – Secured in grants awards: FY16 = \$1,866,366 and year to date FY17 (to 2/27/17) = \$1,928,621.

Program: Community Services  
Department: Community Development

**FY 2017 Accomplishments (continued)**

- Permits/Approvals/Inspections between 7/1/2016-2/22/2017:
  - Building & Web Permits: 3,615.
  - Number of Inspections: 10,482.
  - Planning Approvals: DPR-18; XDPR-115; SUB-17; ZMA-1; PPR-1; VAR-10; Appeals-4; DRB-114; Signs-167; NAT-566
- Completed 19,688 Safety Inspections in 20 days in response to Hurricane Matthew.
- Provided support for 2 Student Government day engagements with Middle and High School students.
- Participated in Hilton Head Island Leadership presentation.
- Participated in an Economic Development Panel in support of a Senior Leadership Event.
- Developed and coordinated a tour for Municipal Association of South Carolina annual meeting on Hilton Head Island.
- Coordinated session for the Southeast Biking Symposium held in March 2017.
- Oversaw Town Recovery efforts from Hurricane Matthew.
- Coordinated all potential FEMA reimbursement activities related to Hurricane Matthew damage.
- Continued coordination of Airport related issues, including sound wall.
- Continued to investigate and address various code enforcement issues including providing all associated administrative support.
- Coordinated the Town Council Executive Sessions including all research and recommendations for the Town's land acquisition program.
- Provided CIP and storm water initiative support including bird surveys required by Federal agencies for Beach renourishment and federally required education programs for stormwater.
- Addressed vacancies created by retirement and departure of long tenured employees.

**FY 2018 Goals and Objectives**

**Goal:** Arts & Cultural Planning

**Objective:** Assist in hiring a HHICAN Director and assist Cultural and Arts Advisory Committee.

**Goal:** Sewer

**Objective:** Assist with funding analysis, recommendations, and regulatory approvals to advance 5 year plan.

**Goal:** Visioning and Island-wide Master Plan

**Objective:** Assist in retaining a Project Lead to assist the Visioning and Planning Process. Work with Vision Project Management Team, Project Lead, and consultants to complete the Vision Project by December 2017.

**Goal:** Arts Center Building

**Objective:** Assist Venue Committee and consultant with recommendation for use of Arts Center Building in Phase 1 EACH recommendations. Assist with Phase 2 support and analysis if deemed appropriate.

Program: Community Services  
Department: Community Development

**FY 2018 Goals and Objectives (continued)**

**Goal:** Coligny Park Development Project.

**Objective:** Oversee consultant contracts, land acquisitions negotiation, coordination with project partners. Begin construction. Coordinate TIF projects reconciliation.

**Goal:** USCB Hospitality facility in Office Park Road area.

**Objective:** Continue coordination with USCB for construction beginning in 2017.

**Goal:** Recreation Center Expansion.

**Objective:** Continue to monitor the progress of construction for compliance with the master plan and permits.

**Goal:** Unsafe Structures.

**Objective:** Work with property owners to resolve issues and bring unsafe structures into code compliance or require them to be demolished.

**Goal:** LMO Amendments.

**Objective:** Coordinate amendments necessary to fix some unclear portions or incorporate new uses in the LMO and take them through the adoption process.

**Goal:** HUD CDBG Entitlement Program

**Objective:** Continue execution of the 5-year Consolidated Plan focusing on dirt road paving in pursuit of CDBG Entitlement Program Goals.

**Goal:** Implement Airport Master Plan.

**Objective:** Continue to coordinate with county and airport officials to implement the Plan, including necessary LMO amendments.

**Goal:** Investigate means to assist owners of heirs property with issues related to ownership

**Objective:** Engage a non-profit organization for community outreach purposes under the auspices of the Planning Commission. Hire a consultant to evaluate LMO Changes that may include the creation of a heritage overlay district.

**Goal:** Circle to Circle Recommendations

**Objective:** Assist Planning Commission and Town Council in Implementing Circle to Circle recommendations.

**Goal:** Shelter Cove Towne Centre

**Objective:** Continue to follow the requirements in the development agreement concerning updates, reporting and development of final phase, including the pier, park expansion, and residential components.

Program: Community Services  
Department: Community Development

**FY 2018 Goals and Objectives (continued)**

**Goal:** Regionalization

**Objective:** Support regional initiatives including LATS MPO implementation, Beaufort County Economic Development Corporation and the Heritage Tourism Taskforce.

**Goal:** Workforce Availability (Housing)

**Objective:** Provide staff support to the Public Facility and Public Planning Committee to examine the issue via a task force and subsequently provide a series of recommendations to the Town Council.

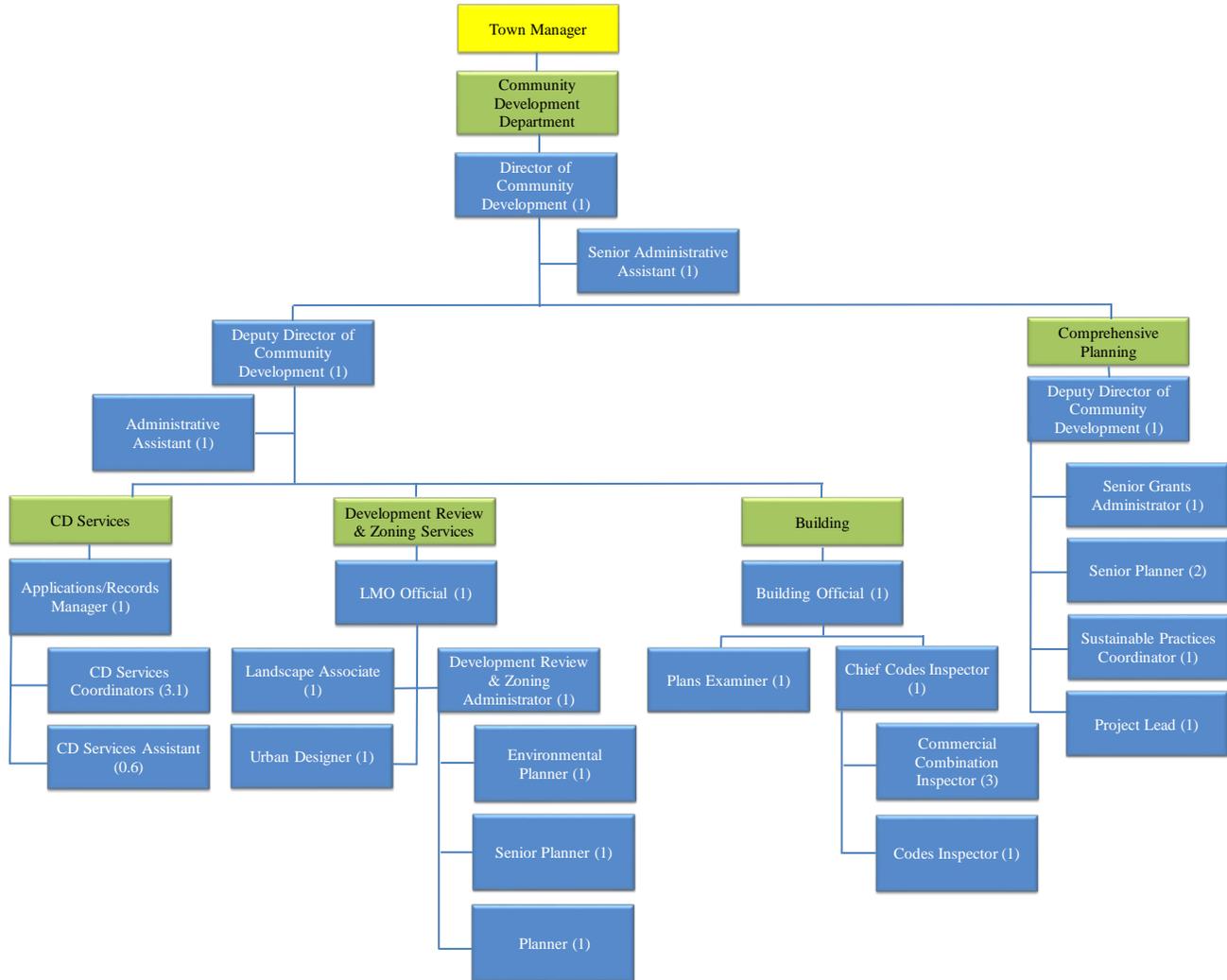
**Goal:** Workforce Availability (Transportation)

**Objective:** Town staff will review report recently submitted by the LRTA and provide recommendations for Town Council to consider adopting.

**Goal:** Disaster Recovery

**Objective:** Continue to address damage related to Hurricane Matthew including issues related to non-qualifying reimbursements from FEMA. Coordinate the update of the Town's Disaster Recovery Plan and prepare resources in advance of the next Hurricane Season. Continue to pursue FEMA qualifying reimbursement and necessary documentation for potential audits.

Program: Community Services  
 Department: Community Development



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

Program: Community Services  
 Department: Community Development

**Expenditures by Program/Category**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Budget</b>	<b>Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Estimated</b>	<b>Budget</b>	<b>\$</b>	<b>%</b>
						<b>Actual</b>		<b>Change</b>	<b>Change</b>
<b>Community Development - Program Summary</b>									
Administration	562,957	541,552	469,752	479,077	538,871	568,926	513,950	(24,921)	-5%
Inspection Compliance	664,599	636,045	653,044	754,959	759,673	589,591	726,381	(33,292)	-4%
Comprehensive Planning	366,299	466,352	518,454	520,792	546,189	490,931	704,285	158,096	29%
Development Review & Zoning	625,144	650,164	613,114	688,858	767,895	616,798	815,183	47,288	6%
CD Services	274,917	287,875	303,408	329,021	355,020	348,391	376,894	21,874	0%
<b>Total</b>	<b>2,493,916</b>	<b>2,581,988</b>	<b>2,557,772</b>	<b>2,772,707</b>	<b>2,967,648</b>	<b>2,614,637</b>	<b>3,136,693</b>	<b>169,045</b>	<b>6%</b>
<b>Community Development - By Category</b>									
Personnel	2,352,058	2,350,906	2,477,963	2,697,791	2,729,444	2,477,021	2,843,383	113,939	4%
Operating	141,858	231,082	79,809	74,916	188,204	91,569	293,310	105,106	56%
Capital	-	-	-	-	50,000	46,047	-	(50,000)	-100%
<b>Total</b>	<b>2,493,916</b>	<b>2,581,988</b>	<b>2,557,772</b>	<b>2,772,707</b>	<b>2,967,648</b>	<b>2,614,637</b>	<b>3,136,693</b>	<b>169,045</b>	<b>6%</b>
Personnel	27.0	26.0	26.1	27.4	27.4	27.7	28.7		

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**

Provide general oversight and project management for design and construction of road, drainage, pathway and other infrastructure projects. Review and approve plans for land development to ensure compliance with the road and storm water management standards of the Land Management Ordinance. Conduct field inspections of development projects and issue certificates of compliance for same. Maintain the Town's roadways, traffic signals, street signs, mile markers and storm water infrastructure. Coordinate with other government agencies and utility providers regarding infrastructure maintenance and improvements.

#### **Facilities**

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

### **FY 2017 Accomplishments**

#### **EXISTING FACILITIES**

- Fire Station repairs as a result of Hurricane Matthew to include:
  - Minor roof and gutter repairs.
  - Perimeter fencing repairs at the Training Center and Microwave Tower.
  - Minor water intrusion clean-up and water damage repair in offices at Fire Headquarters.

Program: Community Services  
Department: Public Projects and Facilities

**FY 2017 Accomplishments (continued)**

- Town Hall minor roof repairs, air quality testing's for minor water intrusions and minor debris perimeter clean-up as a result of Hurricane Matthew.
- Various Park repairs as a result of Hurricane Matthew to include:
  - Chaplin tennis courts fencing repairs.
  - Compass Rose floating stone and fountain electrical panel repairs.
  - Crossings Park awning, scoreboard, pitchers mounds and field lighting repairs.
  - Driessen's Park playground, picnic pavilion, boardwalk railing and restroom roof repairs.
  - Fish Haul Park observation deck roof repairs
  - Folly Field Beach Park masonry roof repairs.
  - Honey Horn Hay Barn roof, storage barn, oyster shell walkways and drive ways, boardwalk, main house roof leak and floating dock repairs.
  - Islanders Park playground repairs.
  - Rowing and Sailing Center Community Park pier and dock and perimeter fence repairs.
  - Shelter Cove Park shade canvas at playground repairs.
- In-house recycling of all town owned parks and fire stations provides a means for the public and town employees to recycle and re-enforce the town's mission of going green.
- Execution of the contract for the Island Recreation Center enhancements to support the ever growing public's needs by building a new gymnasium, additional parking, new playground and refurbishment of the existing gymnasium.

**DEMOLITION**

- Issued notice to proceed on demolition of the old community building Greens Shell Park.

**ALL RENOVATIONS**

- Renovations to numerous employee working spaces/offices in building "C" as part of FM's continuous town hall renovation program.

**PARK UPGRADES**

- Three new scoreboards at Crossing's Park.
- Infield and draining system improvements for the ball fields at Crossings Park.
- Deck repainting of the Bristol's hockey rink, Greens Shell and Chaplin basketball courts.

**REHAB/RENOVATION.**

- Installed planting replacements due to Hurricane Matthew that includes WHP, Mathews Dr., Jarvis Park, Cross Island Parkway and Dunnagan's Alley.

**PATHWAY MAINTENCE**

- Pope Ave. boardwalk pathway repairs due to Hurricane Matthew.
- Squire Pope pathway repair/mitigation due to Hurricane Matthew.
- Completed annual pathway repairs projects.
- Refurbished multiple pathway intersection paintings.

**WORK ORDER TOTALS**

- Completed over 5,000 W/O's using in house staff.

Program: Community Services  
Department: Public Projects and Facilities

**FY 2018 Objectives**

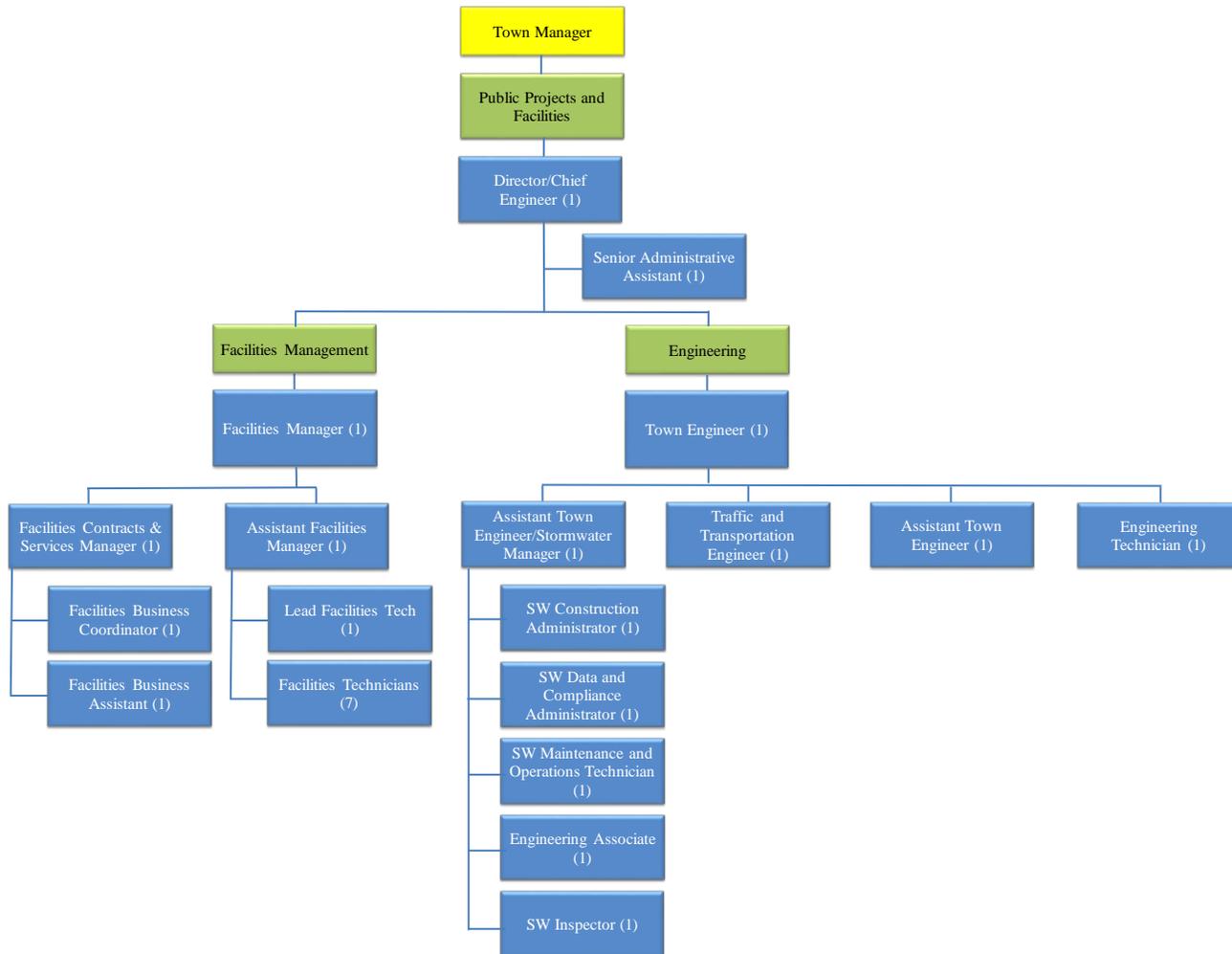
**Engineering**

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

**Facilities**

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

Program: Community Services  
 Department: Public Projects and Facilities



Note: The Town Manager's salary and benefits are budgeted in the Town Manager's Department. Four positions above are budgeted in the Town's Stormwater Fund. The remaining 19 positions are in the General Fund.

Program: Community Services  
 Department: Public Projects and Facilities

**Expenditures by Program/Category**

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>Budget</u>	<u>Budget</u>
	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Estimated</u>	<u>Budget</u>	<u>\$</u>	<u>%</u>
						<u>Actual</u>		<u>Change</u>	<u>Change</u>
<b>Public Projects and Facilities - Program Summary</b>									
Administration	239,383	248,101	254,895	263,379	270,136	255,378	289,604	19,468	7%
Engineering	723,366	577,277	924,937	923,622	1,198,577	1,168,811	1,071,992	(126,585)	-11%
Facilities	2,539,757	2,999,444	3,500,999	3,858,960	4,054,018	3,945,411	4,363,163	309,145	0%
<b>Total</b>	<b>3,502,506</b>	<b>3,824,822</b>	<b>4,680,831</b>	<b>5,045,961</b>	<b>5,522,731</b>	<b>5,369,600</b>	<b>5,724,759</b>	<b>202,028</b>	<b>4%</b>
<b>Public Projects and Facilities - By Category</b>									
Personnel	1,713,163	1,639,451	1,692,152	1,712,428	1,802,190	1,651,949	1,874,079	71,889	4%
Operating	1,789,343	2,171,251	2,988,679	3,308,816	3,720,541	3,717,651	3,850,680	130,139	3%
Capital	-	14,120	-	24,717	-	-	-	-	0%
<b>Total</b>	<b>3,502,506</b>	<b>3,824,822</b>	<b>4,680,831</b>	<b>5,045,961</b>	<b>5,522,731</b>	<b>5,369,600</b>	<b>5,724,759</b>	<b>202,028</b>	<b>4%</b>
Personnel	20.0	19.0	19.0	19.0	19.0	19.0	19.0	-	-

Program: Public Safety  
Department: Fire Rescue

### **Mission**

To protect the people, property and environment of Hilton Head Island with courage, commitment and compassion.

The Fire and Rescue Department's mission incorporates the following principles:

**Honor**

**Honesty**

**Integrity**

**Focus**

**Respect**

**Town Council Guiding Principle:** Providing a Serene, Safe and Healthy Living Environment for Residents, Guests and Visitors

**Town Council Goal:** Financially Sound, Excellent Services

### **Core Services**

- Provide fire services to the town to include structural firefighting, wildland firefighting, motor vehicle fires, and all other fires typically assigned to a fire department to include the training and development of its staff to perform these duties.
- Fire Rescue provides advanced life support (ALS) emergency medical services (EMS) to include public education, early detection, response, treatment, patient care and necessary transport including the training of its staff to perform these duties.
- Operate seven fire stations, a dispatch center and a headquarters facility. Manage and operate a Primary Public Safety Answering Point to receive and process 911 calls from the public for Hilton Head Island, Hilton Head Island Airport and Daufuskie Island in addition to serving as backup communication center for Beaufort and Jasper Counties.
- Provide fire prevention services to the Town to include public education, prevention, code enforcement, and fire origin cause and determination.
- Deliver other specialty emergency response services to include hazardous materials response, technical rescue services, vehicle and machinery extrication services, confined space, and other services as requested.
- Emergency Management develops town-wide plans for the preparedness, response, and recovery from man-made and natural disasters to include but not limited to evacuations, hurricane and tropical storms, earthquakes, floods, tornadoes, fire, hazardous materials, etc. and to coordinate all such plans with local, county, state, and federal authorities.
- Manage a fleet maintenance program for all Town vehicles to include preventative maintenance and repairs and assist in other activities as required.
- Fire Rescue shall conduct research and planning activities as necessary to properly perform its assigned services.

Program: Public Safety  
Department: Fire Rescue

### **2017 Accomplishments**

- **Special Event Coverage** – Continued to provide special event emergency services coverage at the Heritage, Hilton Head Concours d’Elegance Car Show, St. Patrick’s Day Parade, the Hilton Head Island Marathon and other special events.
- **Shore Beach Services Training** – Continued efforts to improve the beach response. Provided Training to Shore Beach Services to educate lifeguards and integrate the personnel into Fire Rescue response plans.
- **New Cardiac Monitors Purchased** – \$375,567 of the total \$416,834 costs was funded by the Federal Assistance to Firefighters Grant.
- **American Heart Association Mission Lifeline Gold Award** – Received the EMS Gold Award for meeting the guidelines of the AHA STIMI performance goals.
- **Cardiac Care Program** – 40% save rate for witnessed cardiac arrest patients was documented in 2016. This performance is achieved through internationally-recognized efforts that include bystander CPR, *pit crew* model for responders, pediatric resuscitation protocols, and the CARES program participation
- **Tropical Weather** – Preparation and response to storm threats during the 2016 Tropical Storm season including: Tropical Storm Colin (June 5-7); Tropical Storm Hermine (August 28-September 3); Tropical Storm Julia (September 14-18); and Hurricane Matthew (October 5-11).
- **New Employee Process** – Hired seventeen firefighters to replace vacancies due to attrition/retirements.
- **Pre-Planning Program** – Reviewed and processed 849 pre-plans. Plans were placed into the mobile CAD system and are accessible to crews while responding.
- **Fire Hydrant Inspection Program** – Inspected 3,000 fire hydrants to ensure the reliability of the waters system.
- **Active Shooter Plans** – Continued cooperation with Beaufort County Sheriff’s Office to develop and implement guidelines.
- **Open Burning Compliance Inspections** – Conducted 583 open burning compliance checks.
- **Tropical Storm Hermine** – Coordinated response to Tropical Storm Hermine which required opening the Town’s EOC.
- **Hurricane Matthew** – Managed the Town’s response to Hurricane Matthew though opening the EOC and implementing to Town’s Emergency Operations Plan. The Base Camp Plan was activated for the first time in history and housed 600 first responders.
- **Emergency Operations Plan** – Completed a full update of the Town’s Emergency Operations Plan.
- **Pre-Hurricane Meeting Private Partners** – Held a pre-hurricane season private sector partners, meeting with 30 partners.
- **Faith Based Initiative** – Continued the faith based initiative that began in 2015 to help places of worship develop safety plans and additional resources to provide information to their members.
- **Emergency Management Guides** – Continue the development of the Emergency Management Guides that provide procedures to employees during various events.
- **Personnel Law for Supervisors Course** – All officers/supervisors completed this required training.

Program: Public Safety  
Department: Fire Rescue

### FY 2017 Accomplishments (continued)

- **Hazardous Materials Operational Readiness Exercise** – Fire Rescue planned and hosted an exercise which tested the Hilton Head Island/Bluffton Township Hazardous Materials Team’s ability to assess/respond to a Hazmat/WMD incident. This exercise was conducted in the former Kiawah Building on Office Park Rd., prior to its demolition.
- **Hazardous Materials Technician Course** – Fire Rescue hosted this 48-hour course. 24 Hilton Head Island and Bluffton Township firefighters completed the course and received national certification.
- **Confined Space Rescue Technician Course** – Fire Rescue conducted this 24-hour course, which resulted in 15 Hilton Head Island firefighters achieving certification.
- **Zoll X-Series Cardiac Monitor Training** – All firefighters completed the training course for the new Zoll cardiac monitors prior to the monitors being placed in service.
- **Pediatric Pit Crew CPR/Handtevy System Training** – All firefighters completed training on our methodology for a systematic approach to working pediatric cardiac arrests. This training included the rollout for the new Handtevy System, which simplifies selecting pediatric medication doses, airway sizes, and IV rates.
- **Training Tower Interior Lighting** – Waterproof LED interior lighting was installed on each floor of the Graham Training Tower. This improves safety for training conducted at night.
- **Leadership Under Fire Course** – This course focused on the mental aspects of firefighting and rescue, and was conducted by a nationally-known fire instructor. This course was funded through the 1% Operating Committee at no cost to the Town.
- **Gas ID Train the Trainer Course** – This course certified 10 Hazardous Materials Team members in the instructor procedures for this instrument, which provides advance gas sampling and identification at hazmat incidents.
- **Incident Safety Officer Certification** – Fire Rescue conducted the third (of three) Incident Safety Officer courses that resulted in national certification for the participants. (August 2016)
- **RACE Stroke Scale Training** – A new stroke assessment tool was mandated state-wide by the S.C. DHEC Bureau of EMS and Trauma. Training for all personnel was conducted by the implementation deadline.
- **Forcible Entry Course** – Firehouse Innovations, Inc. delivered a series of one-day advanced forcible entry courses at the Training Center. This course was funded through the 1% Operating Committee at no cost to the Town.
- **Flammable Liquids and Gases (FLAG) Instructor Course** – Fire Rescue hosted this one-day course, which certified six firefighters to teach FLAG courses at our Training Center. This increases the total number of S.C. Fire Academy-certified FLAG instructors to eleven.
- **New Dispatch Employees** – Hired, trained, and cleared for duty two new E911 dispatchers.
- **Metronomes Use in Dispatch** – Metronomes are now used by the Dispatch Center to guide regular compression rates and to help citizens provide consistent chest compressions when performing CPR at the direction of a Dispatcher.
- **Eventide Call Recorder** – In a joint effort with Beaufort County, Fire Rescue installed a new Next Generation logging recorder that provides for more efficient phone call searching and processing.

Program: Public Safety  
Department: Fire Rescue

**FY 2017 Accomplishments (continued)**

- **Cost Recovery Effort** – Researched and pursued E911 cost recovery funding from the State of SC. The effort required going back over a 5 year period and resulted in just over \$130,000 being recovered.
  - **Reduced 911 Cell Errors** – As part of an ongoing process, continued to work with Beaufort County to correct Cell phone location errors. A study was conducted to determine where specific errors were originating based on cell phone provider and cell tower location.
  - **Priority Dispatch Software Upgrade** – The medical dispatch protocols software was upgraded to enable the dispatchers to work toward the goal of starting chest compressions within 60 seconds of answering the call on cardiac arrest patients.
  - **Began second phase of Tractor Drawn Aerial (TDA) Refurbishment** – In an effort to save on Capital Expenses, Fire Rescue elected to refurbish a TDA over the 2015 and 2016 budgets. Phase 2 began in July 2016 and includes a replacement tractor and updates to the trailer. This program provides significant savings over purchasing a new apparatus.
  - **Replaced Ambulance Stretchers** – Purchased 6 new ambulance stretchers. Current stretchers were unsupported and no parts or repair capability were available due to the manufacturer going out of business.
  - **Purchased Patient Care Reporting Computers** – Purchased replacement laptop computers for use in emergency apparatus to record patient care data and for use with computer aided dispatch technology.
  - **Purchased Skid Steer Loader** – Fire Rescue Purchased a skid steer loader. This equipment is a shared resource with the Facilities Management Division of the Town and it was utilized during and after Hurricane Matthew in clearing Town properties of debris.
  - **Computer Aided Dispatch System Map up Grade (CAD)** – Public Safety Systems completed an upgrade of the CAD Map. This included a rebuild of the interactive map to include ESRI technology. This upgrade allows for easier editing of the map to include items such as temporary road closures and defective fire hydrants.
  - **Conducted Annual Pumper and Aerial Ladder Testing** – Fleet Maintenance completed the annual pump and ladder testing. This testing is conducted by a third party agency to assure the pumper fleet operates as designed and that ladders are structurally sound and safe for use.
  - **Homeland Security Sustainment Grants** – Received \$70,000 for support of the Regional Technical Rescue Team and \$65,000 for the Regional Hazmat Team. Funding is used for equipment and training, and offsets the need to use the Town budget to maintain the specialty teams.
  - **Fire Safety Inspections** – Fire Rescue conducted 3,196 Fire Safety Inspections to include; 468 fire inspections conducted as part of the Town's Business License process; 1,703 existing building inspections and 1,025 fire inspections for new/renovated construction. The number of fire inspections for new/renovated construction has increased 90% from the previous fiscal year.
- In addition, 327 construction plan reviews for new and renovated construction projects were completed.
- **Car Seat Inspections and Installation** – Fire Rescue offers free car seat safety inspections and installations to the public. 176 installations were completed this past year.

Program: Public Safety  
Department: Fire Rescue

### **FY 2017 Accomplishments (continued)**

- **File of Life** – Fire Rescue provides a program for citizens to record their vital medical information for easy access by medical personnel during emergencies. This program reached approximately 900 recipients.
- **CPR, AED, and First Aid Training** – Fire Rescue continues to offer public CPR, AED, and First Aid training and instructed 596 students this past year. As part of this public program, Fire Rescue continues to partner with Hilton Head Hospital to provide free CPR classes to the public once a month and had 51 participants in this program.
- **Fire in the Streets** – Fire Rescue continued the Fire in the Streets program. This program focuses on a specific residential area of the community and Fire Rescue personnel go door to door and meet with the residents. At each home, the personnel check smoke detectors and if needed, install new ones or change batteries. The following information is also reviewed with the resident during the visit - Fire escape plans, calling 911, grilling safety, outdoor burning, electrical safety, hazardous materials safety, and lighters, matches and candle safety. In conjunction with our existing smoke detector program, Fire Rescue installed 264 smoke alarms and changed 86 batteries. This was an increase of 229 smoke detectors installed over the course of the fiscal year.
- **Special Event Inspections** – Fire Rescue participates in the review of special event applications. This year the fire inspectors began taking a more active role in inspecting the events for fire safety concerns. Fire Rescue reviewed over 90 special event applications and conducted 25 special event inspections.

### **FY 2018 Goals, Objectives, and Performance Measures**

#### **Operations**

**Division Goals:** Protect the lives and property of the community through timely emergency response and the efficient delivery of services.

#### **Division Objectives:**

- To safely respond and effectively mitigate 100% of the daily calls for emergent service; striving for an average response time of 5 minutes or less, 90% of the time for the first arriving fire truck or ambulance.
- Provide an emergency response system that improves the quality of life by maintaining and enhancing the response capability and performance level of our members to reduce fire losses and civilian casualties.
- Proactively identify and reduce the impact of hazards on emergency incidents that have the potential to do harm to the environment through the utilization of knowledge, equipment, and resources.
- Enhance reporting and management capabilities using existing records management systems that maintain accurate and up-to-date Fire and EMS incident records and data. Create new addresses and correct existing addresses as necessary. Provide complete and accurate street names and addressing data for the 911 Computer Aided Dispatching (CAD) system.

Program: Public Safety  
 Department: Fire Rescue

**Operations (continued)**

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

**Fire Rescue Operations Measurements**

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Total Emergency Incidents	7,567	8,096	8,656
Emergency Medical Service (EMS) responses	5,225	5,538	5,870
EMS patients transported	4,114	4,360	4,622
EMS patients treated but not transported	166	174	186
Fire Suppression and other responses	2,342	2,576	2,835
Actual number of fires	139	146	153
EMS First Arriving – Total Response Time Baseline (90 <sup>th</sup> percentile)	8:29	8:15	8:05
Fire First Arriving – Total Response Time Baseline (90 <sup>th</sup> percentile)	9:18	9:00	8:50
Pre-incident plans processed (Planning)	849	950	1,000
FOIA Requests Processed (Planning)	232	375	400
Report returns processed (Planning)	625	630	640
New Addresses created (911 Addressing)	382	420	450
Existing addresses corrected (911 Addressing)	87	80	90

**Emergency Management**

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

**Division Objectives:** Continue to develop, maintain, update, and expand the plans, procedures, and agreements necessary to support the goals of the Emergency Management Division.

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

Develop a more effective hurricane evacuation point for critical staff and public safety assets through enhancing the current location or identifying an alternate location.

Develop annexes to the emergency operations plan for every hazard identified in the Beaufort County Hazard Mitigation Plan.

Program: Public Safety  
 Department: Fire Rescue

**Emergency Management (continued)**

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

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

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Plans and Procedures updated/developed	8	15	15
Exercises Participated in	5	6	7
Exercises/Training program staff attendees	125	100	100
Disaster Preparedness presentations conducted	18	20	15
Disaster presentations/training public attendees	2,700	3,000	2,500
<i>Citizen's Guide to Emergency Preparedness</i> distributed	1,685	1,800	1,600

**Bureau of Fire Prevention**

**Division 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.

**Division Objectives:** 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 the reduction of preventable and/or intentional fires.

Program: Public Safety  
 Department: Fire Rescue

**Bureau of Fire Prevention (continued)**

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Public Education Presentations (includes Company Pub Ed taught, Company public events, Risk Watch, Station Tours and Public Ed Officer Pub Ed taught)	354	500	500
CPR/AED/First Aid Students	596	600	625
Fire Extinguisher Training Students	229	250	250
Car Seat Installations	176	200	200
File of Life Recipients	900	900	900
Smoke Detectors Installed	264	-	-
Plan Reviews	327	300	300
Total Fire Safety Inspections (Total includes Initial Inspections, Re-Inspections, Business License Inspections, New Construction/Renovation Inspections)	3,196	2,000	2,000
Business License Inspections	468	500	500
Existing Building Inspections (Initial Inspections & Re-inspections)	1,703	1,800	2,000
New Renovated Construction Inspections	1,025	1,100	1,100
Violations found during inspections	1,086	1,100	1,200
Violations Corrected	1,167	1,000	1,000
Planning project reviews & inspections	151	175	175
Fire cause/origin investigations	27	30	30
Special Event reviews & Inspections	122	130	130

**Communications**

**Division Goal:** To manage and operate a primary emergency answering point for the Town of Hilton Head Island; thereby, ensuring all emergency and non-emergency requests for assistance requiring police, fire, EMS, or other agencies, are received and the appropriate resources are notified.

**Division Objectives:** To receive, process and dispatch requests for services in a timely and efficient manner in order to protect the lives and property of the community.

To answer calls for service in less than ten seconds, ninety five percent of the time.

Program: Public Safety  
 Department: Fire Rescue

**Communications (continued)**

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

	FY 2016 Actual	FY 2017 Projected	FY 2018 Budget
Calls answered 0-10 seconds	99.9%	99.9%	99.9%
Total telephone requests received	50,847	49,842	50,700
Pool & Elevator Lines	5,419	5,139	5,148
911 calls for service line	27,166	27,038	28,420
Dispatch administration	18,022	15,936	19,338
Dispatch other business	240	46	30
90 <sup>th</sup> Percentile times baseline: Alarm Handling (pick-up phone to Dispatch)	1:31	1:30	1:26

**Training**

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

**Division Objectives:**

Support employee training and professional development at all levels of the organization and in all subject areas to enhance knowledge, skills, and abilities.

Provide administration and management of the Fire Rescue Training Center.

Maintain training records consistent with department and NFPA standards.

Administer the new firefighter orientation program.

Support Fire and EMS certification/recertification process as required.

<b>Training Hours/Type</b>	FY 2016 Actual	FY 2017 Projected *	FY 2018 Budget
Company Training - Firefighting	24,911	22,000	30,000
Company Drills - Firefighting	2,811	1,500	2,500
EMS	6,488	6,000	8,000
Rescue/Extrication	1,020	700	1,000
Hazardous Materials	4,924	900	1,500
<b>Total Hours</b>	<b>40,154</b>	<b>31,100</b>	<b>43,000</b>

\*Training totals less than previous year's projections are due to Hurricane Matthew response and recovery.

Program: Public Safety  
 Department: Fire Rescue

**Training (continued)**

**FY 2018 Goals, Objectives, and Performance Measures (continued)**

<b>Drills/Classes Sessions</b>	<b>FY 2016 Actual</b>	<b>FY 2017 Projected *</b>	<b>FY 2018 Budget</b>
Company Drills	85	50	80
Live Burn Training	26	16	25
Urban Search & Rescue Training	9	10	10
S.C. Fire Academy Classes	26	12	12
Medical Classes	52	30	30
Fire & Rescue Classes	34	20	20
Driver/Operator Training/Testing	46	36	36
New Firefighter Orientation	11	6	6
Officer Training	6	6	12 **
<b>Total</b>	<b>298</b>	<b>185</b>	<b>229</b>

\*Training totals less than previous year’s projections are due to Hurricane Matthew response and recovery.

\*\* FY18 projected increase due to a change in the way officer’s training and development will be delivered.

**Fleet Maintenance**

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

**Division Objectives:** Operate and maintain a Fleet Management system to track routine maintenance, repairs, and inventory of all Town owned vehicles and equipment.

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

Complete fire pump and ladder testing and other certification tests as required.

<b>Training Hours/Type</b>	<b>FY 2016 Actual</b>	<b>FY 2017 Projected</b>	<b>FY 2018 Budget</b>
Total Maintenance Requests – All Types	1,272	1,430	1,485
Scheduled Maintenance (Preventative and Safety)	161	185	200
Unscheduled Maintenance (Vehicle Repairs)	879	1,000	1,025
Other Repairs (Mowers, powered equipment)	232	245	260

Program: Public Safety  
Department: Fire Rescue

### **Support Services**

**Division Goal:** Provide and maintain sound and effective computer technology to support emergency response and administrative efficiency.

**Division Objectives:** Maintain critical public safety computer systems 24/7 - 365 days a year to assure timely and accurate emergency response to include:

- Computer Aided Dispatch System
- Records Management System
- Electronic Patient Care Reporting and Medical Billing

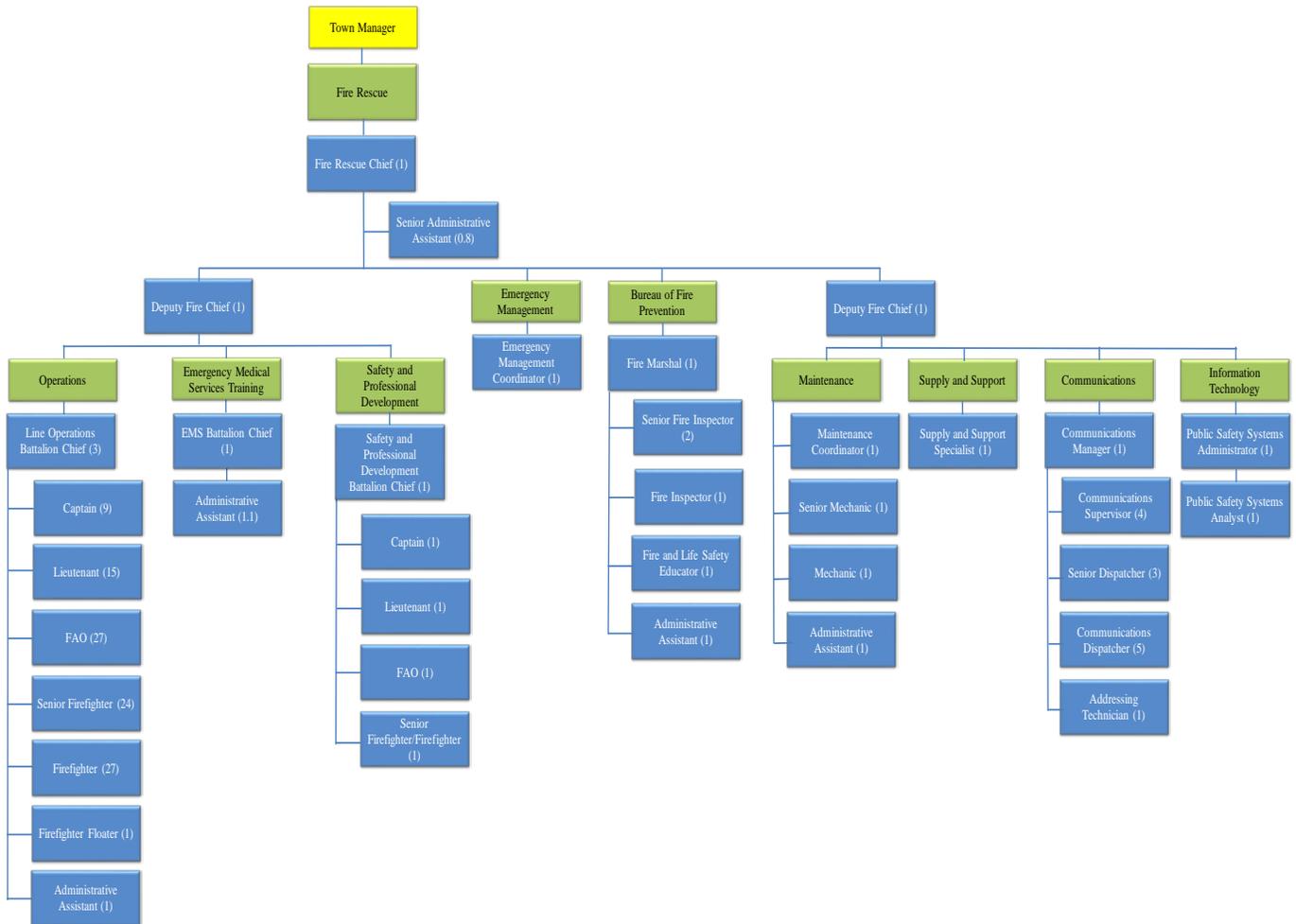
Provide repository and backups of all data and operating systems in order to replicate all Fire Rescue data systems and operating platforms in case of catastrophic failure or emergency.

Manage and retrieve data for the purpose of evaluating response metrics and levels of service.

Provide a means to control and mitigate environmental damage from release of hazardous materials and mitigate technical rescue incidents through the management of specialty teams.

Provide and maintain safe and effective firefighting and emergency medical response equipment, supplies, and clothing. Provide routine and ancillary equipment and supplies for the everyday operation of Fire Rescue personnel and facilities.

Program: Public Safety  
 Department: Fire Rescue



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

Program: Public Safety  
 Department: Fire Rescue

**Expenditures by Program/Category**

	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>Budget</b>	<b>Budget</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Budget</b>	<b>Estimated</b>	<b>Budget</b>	<b>\$</b>	<b>%</b>
						<b>Actual</b>		<b>Change</b>	<b>Change</b>
<b>Fire and Rescue - Program Summary</b>									
Administration	308,546	390,652	321,583	310,870	360,157	360,868	378,015	17,858	5%
Operations	9,148,030	9,262,673	9,501,028	9,599,610	9,777,424	9,950,264	9,966,135	188,711	2%
Communications	1,136,446	1,089,587	1,108,894	1,067,697	1,154,362	1,075,758	1,160,990	6,628	1%
E-911 Communications	238,152	246,373	257,640	284,155	300,807	294,819	234,439	(66,368)	-22%
Emergency Management	122,290	134,141	133,138	140,944	153,899	148,063	158,023	4,124	3%
Fire Prevention	540,727	559,669	572,246	599,698	624,350	561,292	624,994	644	0%
Fleet Maintenance	504,545	541,097	538,316	547,936	609,533	533,312	595,463	(14,070)	-2%
Planning/EMS Training	-	-	197,348	204,384	209,284	115,538	322,784	113,500	54%
Support Services	760,133	943,494	1,340,866	951,155	1,586,853	1,385,679	712,941	(873,912)	-55%
Safety and Professional Development	701,681	698,039	713,425	726,861	741,294	731,745	654,358	(86,936)	0%
<b>Total</b>	<b>13,460,550</b>	<b>13,865,725</b>	<b>14,684,484</b>	<b>14,433,310</b>	<b>15,517,963</b>	<b>15,157,338</b>	<b>14,808,142</b>	<b>(709,821)</b>	<b>-5%</b>
<b>Fire and Rescue - By Category</b>									
Personnel	12,106,016	12,447,845	12,729,390	12,914,927	13,192,691	13,144,413	13,365,117	172,426	1%
Operating	1,216,572	1,169,690	1,186,636	1,119,935	1,315,772	1,182,124	1,330,525	14,753	1%
Capital	137,962	248,190	768,458	398,448	1,009,500	830,801	112,500	(897,000)	0%
<b>Total</b>	<b>13,460,550</b>	<b>13,865,725</b>	<b>14,684,484</b>	<b>14,433,310</b>	<b>15,517,963</b>	<b>15,157,338</b>	<b>14,808,142</b>	<b>(709,821)</b>	<b>-5%</b>
Personnel	145.1	145.1	145.1	144.7	144.7	144.7	145.9		

Program: Public Safety  
Department: Police/Other Public Safety

### **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**

Ancillary Services include: Lab Services, K-9 Support, Special Response Team (SWAT), Crisis Negotiations, Animal Control, Civil Service, Warrant Service, Records Management, and 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.

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 as follows:

One (1) Command Officer; one (1) Patrol Unit Supervisor (per unit); four (4) staffed patrol units on duty, 24 hours a day, seven days a week; four (4) person, two (2) unit traffic enforcement team; two (2) person marine/beach patrol team, one (1) Evidence Technician, four (4) Criminal Investigators; two (2) Drug Investigators; three (3) Clerks; one (1) Administrative Clerk; one (1) Victim's Advocate; three (3) Special Enforcement Unit positions.

Program: Public Safety  
 Department: Police/Other Public Safety

**Basic Law Enforcement Services (continued)**

The Sheriff’s office budget is slightly less than last fiscal year. The budget was reduced in anticipation of renegotiation of the contract between the Town and the County.

**Shore Beach Services**

Shore Beach Service provides year-round beach patrol for the entire 13.5 miles of beach on Hilton Head Island. During the peak summer season, the patrol consists of more than sixty lifeguards, seven red trucks marked "Beach Patrol," and two red ATVs. In addition, they have three wave runners for use in water rescue. They can assist in first aid, ocean rescue, missing persons, beach specific questions, or any other questions you may have about the island.

The budget for Shore Beach Services will increase by \$10,420; this is due to a higher volume of trash removed from the beach as well as an increase in supply costs.

**Expenditures by Program/Category**

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Police - By Category</b>									
Personnel	-	-	-	-	-	-	-	-	0%
Operating	3,181,739	3,153,057	3,220,413	3,428,809	3,717,896	3,717,896	3,728,316	10,420	0%
Capital	-	-	-	-	-	-	-	-	0%
<b>Total</b>	<b>3,181,739</b>	<b>3,153,057</b>	<b>3,220,413</b>	<b>3,428,809</b>	<b>3,717,896</b>	<b>3,717,896</b>	<b>3,728,316</b>	<b>10,420</b>	<b>0%</b>
<b>Police - Program Summary</b>									
Police Services	2,806,908	2,771,832	2,844,295	3,027,254	3,287,097	3,287,097	3,287,097	-	0%
Victim Services	59,492	59,035	60,728	64,664	63,542	63,542	63,542	-	0%
Stipend	112,000	107,100	100,100	111,500	120,000	120,000	120,000	-	0%
<b>Total Sheriff</b>	<b>2,978,400</b>	<b>2,937,967</b>	<b>3,005,123</b>	<b>3,203,418</b>	<b>3,470,639</b>	<b>3,470,639</b>	<b>3,470,639</b>	<b>-</b>	<b>0%</b>
<b>Shore Beach Services</b>	<b>203,339</b>	<b>215,090</b>	<b>215,290</b>	<b>225,391</b>	<b>247,257</b>	<b>247,257</b>	<b>257,677</b>	<b>10,420</b>	<b>4%</b>
<b>Total Sheriff and Shore Beach Services</b>	<b>3,181,739</b>	<b>3,153,057</b>	<b>3,220,413</b>	<b>3,428,809</b>	<b>3,717,896</b>	<b>3,717,896</b>	<b>3,728,316</b>	<b>10,420</b>	

# Program: Townwide

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

	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Budget	FY 2017 Estimated Actual	FY 2018 Budget	Budget \$ Change	Budget % Change
<b>Personnel:</b>									
Salaries - Short Term Temp	14,202	28,648	65,170	52,580	41,750	15,379	34,850	(6,900)	-17%
FICA -- Emp Recognition / Pal Pass	4,746	6,738	4,551	4,357	5,520	5,743	6,240	720	13%
FICA - Short Term/ Temp	1,086	584	4,986	4,022	3,200	1,160	2,670	(530)	-17%
Retirement ICMA	-	-	-	1,413	89,654	89,233	2,640	(87,014)	-97%
Vantage Retirement	-	-	-	-	146,000	213,260	155,800	9,800	7%
Employee Assistance	-	-	-	-	6,745	6,794	-	(6,745)	-100%
Telehealth	-	-	-	-	12,000	-	-	(12,000)	-100%
401k Retirement Emp Recognition / PORS incr.	1,555	1,904	1,544	-	-	-	-	-	0%
Workers Compensation - Short Term Temp	20	241	851	163	550	560	350	(200)	-36%
Workers Compensation Deductibles	28,243	38,246	75,333	45,653	61,180	61,180	60,000	(1,180)	-2%
Palmetto Pass Employees	13,313	14,726	15,223	15,841	13,000	13,990	15,700	2,700	21%
Employee Recognition - Taxable	47,668	52,300	44,652	41,493	57,130	67,458	65,850	8,720	15%
Personel Adjustment	-	(8,444)	-	-	-	-	-	-	0%
Unemployment	11,267	-	198	-	5,000	2,500	5,000	-	0%
Retiree Medical	1,329	1,404	1,527	1,599	1,800	1,791	1,910	110	6%
COBRA	153	18	9	6	80	69	-	(80)	-100%
	123,581	136,366	214,044	167,127	443,609	479,117	351,010	(92,599)	-21%
<b>Operating:</b>									
Travel	8	-	-	-	500	-	500	-	0%
Professional Dues	23,951	31,130	13,990	9,025	26,000	2,586	26,000	-	0%
Town Council Initiatives	-	-	-	-	150,000	-	-	(150,000)	-100%
Abandoned/Clean Up Property	-	-	80	-	-	-	-	-	0%
Economic Analysis	-	-	-	-	32,000	20,000	-	(32,000)	-100%
Short Term Temp/Agency	-	4,942	82	-	5,000	5,000	5,000	-	0%
Professional Services	-	183	-	449	12,500	10,614	-	(12,500)	-100%
Photocopying	7,983	7,098	8,706	5,963	10,000	4,166	10,000	-	0%
Courier	16,130	14,900	18,288	18,053	18,000	15,026	18,000	-	0%
Palmetto Pass - Town Vehicles	6,100	4,575	6,140	4,655	6,500	69	6,500	-	0%
Insurance	331,693	341,044	342,136	362,018	383,075	371,745	442,980	59,905	16%
Telephone	214,820	210,806	218,319	228,793	225,722	230,000	235,000	9,278	4%
Cell Phone	54,196	46,908	65,694	66,548	63,000	71,000	76,500	13,500	21%
Electricity	270,926	291,236	296,668	304,815	318,000	253,045	318,000	-	0%
Utilities	63,488	63,454	53,480	71,733	64,000	56,331	75,000	11,000	17%
Taxes & Assessments	70,037	71,869	71,534	80,147	75,000	83,914	90,000	15,000	20%
Office Supplies	-	-	1,022	1,391	5,000	2,590	4,500	(500)	-10%
Postage	27,140	30,363	23,893	30,972	33,000	27,826	32,000	(1,000)	-3%
Performance Audit	-	-	-	-	30,000	25,700	30,000	-	0%
Breakroom Supplies	-	4,681	3,949	4,377	4,500	2,602	4,500	-	0%
Vehicle Fuel	191,530	197,318	168,238	120,857	196,000	81,702	195,000	(1,000)	-1%
Insurance Fund -- Vehicles	8,605	10,160	9,381	3,357	20,000	5,884	15,000	(5,000)	-25%
Insurance Fund -- Buildings	-	-	-	-	20,000	-	20,000	-	0%
Equipment Maintenance	945	319	215	234	1,500	500	500	(1,000)	-67%
Lease Payments	56,770	50,080	63,333	68,657	74,800	74,775	76,000	1,200	2%
Printers Fax Supplies	15,073	18,341	12,208	9,337	17,346	12,000	12,000	(5,346)	-31%
General Contingency	5,161	3,898	2,676	3,455	75,000	25,177	424,831	349,831	466%
	1,364,557	1,403,306	1,380,032	1,394,836	1,866,443	1,382,252	2,117,811	251,368	13%
<b>Capital:</b>									
Security Cameras	-	28,349	41,635	30,012	32,000	32,000	36,000	4,000	13%
WI-FI system Islanders Beach Park	-	-	-	-	-	-	40,000	40,000	100%
Vehicles	-	-	-	-	-	-	113,000	113,000	100%
Dredging	-	-	-	-	-	-	600,000	600,000	100%
	-	28,349	41,635	30,012	32,000	32,000	789,000	757,000	2366%
<b>Operating Grants:</b>									
Turtle Watch	37,700	33,738	37,300	41,748	36,500	32,543	-	(36,500)	-100%
Economic Development Corp.	-	98,927	-	-	-	-	-	-	0%
Recreation Center - General	629,278	629,278	629,278	657,748	683,052	683,052	707,052	24,000	4%
Recreation Center - Capital	-	270,695	216,545	121,619	267,000	267,000	-	(267,000)	-100%
Coastal Discovery Museum - General	75,000	75,000	75,000	75,000	75,000	75,000	75,000	-	0%
Coastal Discovery Museum - Capital	-	68,025	3,064	59,323	61,500	61,500	57,000	(4,500)	-7%
LEPC	-	-	-	10,830	-	-	10,830	10,830	0%
Executive Director	-	-	-	-	100,000	100,000	110,000	10,000	10%
Event Management & Hospitality Training	117,927	152,190	145,232	130,965	144,830	144,830	110,000	(34,830)	-24%
Disaster Advertising	-	-	-	-	-	900,000	-	-	0%
LRTA (Palmetto Breeze)	175,000	175,000	200,000	200,000	250,000	250,000	259,153	9,153	4%
Airport Noise Reduction Wall(s)/Capital Match	-	-	-	500,000	-	-	-	-	0%
Multidisciplinary Court	48,500	48,500	50,000	50,000	50,000	50,000	50,000	-	0%
Solicitor Career Criminal Program	35,000	35,000	33,500	33,500	33,500	33,500	118,500	85,000	254%
Community Foundation - Arts	36,961	37,500	37,500	37,500	50,000	50,000	50,000	-	0%
Operating Grants	8,626	14,294	11,771	-	-	-	-	-	0%
Beaufort County EDC	-	-	-	-	-	-	15,000	15,000	100%
First Tee	-	-	150,000	-	50,000	50,000	-	(50,000)	-100%
Heritage Classic Foundation	295,313	320,156	351,164	383,722	125,000	125,000	-	(125,000)	-100%
	1,459,304	1,958,302	1,940,354	2,301,955	1,926,382	2,822,425	1,562,535	(363,847)	-19%
<b>TOTAL</b>	<b>2,947,442</b>	<b>3,526,323</b>	<b>3,576,065</b>	<b>3,893,930</b>	<b>4,268,434</b>	<b>4,715,794</b>	<b>4,820,356</b>	<b>551,922</b>	<b>13%</b>

## **General Fund Three-Year Financial Model**

One of the most significant tools employed by the Town for strategic planning is the long-range financial plan (forecast). The financial model provides a picture of the financial impact the Town would experience if no action were taken, including tax increases or changes in service.

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.

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

### **Revenue Assumptions**

- Property Taxes – 0.50% increase per year 2019-2021
- ATAX local 1% – 1.0% increase per year 2019-2021
- Transfers In from Other Funds – no increase 2019-2021 (same as 2018)
- Business License Fees – 0.50% increase per year 2019-2021
- Franchise Fees – 1.00% increase per year 2019-2021
- Permit Fees – 0.50% increase per year 2019-2021
- Intergovernmental – no increase 2019-2021 (same as 2018)
- Public Safety EMS – 1.00% increase per year 2019-2021
- Investments – no increase 2019-2021 (same as 2018)

### **Expenditure Assumptions**

- Currently established positions will retain the same salary grade in future year
- 2% increase in personnel costs per year 2019-2021
- 1% in operating costs per year 2019-2021; or as determined by the individual departments
- No change in grant funding 2019-2021 (same as 2018)
- Replace Fire Department capital equipment funding from cash to a capital lease (rate = 2% / # of years 10)
  - FY 2019 – \$2,156,500; lease is \$238,200 per year
  - FY 2020 – \$1,835,000; lease is \$202,560 per year
  - FY 2021 – \$3,343,000; lease is \$369,120 per year
- Eliminate funding for Council Initiatives (\$750,000 per year reduction)

# General Fund Three-Year Financial Model

	2017			2018		3-Year		
	2015	2016	Adopted Budget	Estimated Actual	FY 2018 Budget	2019	2020	2021
<b>Revenues</b>								
Property Taxes	11,894,284	12,647,166	12,950,052	12,610,002	13,473,000	13,540,365	13,608,067	13,676,107
ATAX Local 1%	3,068,339	3,215,849	3,119,000	3,280,166	3,312,968	3,346,097	3,379,558	3,413,354
Business Licenses	8,334,478	8,224,311	8,471,000	8,306,554	9,026,166	9,071,297	9,116,654	9,162,237
Franchise Fees	876,060	919,127	900,000	937,793	956,841	966,410	976,074	985,835
Permit Fees	1,380,846	2,039,570	1,620,233	1,417,319	1,443,239	1,450,455	1,457,707	1,464,996
Intergovernmental	812,085	812,322	812,000	812,000	812,000	812,000	812,000	812,000
Grants	143,718	146,760	147,001	154,343	148,677	148,677	148,677	148,677
Miscellaneous Revenue	2,158,608	2,182,694	2,180,450	2,687,988	2,490,720	2,515,627	2,540,783	2,566,191
Transfers In	8,128,638	8,766,050	7,397,564	6,956,285	8,092,283	8,092,283	8,092,283	8,092,283
Prior Year Funds	-	-	2,013,643	1,655,899	560,642	-	-	31,290
Investments	2,347	2,454	2,700	2,444	2,500	2,500	2,500	2,500
<b>Total Revenues</b>	<b>36,799,403</b>	<b>38,956,303</b>	<b>39,613,643</b>	<b>38,820,793</b>	<b>40,319,036</b>	<b>39,945,711</b>	<b>40,134,303</b>	<b>40,355,469</b>
<b>Expenditures</b>								
General Government	1,046,890	1,081,533	1,833,846	1,736,987	1,932,770	1,215,858	1,229,742	1,243,814
Management Services	5,373,628	5,088,370	5,785,125	5,508,541	6,168,000	6,316,142	6,362,878	6,472,928
Community Services	7,238,603	7,818,668	8,490,379	7,984,237	8,861,452	8,930,876	9,066,979	9,205,403
Public Safety	17,904,897	17,876,453	19,235,859	18,875,234	18,536,458	18,067,284	18,402,652	18,744,654
Townwide	3,921,460	5,366,928	4,268,434	4,715,794	4,820,356	3,943,005	4,217,301	4,688,670
<b>Total Expenditures</b>	<b>35,485,478</b>	<b>37,231,952</b>	<b>39,613,643</b>	<b>38,820,793</b>	<b>40,319,036</b>	<b>38,473,165</b>	<b>39,279,552</b>	<b>40,355,469</b>
<b>Net change in fund balance</b>	<b>1,313,925</b>	<b>1,724,351</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,472,546</b>	<b>854,751</b>	<b>-</b>
<b>Fund balance - beginning</b>	<b>18,035,398</b>	<b>19,349,323</b>	<b>21,073,674</b>	<b>21,073,674</b>	<b>15,000,000</b>	<b>14,439,358</b>	<b>15,911,904</b>	<b>16,766,655</b>
<b>Use of Fund Balance</b>	<b>-</b>	<b>-</b>	<b>(2,013,643)</b>	<b>(1,655,899)</b>	<b>(560,642)</b>	<b>-</b>	<b>-</b>	<b>(31,290)</b>
<b>Transfer to Hurricane Matthew fund</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,417,775)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>19,349,323</b>	<b>21,073,674</b>	<b>21,073,674</b>	<b>15,000,000</b>	<b>14,439,358</b>	<b>15,911,904</b>	<b>16,766,655</b>	<b>16,735,366</b>

## Commentary:

The Town projects operating revenues and expenditures for three years beyond the adopted budget. The summary schedule above demonstrates the Town's anticipated outcomes. The plan is founded on modest revenue growth while not repeating some one-time expenditures and keeping operating costs contained. Each year, the Town updates its three-year plan to ensure its continued timeliness and sustainability.



Debt Service Fund

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## ***Debt Service Fund***

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

The most significant changes in the Debt Service Fund for fiscal year 2018 are four new bond issues. The planned amounts are as follows:

1. Beach Preservation Fee Bonds \$36 million – these funds will be used to defease a portion of the \$25.0 million 2016 Bond Anticipation Note and provide funding for the next phase of beach re-nourishment.
2. Tax Increment Financing (TIF) Bonds, for the recently approved TIF extension \$32 million – the main projects being funded are the USC-Beaufort (USCB) project and Coligny/Pope Initiatives with a Community Park. It should be noted that the total of all desired projects included in the TIF District is \$39.4 million. Additional funding sources will need to be identified to cover the additional funding needs or the scope of the projects will need to be scaled back.
3. General Obligation Bonds \$28.5 million – these funds will be used to defease a portion of the \$25.0 million 2016 Bond Anticipation Note and to fund capital projects.
4. \$18.0 million General Obligation Bond to replenish reserves. Funding for these bonds will come from a 5 mil override over the next five years, FEMA, the State and County reimbursements.
5. The Debt Service Fund is projected to return a small surplus in fiscal year 2018. This is because the full impact of the 4 bond issues will not be reflected until fiscal year 2019.

### **Funding Timing**

The Town will work closely with its financial advisor and bond counsel in order to optimize the Town's offering in the bond market with the timing of the needs according to the capital plan.

# Revenues and Expenditures Analysis – Historical, Estimated Actual, and Budget

	2017					2018			
	2013	2014	2015	2016	Adopted Budget	Estimated Actual	FY 2018 Budget	FY 2017 Budget	FY 2017 Est. Actual
<b>Revenues</b>									
Property Taxes	5,493,152	5,064,974	5,084,193	5,136,244	5,324,419	5,093,777	5,337,600	0.2%	4.8%
BABS Subsidy	189,634	171,155	168,051	163,656	169,870	169,870	169,870	0.0%	0.0%
Investment Income	76,527	57,136	37,374	36,913	38,801	36,000	36,000	-7.2%	0.0%
Reserve Restoration 5 mils	-	-	-	-	-	-	4,200,000	100.0%	100.0%
<b>Transfers In:</b>									
Beach Preservation Fees	3,113,645	3,106,277	4,381,225	2,531,437	3,336,913	2,536,913	5,986,288	79.4%	136.0%
Hospitality Fees	1,637,313	1,562,670	1,616,427	1,633,112	1,627,113	1,627,113	2,324,350	42.9%	42.9%
Tax Increment Financing	4,064,432	4,093,289	4,122,476	-	772,500	-	5,535,000	616.5%	0.0%
Real Estate Transfer Fees	2,152,296	2,169,797	2,269,578	2,243,681	2,237,884	1,875,913	2,260,263	1.0%	20.5%
Hospitality Tax Bond	1,061,140	-	-	-	-	-	-	0.0%	0.0%
Series 2013 GO Bonds	664,056	-	-	-	-	-	-	0.0%	0.0%
Lease Revenue	-	119,782	10,889	65,336	65,000	65,000	65,000	0.0%	0.0%
<b>Total Revenues</b>	<b>18,452,195</b>	<b>16,345,080</b>	<b>17,690,213</b>	<b>11,810,379</b>	<b>13,572,500</b>	<b>11,404,586</b>	<b>25,914,371</b>	<b>90.9%</b>	<b>127.2%</b>
<b>Expenditures</b>									
Administrative	23,625	17,025	11,024	11,025	38,790	38,790	40,000	3.1%	3.1%
Payment to Escrow Agent	-	-	-	-	25,000	-	50,000	100.0%	100.0%
Transfer to Beach Fees	-	-	1,900,110	-	-	-	-	0.0%	0.0%
Debt Issue Costs	-	-	-	-	750,000	-	750,000	0.0%	100.0%
Principal	11,645,000	12,950,000	12,995,000	7,420,000	7,680,000	8,040,000	7,595,000	-1.1%	-5.5%
Interest	4,265,011	4,080,573	3,702,272	3,278,425	5,078,710	2,062,870	15,765,000	210.4%	664.2%
<b>Total Expenditures</b>	<b>15,933,636</b>	<b>17,047,598</b>	<b>18,608,406</b>	<b>10,709,450</b>	<b>13,572,500</b>	<b>10,141,660</b>	<b>24,200,000</b>	<b>78.3%</b>	<b>138.6%</b>
<b>Net change in fund balances</b>	<b>2,518,559</b>	<b>(702,518)</b>	<b>(918,193)</b>	<b>1,100,929</b>	<b>-</b>	<b>1,262,926</b>	<b>1,714,371</b>		
<b>Fund balance - beginning</b>	<b>6,587,994</b>	<b>9,106,553</b>	<b>8,404,035</b>	<b>7,485,842</b>	<b>8,586,771</b>	<b>8,586,771</b>	<b>9,849,697</b>		
<b>Fund balance - ending</b>	<b>9,106,553</b>	<b>8,404,035</b>	<b>7,485,842</b>	<b>8,586,771</b>	<b>8,586,771</b>	<b>9,849,697</b>	<b>11,564,068</b>		

## Debt Service Fund Expenditures for Fiscal Year 2018

GENERAL OBLIGATION BONDS *			
Debt Service Payments	Interest	Principal	Total
Series 2016A Refunding Series 2005 (\$13,080,000)	\$282,100	1,915,000	\$2,197,100
Series 2008 GO Referendum Refunding Bonds (\$12,215,000)	40,750	815,000	855,750
Series 2016B Refunding Series 2008 (\$5,715,000)	184,600	-	184,600
Series 2009 General Obligation Non-Referendum Refunding Bonds (\$5,005,000)	103,370	385,000	488,370
Series 2016C Refunding Series 2010 (\$9,515,000)	250,638	160,000	410,638
Series 2011 General Obligation Referendum Refunding Bonds (\$12,385,000)	308,694	660,000	968,694
Series 2013A General Obligation Referendum Bonds (\$5,000,000)	164,528	163,889	328,417
Series 2013B General Obligation Non-Referendum Bonds (\$4,000,000)	131,622	131,111	262,733
<b>Total</b>	<b>\$1,466,302</b>	<b>\$4,230,000</b>	<b>\$5,696,302</b>
HOSPITALITY TAX FINANCING BONDS *			
Debt Service Payments	Interest	Principal	Total
Series 2011A Special Obligation Bonds (Hospitality Tax) (\$8,250,000)	193,231	440,000	633,231
Series 2011B Special Obligation Bonds (Hospitality Tax) (\$15,250,000)	546,119	455,000	1,001,119
<b>Total</b>	<b>739,350</b>	<b>895,000</b>	<b>1,634,350</b>
BEACH PRESERVATION FEES FINANCING BONDS *			
Debt Service Payments	Interest	Principal	Total
Series 2011 Special Obligation Bonds (Beach Preservation Fee) (\$11,000,000)	81,288	2,470,000	2,551,288

\* This does not include new debt to be issued during the first part of fiscal year 2018.

## Calculation of the Legal Debt Limit

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.

	<u>06/30/2017</u>	<u>10/05/2017</u>	<u>06/30/2018</u>
Assessed Value from Beaufort County	\$ 858,824,922	\$ 858,824,922	\$ 858,824,922
Statutory Debt Limit 8% without Voter Approval	68,705,994	68,705,994	68,705,994
Council Imposed 80% Cap for Disaster Implement Disaster Reserve	54,964,795 13,741,199	54,964,795 13,741,199	54,964,795 -
<b>Debt Capacity Sub-Total Before FY 2017 Debt is Issued</b>	<b>68,705,994</b>	<b>68,705,994</b>	<b>54,964,795</b>
<b>Existing Debt:</b>			
GO Bonds 2009A	(3,425,000)	(3,425,000)	(3,040,000)
GO Bonds 2013A	(3,342,220)	(3,342,220)	(3,211,109)
Bond Anticipation Note Series 2016 (to be repaid with bonds)	(25,000,000)	-	-
Bond Anticipation Note Series 2017 (to be repaid with FEMA reimbursements)	(20,000,000)	(20,000,000)	-
<b>Planned Debt:</b>			
Series 2017A GO Bonds - Island Rec, Shelter Cove, etc.	-	(26,000,000)	(26,000,000)
Series 2017B GO Bonds - Disaster Reserve replacement	-	(15,938,774)	(15,938,774)
<b>Available Bonding Capacity</b>	<b>\$ 16,938,774</b>	<b>\$ 0</b>	<b>\$ 6,774,912</b>

The Town had prudently reserved bonding capacity prior to Hurricane Matthew. This advance planning enabled the Town to respond immediately to the storm and provided resources while other funding sources (namely from FEMA, the State and County) make their way through the approval process to get to the Town.

## Outstanding Debt Issues (without self-funding Stormwater bonds)

**Town of Hilton Head Island**  
**Outstanding and Planned Debt Issues**  
**(without self-funding Stormwater bonds)**

	Original Issue Amount	Principal Outstanding at June 30, 2017/ New Issues
<b><u>General Obligation Bonds</u></b>		
Series 2005 General Obligation Referendum Refunding Bonds (\$24,265,000) (refunded in 2016; Series 2016A)	\$ -	\$ -
<b>Series 2016A</b>	13,080,000	10,990,000
Series 2008 General Obligation Referendum Refunding Bonds (\$12,215,000) (refunded in 2016; Series 2016B)	-	815,000
<b>Series 2016B</b>	5,770,000	5,690,000
Series 2009 General Obligation Non-Referendum Refunding Bonds (\$5,005,000)	5,005,000	3,425,000
Series 2010 General Obligation Referendum Bonds (\$12,000,000) (refunded in 2016; Series 2016C)	-	-
<b>Series 2016C</b>	9,035,000	8,500,000
Series 2011 General Obligation Referendum Refunding Bonds (\$12,385,000)	12,385,000	9,405,000
Series 2013A General Obligation Referendum Bonds (\$5,000,000)	5,000,000	4,177,780
Series 2013B General Obligation Non-Referendum Bonds (\$4,000,000)	4,000,000	3,342,220
<b>Total General Obligation Bonds</b>	<b>\$ 54,275,000</b>	<b>\$ 46,345,000</b>
<b>Bonds to be Issued</b>		
Series 2018 - Capital	28,500,000	28,500,000
Series 2018 - Reserve Replacement (funding from a 5 mil override/FEMA reimbursement)	18,000,000	18,000,000
Total General Obligation Bonds	<b>\$ 100,775,000</b>	<b>\$ 92,845,000</b>
<b><u>Revenue/Special Obligation Bonds</u></b>		
Series 2011A Special Obligation Bonds (Hospitality Tax) (\$8,250,000)	8,250,000	5,660,000
Series 2011B Special Obligation Bonds (Hospitality Tax) (\$15,250,000)	15,250,000	12,890,000
Series 2011 Special Obligation Bonds (Beach Preservation Fee) (\$11,000,000)	11,000,000	4,985,000
<b>Total Revenue/Special Obligation Bonds</b>	<b>\$ 34,500,000</b>	<b>\$ 23,535,000</b>
<b>Bonds to be Issued</b>		
Series 2018 Beach Preservation Bonds	36,000,000	36,000,000
Series 2018 TIF Bonds	32,000,000	32,000,000
Total Special Revenue Bonds	<b>\$ 102,500,000</b>	<b>\$ 91,535,000</b>
<b>Grand Total with Planned Debt Issues</b>	<b>\$ 203,275,000</b>	<b>\$ 184,380,000</b>

1. **\$13,080,000 General Obligation Bonds Dated March 15, 2005 (new issue in 2016; Series 2016A)**

On September 14, 2016, the Town issued \$13,080,000 in general obligation bonds to advance refund general obligation bonds dated March 15, 2005. These general obligation bonds were refunded to reduce total debt service over the life of the bonds and to obtain an economic gain.

Ad Valorem tax revenues of the Debt Service Fund are used to repay the first \$1,260,000 annually. The remaining annual debt service requirement is funded by transfers of real estate transfer fees to the Debt Service Fund.

## Outstanding Debt Issues (continued)

2. **\$12,215,000 General Obligation Bonds Dated March 4, 2008 (refunded with the exception of two payments; one in 2017 and one in 2018)**

On March 4, 2008, the Town issued \$12,215,000 in general obligation bonds refunding the remaining amount of the \$15,000,000 general obligation bonds dated April 1, 1988. The net proceeds of \$12,140,056 including a premium of \$154,397 (after payment of \$229,341 in issuance costs) were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain.

Transfers from the Real Estate Transfer Fee Fund to the Debt Service Fund are used to repay these bonds.

3. **\$5,770,000 General Obligation Bonds Dated September 14, 2016 (new issue in 2016; Series 2016B)**

On September 14, 2016, the Town issued \$5,770,000 in general obligation bonds refunding the Series 2008A Bonds. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain.

4. **Series 2009 General Obligation Non-Referendum Refunding Bonds; \$5,005,000, Dated September 9, 2009**

On September 9, 2009, the Town issued \$5,005,000 in general obligation bonds with an average interest rate of 2.72% to advance refund \$4,900,000 general obligation bonds dated November 16, 1999 with an average interest rate of 5.56%. The net proceeds of \$5,248,484 including a premium of \$34,061 (after payment of \$139,061 in issuance cost) and funds on hand were used to purchase United States government securities. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds by \$902,336 and to obtain an economic gain.

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

5. **\$9,035,000 General Obligation Bonds Dated February 3, 2010 (new issue in 2016; Series 2016C)**

On September 14, 2016, the Town issued \$9,035,000 in general obligation bonds refunding the Series 2010 BABS. These general obligation bonds were refunded to reduce total debt service payments over the life of the bonds and to obtain an economic gain.

## Outstanding Debt Issues (continued)

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

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

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

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

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

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 certificates for any fiscal year or; (c) 125% of the average annual debt on the certificates. As of June 30, 2016, \$1,099,304 was the fair value amount held in the reserve which is reported in the Debt Service Fund.

Transfers from the Hospitality Tax Fund to the Debt Service Fund are used to repay these bonds.

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

On October 26, 2011 the Town issued \$8,250,000 in special obligation bonds (hospitality tax) with an average interest rate of 3.32% to advance refund \$8,625,000 in revenue bonds (hospitality tax) dated June 1, 2004 with an average interest rate of 4.86%. The net proceeds of \$8,129,802 including a premium of \$33,584 (after payment of \$150,484 in issuance costs) and funds on hand were used to purchase United States government securities.

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 certificates for any fiscal year or; (c) 125% of the average annual debt on the certificates. As of June 30, 2016, \$608,500 was the fair value amount held in the reserve which is reported in the Debt Service Fund.

Transfers from the Hospitality Tax Fund to the Debt Service Fund are used to repay these bonds.

## Outstanding Debt Issues (continued)

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

On November 18, 2011 the Town issued \$11,000,000 in special obligation bonds (beach preservation fee) to finance beach re-nourishment 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 certificates for any fiscal year or; (c) 125% of the average annual debt on the certificates. As of June 30, 2016, \$1,100,000 was the fair value amount held in the reserve which is reported in the Debt Service Fund.

Beach preservation fees are transferred annually to the Debt Service Fund in an amount sufficient to repay the annual debt service.

10. **Series 2013A General Obligation Referendum Bonds; \$5,000,000 Dated June 12, 2013**

On June 12, 2013, The Town issued \$5,000,000 in general obligation bonds for general land acquisition.

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

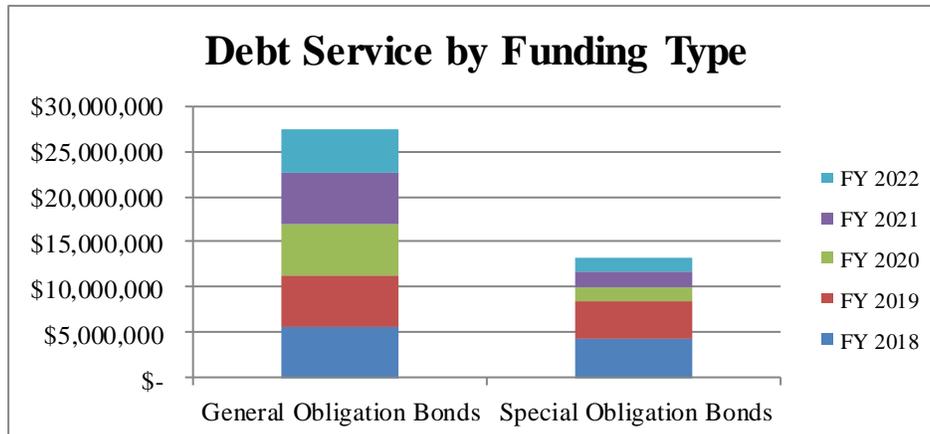
11. **Series 2013B General Obligation Non-Referendum Bonds; \$4,000,000 Dated June 12, 2013**

On June 12, 2013, the Town issued \$4,000,000 in general obligation bonds for the purchase of land, building and up-fit for the sheriff's office, SHARE Senior Center, and sewer projects.

Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds.

## Planned Debt Service for the Next Five Years (bonds held as of 6/30/2017)

	2018	2019	2020	2021	2022
<b>General Obligation Bonds</b>					
Series 2016A GO Refunding Series 2005	\$ 2,197,100	\$ 2,215,500	\$ 2,210,100	\$ 1,833,825	\$ 832,725
Series 2008 GO Referendum Refunding Bonds	855,750	-	-	-	-
Series 2016B GO Refunding Series 2008	184,600	1,019,600	1,021,200	1,026,400	1,005,000
Series 2009 GO Non-Referendum Refunding Bonds	488,370	487,645	491,064	488,404	484,906
Series 2016C Refunding Series 2010	410,638	380,538	365,338	776,838	789,138
Series 2010 GO Referendum Refunding Bonds	968,694	968,894	963,594	964,619	966,219
Series 2013A GO Referendum Refunding Bonds	328,417	328,556	327,889	329,944	328,278
Series 2013B GO Non-Referendum Refunding Bonds	262,733	262,844	262,311	263,956	262,622
<b>Total General Obligation Bonds</b>	<b>\$ 5,696,302</b>	<b>\$ 5,663,577</b>	<b>\$ 5,641,496</b>	<b>\$ 5,683,986</b>	<b>\$ 4,668,888</b>
<b>Revenue/Special Obligation Bonds</b>					
Series 2011A SOB Hospitality Taxes	\$ 1,001,119	\$ 1,002,469	\$ 998,669	\$ 999,269	\$ 1,001,544
Series 2011B SOB Hospitality Taxes	633,231	632,731	630,981	628,531	629,056
Series 2011 SOB Beach Preservation Fees	2,551,288	2,543,294	-	-	-
<b>Total Revenue/Special Obligation Bonds</b>	<b>\$ 4,185,638</b>	<b>\$ 4,178,494</b>	<b>\$ 1,629,650</b>	<b>\$ 1,627,800</b>	<b>\$ 1,630,600</b>





Capital Improvement Program (CIP) & Capital Projects Fund (CPF)

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## ***Capital Improvement Plan (CIP)***

The capital improvements plan (CIP) is broken into separate funds based on funding source. The funding program for all funds is summarized in this section.

The Palmetto Electric Franchise Fee Fund grants/reimburses the majority of its funds to the Palmetto Electric Cooperative for power line burial; any capital infrastructure created by this program is an asset of the Cooperative not the Town.

As required by proprietary fund accounting, the Stormwater Fund (Enterprise Fund) reports its own capital.

In accordance with State law, the proposed CIP for fiscal year 2018 was developed by staff for review and recommendation of the full Planning Commission. The pathways and parks section was also reviewed by the Parks & Recreation Commission. The Planning Commission annually recommends the proposed CIP to Town Council for adoption during their CIP Budget Workshop in June.

Starting in fiscal year 2018 the CIP will be considered a multi-year plan. Once a project has been approved and funds have been appropriated the project will continue until it is completed without annual re-appropriation. Revisions to the scope and/or increase in cost of an appropriated project will be presented to Town Council by staff as they are identified. If the cost of the project exceeds the appropriation funding must come from another project within the appropriated CIP or an alternate funding source must be identified prior to undertaking the project. Each fiscal year the Town staff will present Town Council with any additions to the CIP with the recommended funding source.

Included in this section is the Town's capital expenditure plan with funding sources for the upcoming year. Expenditures in this section are exclusive of projects associated with the Stormwater Program or the Palmetto Electric Program. In addition, a ten-year capital plan is included that identifies anticipated capital expenditures **with funding sources to be determined**. Input for the capital improvements program comes from a variety of sources. Sources are 2016 Town Council Policy and Management Agendas which included input from the public and the Town's Boards, Commissions and Committees. Other source documents include: The 2011 Comprehensive Plan update which incorporates the Initiative Area Plans; the Transportation Plan which includes pathways as well as roads; the Fire and Rescue Master Plan, the recently approved Recreation Element; the adopted County-wide All Hazard Mitigation Plan, the Comprehensive Emergency Management Plan, which will be updated as a part of the Disaster Recovery Commission's work program; the Beach Access Plan, the Beach Maintenance Monitoring reports; the Broad Creek Management Plan, and our Space Needs Study of all Town facilities and properties to include Town Hall, all parks, Fire and Rescue stations and town-wide infrastructure.

The **Palmetto Electric Program** in which funds derive from the Town's negotiated franchise fee with Palmetto Electric Cooperative. These funds are committed to power line burials and hook ups which are estimated to cost approximately \$30 million over 15 years.

The **Stormwater Utility Program** in which funds derive from stormwater utility fees assessed annually based on a rate per SFU (Single Family Unit) are committed to the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems and programs within the Town limits of Hilton Head Island in concert with Beaufort County and other water resource management programs.

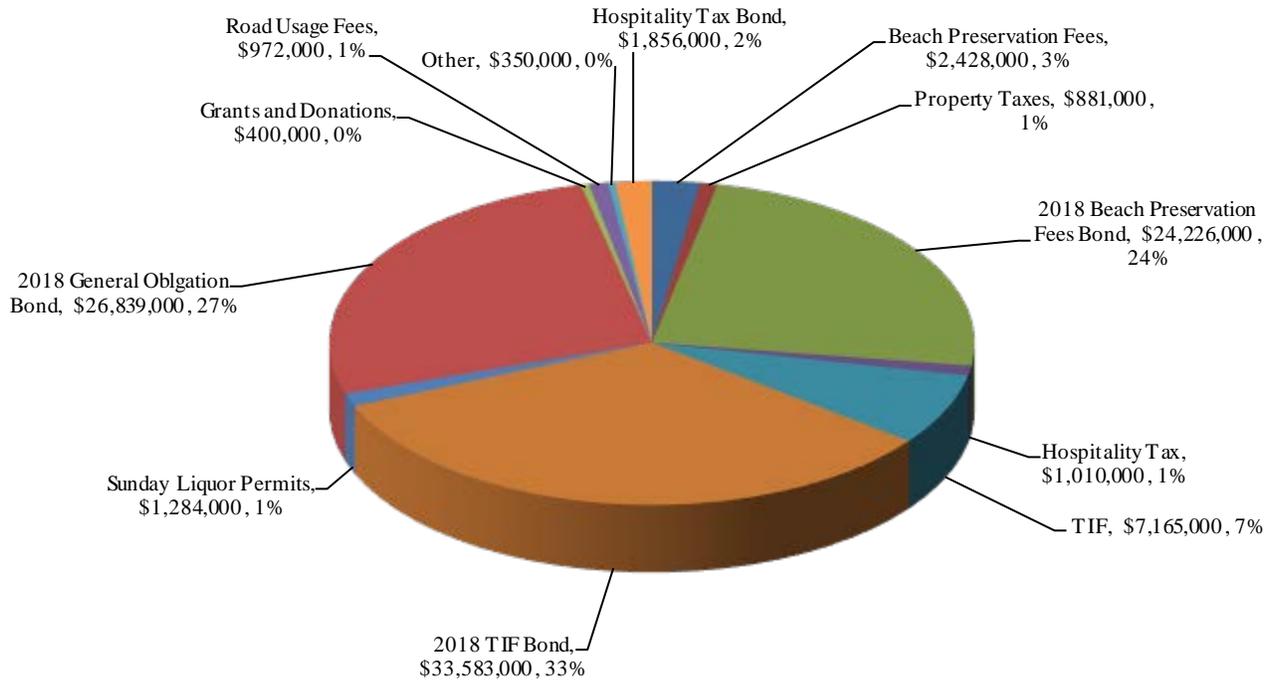
## Capital Improvement Plan (CIP) Revenues and Other Sources

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 incorporates many 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** 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** were enacted Countywide to provide funding for emerging park needs.
2. **Fund Balance** which is un-obligated and obligated monies that are rolled over from previously approved, but incomplete, projects.
3. **New Fiscal Year Taxes** are ad valorem property taxes collected during the next fiscal year. The amount dedicated to the CIP is .84 mils and will generate approximately \$878,231.
4. **Sunday Liquor Sales Permit Fees** that are derived from the sale of permits to sell alcohol on Sunday. These fees are rebates from the State and prior year revenues will provide approximately \$340,000.
5. **Beach Preservation Fees** are derived from an additional two percent (2%) Local Accommodations Tax levied by Town Council. This source generates approximately \$5.5 million in revenue annually. These funds are dedicated to beach re-nourishment and related monitoring, dune refurbishment, maintenance and operations, and new beach parks and beach access facilities.
6. **Hospitality Tax** which is a two percent (2%) tax on the sale of prepared meals and beverages, sold in establishments with or without licenses and for on premise consumption of alcoholic beverages, beer or wine. This source generates approximately \$5.6 million in revenue annually.
7. **Tax Increment Financing (TIF)** in which funds derive from increased assessed value above the baseline assessment when the TIF District was established. These funds may be used for public projects within the District. TIF generates approximately \$4.0 million in revenue annually.
8. **Bond/COP Proceeds from funding sources above.** In fiscal year 2018 the Town anticipates issuing \$96.5 million in new debt to be funded by various revenue sources.
9. **Road Usage Fee** is a fee charged to registered automobiles in the Town, which will generate approximately \$850,000 in revenue in FY 2018.

The current CIP is programmed at \$100,994,000. There are \$84,070,000 in currently appropriated projects and \$16,924,000 in new projects in fiscal year 2018. The chart below shows the anticipated expenditures by funding source.

## CIP Revenues by Source



## Capital Improvement Plan Summary

THOUSANDS OF DOLLARS																
Budget	Property Taxes	Beach Fee Transfer	Beach Bond	GO Bond	Hospitality Tax	Hospitality Bond	TIF	TIF Bond	Sunday Liq.	Road Usage Fee	Impact Fees	Grants & Donations	BAN 2016	Lease	Sale of Land	
TOTAL BUDGET FROM PRIOR YEARS	84,070	428	1,628	16,351	21,103	685	1,856	7,165	33,308	734	322	27	400	64	-	-
TOTAL FY 2018 BUDGET	16,924	453	800	7,875	5,736	325	-	-	275	550	650	-	-	-	65	195
TOTAL FY17 - FY18 CAPITAL PLAN	100,994	881	2,428	24,226	26,839	1,010	1,856	7,165	33,583	1,284	972	27	400	64	65	195

## **Impact on Operation and Maintenance Expenditures**

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

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

In fiscal year 2017, the major impact items of the Town's capital assets on the operating budget are as follows:

- The fiscal year 2018 General Fund operating budget associated with the upkeep of the Town's facilities and parks (including the shift of budgeting of non-project capital outlay from the Capital Projects Fund to the General Fund) is \$600,000.
- The Town established a budget in the General Fund – PP&F – Engineering in fiscal year 2014 for maintaining Town-owned roads recognizing the minimal likelihood that the County will accept the Town's roads into its inventory. In fiscal year 2018, the roads maintenance budget will be \$500,000.

\*Budget established in General Fund – Engineering beginning in fiscal year 2014

## **On-going Impact of the CIP on Operations and Operating Expenditures**

The operating impact of these capital projects are considered in the development of the CIP and in the Three-Year Operating Budget. Because there is a three-year look forward, the Town minimizes surprises on the operations and operating expenditures. The Town has traditionally had a basic operations approach toward its operating budget. This is certainly central to the Capital Improvement Planning process. So that the CIP projects, when complete, do not have an undue burden on future operations. The Town has been very successful to keep the operating cost of the CIP program down not only upon implementation, but also in an on-going basis.

# Revenues and Expenditures by Category Analysis – Historical, Estimated Actual, and Budget

	FY 2014 Actual	FY 2015 Actual	FY 2016 Actual	FY 2017 Original Budget	FY 2017 Revised Budget	FY 2018 Budget	% change	
							FY 2017 Adopted Budget	FY 2017 Revised Budget
<b>Revenues:</b>								
Ad Valorem Property Taxes	667,370	694,238	702,649	705,000	878,231	688,949	-2%	-22%
Investment Income	3,099	2,468	2,260	-	-	-	0%	0%
Grants	-	275,000	-	525,000	675,336	-	-100%	-100%
Contributions	-	-	-	-	200,000	-	0%	-100%
Sunday Permit Fees	349,169	364,107	319,560	350,000	350,000	350,000	0%	0%
Traffic Impact Fees	141,157	216,183	35,000	-	26,500	-	0%	-100%
Park Impact Fees	107,576	77,748	-	-	-	-	0%	0%
Bond Proceeds (Beach Preservation)	-	-	20,500,000	-	16,351,159	7,875,000	100%	-52%
Bond Proceeds (Hospitality)	-	-	718,923	1,750,000	1,855,753	-	-100%	-100%
Bond Proceeds (TIF)	-	-	3,250,000	30,250,000	33,208,000	275,000	-99%	-99%
Bond Proceeds	-	-	7,703,917	8,265,000	21,202,063	5,736,000	-31%	-73%
Lease Revenue	127,938	213,996	118,848	-	-	65,000	100%	100%
Use of Prior Year Funds	458,479	4,990	-	-	-	200,000	100%	100%
Sale of Property & Equipment	175,000	559,688	-	-	-	195,000	100%	100%
<b>Transfers In:</b>								
Beach Preservation Fees	2,327,672	612,676	543,672	750,000	1,627,934	800,000	7%	-51%
Hospitality Fees	2,374,820	490,011	130,317	425,000	703,638	325,000	-24%	-54%
Tax Increment Financing	1,844,358	4,329,873	2,487,868	5,575,000	7,166,381	-	-100%	-100%
Road Usage Fee	-	-	-	322,250	322,250	650,000	102%	102%
<b>Total Revenue</b>	<b>8,576,638</b>	<b>7,840,978</b>	<b>36,513,014</b>	<b>48,917,250</b>	<b>84,567,245</b>	<b>17,159,949</b>	<b>-65%</b>	<b>-80%</b>
<b>Expenditures:</b>								
Beach Maintenance	2,326,444	794,774	21,905,413	750,000	17,854,093	8,550,000	1040%	-52%
Existing Facilities	4,118,687	522,053	473,691	2,850,000	4,048,485	884,000	-69%	-78%
Park Development	707,641	1,115,701	6,796,550	5,300,000	15,053,417	500,000	-91%	-97%
New Facilities	2,601,826	2,227,088	4,438,495	31,515,000	34,833,568	2,626,000	-92%	-92%
Pathway Improvements	1,436,506	1,007,895	662,223	100,000	206,057	100,000	0%	-51%
Roadway Improvements	1,548,043	2,650,081	4,586,712	8,172,250	12,166,474	775,000	-91%	-94%
Land Acquisition	19,752	2,012,510	131	-	-	20,000	100%	100%
Vehicles & Specialized Equipment	-	-	-	-	-	2,085,000	100%	100%
<b>Total Expenditures</b>	<b>12,758,899</b>	<b>10,330,102</b>	<b>38,863,215</b>	<b>48,687,250</b>	<b>84,162,094</b>	<b>15,540,000</b>	<b>-68%</b>	<b>-82%</b>
<b>Other Financing Sources / Uses:</b>								
Bond Proceeds Previously Recognized	-	-	(718,923)	(1,750,000)	(1,855,753)	-	-100%	-100%
Bond Issue Costs	114,997	-	375,000	300,000	675,000	641,000	114%	-5%
Transfers Out	479,485	1,035,039	1,515,836	453,000	453,000	743,000	64%	64%
<b>Net Change in Fund Balance</b>	<b>(4,776,743)</b>	<b>(3,524,163)</b>	<b>(4,959,960)</b>	<b>(2,273,000)</b>	<b>(2,578,602)</b>	<b>235,949</b>	<b>-110%</b>	<b>-109%</b>
Beginning Fund Balance	16,919,415	12,142,672	8,618,509	3,658,549	3,658,549	1,079,947		
<b>Ending Fund Balance</b>	<b>12,142,672</b>	<b>8,618,509</b>	<b>3,658,549</b>	<b>1,385,549</b>	<b>1,079,947</b>	<b>1,315,896</b>		

# Capital Improvement Plan by Funding Source – FY 2018 New Projects

THOUSANDS OF DOLLARS											
FY 2018 Budget	FY 2018 Property Taxes	Beach Fee Transfer In	Beach Bond	GO Bond	Hospitality Tax Transfer In	TIF Bond	Sunday Liquor Permit Fees	Road Usage Fee	Lease	Sale of Land	

## PATHWAYS

County Sheriff's Office	75						75				
Pathway Accessibility & Safety Enhancement Projects	25						25				
<b>TOTAL</b>	<b>100</b>	-	-	-			<b>100</b>	-	-	-	-

## ROADWAY IMPROVEMENTS

Private Dirt Roads *	650							650			
Intersection Improvements at Shelter Cove Towne Center	125						125				
<b>TOTAL</b>	<b>775</b>	-	-	-			<b>125</b>	-	-	<b>650</b>	-

## PARK DEVELOPMENT

Parks Upgrades	300							300			
Cordillo Courts Upgrades	200							200			
<b>TOTAL</b>	<b>500</b>	-	-	-			-	-	<b>500</b>	-	-

## EXISTING FACILITIES & INFRASTRUCTURE

Rec Center Building Upfit	309				309						
Rec Center Pool Dome Replacement	316				316						
<b>TOTAL</b>	<b>625</b>	-	-	-	<b>625</b>	-	-	-	-	-	-

## NEW FACILITIES & INFRASTRUCTURE

Sewer Service Projects	2,526				2,526						
Fire Hydrant Expansion Project	100					100					
<b>TOTAL</b>	<b>2,626</b>	-	-	-	<b>2,526</b>	<b>100</b>	-	-	-	-	-

## BEACH MAINTENANCE

Beach Management & Monitoring	500		500								
Dune Fencing & Planting	300		300								
Beach Renourishment Project	7,750			7,750							
<b>TOTAL</b>	<b>8,550</b>	-	<b>800</b>	<b>7,750</b>	-	-	-	-	-	-	-

## LAND

Undefined Project / Legal Fees	20										20
<b>TOTAL</b>	<b>20</b>	-	-	-			-	-	-	-	<b>20</b>

## OTHER CAPITAL EXPENDITURES

Cost of Issuance	641			125	241		275				
Medic Unit, Specialty Vehicle, TIC replacement	2,085				2,085						
Rec Center CIP	109				109						
Other stormrelated projects not covered by FEMA	150				150						
Transfer to General Fund	743	453						50		65	175
<b>TOTAL</b>	<b>3,728</b>	<b>453</b>	-	<b>125</b>	<b>2,585</b>	-	<b>275</b>	<b>50</b>	-	<b>65</b>	<b>175</b>

## TOTAL BUDGET BY FUNDING SOURCE

<b>TOTAL FY 2018 BUDGET</b>	<b>16,924</b>	<b>453</b>	<b>800</b>	<b>7,875</b>	<b>5,736</b>	<b>325</b>	<b>275</b>	<b>550</b>	<b>650</b>	<b>65</b>	<b>195</b>
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\*Beginning in FY 2018, Dirt Road Projects funded by the Community Development Block Grant (CDBG) are separate from the Capital Improvement Plan Budget.

# Capital Improvement Plan Budgets Approved in Prior Years for Projects Continuing into FY 2018

THOUSANDS OF DOLLARS														
Budget Appropriated in Prior Years	FY 2017 Property Taxes	Beach Fee Transfer In	Beach Bond	GO Bond	Hospitality Tax Transfer In	Hospitality Bond	TIF	TIF Bond	Sunday Liquor Permit Fees	Road Usage Fee	Impact Fees	Grants & Donations	BAN 2016	
<b>PATHWAYS</b>														
Pathway Accessibility & Safety Enhancement Projects	100					100								
Pope Ave (Off Road)	88						88							
<b>TOTAL</b>	<b>188</b>	-	-	-	-	<b>100</b>	<b>88</b>	-	-	-	-	-	-	-
<b>ROADWAY IMPROVEMENTS*</b>														
Office Park Rd Intersection Imprvmt	2,795							2,121	674					
Bluffton Pkwy-PH-5A	1,000						1,000							
Extension of Lagoon Road	2,511							2,511						
Reconstruction of Nassau Street	2,241							1,129	1,112					
South Forest Beach Dr Imprvmts	344							344						
Lagoon Rd-Pope Ave	1,189							17	1,172					
Intersection Improvements-W.B. 3rd lane WHP at Squire Pope	24	24												
Traffic Signal Mast Arm: Pembroke / 278	140	40				100								
F&R Emergency Access: Palmetto Dunes @ Swing About	137	30				107								
Private Dirt Roads Acquisition / Paving	826	304								322		200		
Misc Turning Lane Improvements	213					186							27	
<b>TOTAL</b>	<b>11,420</b>	<b>398</b>	-	-	-	<b>393</b>	<b>1,000</b>	<b>6,122</b>	<b>2,958</b>	-	<b>322</b>	<b>27</b>	<b>200</b>	-
<b>PARK DEVELOPMENT</b>														
Parks Upgrades	230									230				
Recreation Center Expansion	13,534				13,534									
Public Art Program	34									34				
Rowing & Sailing Center	30	30												
Shelter Cove Parking Lot	200												200	
Park Upgrade: Crossings Park Drainage Imp	470									470				
Shelter Cove Community Park (Pier)	589				589									
<b>TOTAL</b>	<b>15,087</b>	<b>30</b>	-	-	<b>14,124</b>	-	-	-	-	<b>734</b>	-	-	<b>200</b>	-
<b>EXISTING FACILITIES &amp; INFRASTRUCTURE</b>														
Fire Station #2 Replacement	3,856				3,000		856							
Town Hall Remodeling	192					192								
<b>TOTAL</b>	<b>4,048</b>	-	-	-	<b>3,000</b>	<b>192</b>	<b>856</b>	-	-	-	-	-	-	-
<b>NEW FACILITIES &amp; INFRASTRUCTURE</b>														
USCB Hospitality Management Program Building	19,474							574	18,900					
Coligny / Pope Ave Initiative Area Improvements w. Community Park	11,731							381	11,350					
Sewer Service Projects	3,629				3,629									
<b>TOTAL</b>	<b>34,834</b>	-	-	-	<b>3,629</b>	-	-	<b>955</b>	<b>30,250</b>	-	-	-	-	-
<b>BEACH MAINTENANCE</b>														
Beach Management & Monitoring	389		389											
Beach Renourishment Project	17,465		1,239	16,226										
<b>TOTAL</b>	<b>17,854</b>	-	<b>1,628</b>	<b>16,226</b>	-	-	-	-	-	-	-	-	-	-
<b>OTHER CAPITAL EXPENDITURES</b>														
Cost of Issuance	639			125	350				100					64
Transfer to General Fund	-													
<b>TOTAL</b>	<b>639</b>	-	-	<b>125</b>	<b>350</b>	-	-	-	<b>100</b>	-	-	-	-	<b>64</b>
<b>TOTAL BUDGET BY FUNDING SOURCE</b>														
<b>TOTAL BUDGET FROM PRIOR YEARS</b>	<b>84,070</b>	<b>428</b>	<b>1,628</b>	<b>16,351</b>	<b>21,103</b>	<b>685</b>	<b>1,856</b>	<b>7,165</b>	<b>33,308</b>	<b>734</b>	<b>322</b>	<b>27</b>	<b>400</b>	<b>64</b>

# Capital Improvement 10-year Plan

THOUSANDS OF DOLLARS							
Budgets Appropriated in Prior Years							
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023 -->	
<b>PATHWAYS</b>							
US 278-B Shelter Cove Plaza to BCSO		75					
Pathway Accessibility & Safety Enhancement Projects	100	25	100	100	100	100	
Pope Ave (Off Road)	88						
<b>TOTAL</b>	<b>188</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>-</b>
<b>ROADWAY IMPROVEMENTS*</b>							
Office Park Rd Intersection Imprvmt	2,795						
Bluffton Pkwy-PH-5A	1,000						
Extension of Lagoon Road	2,511						
Reconstruction of Nassau Street	2,241						
South Forest Beach Dr Imprvmts	344		100	750			
Lagoon Rd-Pope Ave	1,189						
Intersection Improvements-W.B. 3rd lane WHP at Squire Pope	24	500					4,500
Traffic Signal Mast Arm: Pembroke / 278	140						
F&R Emergency Access: Palmetto Dunes @ Swing About	137						
Private Dirt Roads Acquisition / Paving	826	650	200	200	200	200	1,000
Misc Turning Lane Improvements	213						
Intersection Imprv: Shelter Cove Towne Center		125		1,250			-
Traffic Signal Mast Arms (TIF District)			96	150			
Pope Avenue Improvements		100					1,000
Arrow Road/Target Road Improvements				TBD			
Coligny/Pope Avenue Area Improvements					750	2,100	
<b>TOTAL</b>	<b>11,420</b>	<b>775</b>	<b>896</b>	<b>1,700</b>	<b>1,700</b>	<b>2,300</b>	<b>6,500</b>
<b>PARK DEVELOPMENT</b>							
Parks Upgrades	230	500	380	300	325	300	1,500
Recreation Center Expansion	13,534						
Public Art Program	34						
Rowing & Sailing Center	30						
Shelter Cove Parking Lot	200						
Chaplin Linear Park							2,500
Park Upgrade: Crossings Park Drainage Imprvmt	470						
Shelter Cove Community Park (Pier)	589						
<b>TOTAL</b>	<b>15,087</b>	<b>500</b>	<b>380</b>	<b>300</b>	<b>325</b>	<b>300</b>	<b>4,000</b>
<b>EXISTING FACILITIES &amp; INFRASTRUCTURE</b>							
Fire Station #2 Replacement	3,856						
Rec. Center Building Upfit		309					
Rec. Center Pool Dome Replacement		316					
Town Hall Remodeling	192		50	50	50		
<b>TOTAL</b>	<b>4,048</b>	<b>625</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>-</b>	<b>-</b>
<b>NEW FACILITIES &amp; INFRASTRUCTURE</b>							
USCB Hospitality Management Program Building	19,474						
Coligny / Pope Ave Initiative Area Improvements w, Community Park	11,731						
Sewer Service Projects	3,629	2,526	2,072	1,806			
Fire Hydrant Expansion Project		100					
<b>TOTAL</b>	<b>34,834</b>	<b>2,626</b>	<b>2,072</b>	<b>1,806</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>BEACH MAINTENANCE</b>							
Beach Management & Monitoring	389	500	500	500	500	500	
Dune Fencing & Planting		300					
Beach Renourishment Project	17,465	7,750					
<b>TOTAL</b>	<b>17,854</b>	<b>8,550</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>500</b>	<b>-</b>
<b>OTHER CAPITAL EXPENDITURES</b>							
Cost of Issuance	639	641		125	350		
Undefine project and Legal Fees		20					
Medic Unit, Speciality Vehicle, TIC replacement		2,085					
Rec. Center CIP		109					
Other storm related projects not covered by FEMA		150					
Transfer to General Fund		743					
<b>TOTAL</b>	<b>639</b>	<b>3,748</b>	<b>-</b>	<b>125</b>	<b>350</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET</b>	<b>84,070</b>	<b>16,924</b>	<b>3,998</b>	<b>4,581</b>	<b>3,025</b>	<b>3,200</b>	<b>10,500</b>

\*Beginning in FY 2018, Dirt Road Projects funded by the Community Development Block Grant (CDBG) are separate from the Capital Improvement Plan Budget.



Stormwater Fund (Enterprise Fund)

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## Stormwater Fund (Enterprise Fund)

This fund is used to account for the costs associated with the management, construction, maintenance, protections, control, regulation, use, and enhancement of stormwater systems within the Town in concert with Beaufort County and other water resource management programs. The total expense budget for fiscal year 2018 is \$4.8 million including a transfer to the General Fund.

	2013	2014	2015	2016	2017		2018		
					Adopted Budget	Estimated Actual	FY 2018 Budget	% change FY 2017 Budget Est. Actual	
<b>Revenues:</b>									
Stormwater Fees	3,574,933	3,564,300	3,551,386	3,551,400	3,725,000	3,703,613	4,800,000	28.86%	29.60%
Miscellaneous	5,512	-	25,764	44,272	-	-	-	0.00%	0.00%
Bond Proceeds	-	-	-	-	-	-	3,100,000	100.00%	100.00%
Interest	253	394	450	443	300	450	450	50.00%	0.00%
<b>Total Revenues</b>	<b>3,580,698</b>	<b>3,564,694</b>	<b>3,577,600</b>	<b>3,596,115</b>	<b>3,725,300</b>	<b>3,704,063</b>	<b>7,900,450</b>	<b>112.08%</b>	<b>113.29%</b>
<b>Expenses:</b>									
Personnel	154,100	269,279	317,573	358,116	370,887	348,359	544,000	46.68%	56.16%
Operating	142,100	213,191	226,660	339,567	702,100	188,350	390,000	-44.45%	107.06%
Capital	-	-	-	23,765	-	-	32,000	100.00%	100.00%
Debt Service - Principal	780,000	805,000	825,000	850,000	875,000	875,000	900,000	2.86%	2.86%
Debt Service - Interest	366,027	333,245	324,527	299,128	275,000	275,498	251,000	-8.73%	-8.89%
Debt Service - Other	2,500	2,500	2,500	2,500	3,000	2,500	3,000	0.00%	20.00%
PUDS	1,037,996	1,036,209	1,272,631	714,537	1,034,000	728,082	2,024,000	95.74%	177.99%
Non-PUDs	660,344	617,541	647,067	318,737	471,000	151,988	3,629,000	670.49%	2287.69%
County Property	-	35,845	-	-	-	-	-	0.00%	0.00%
SCDOT Property	-	19,361	-	38,907	-	7,619	-	0.00%	-100.00%
Transfers	236,130	74,258	94,258	94,258	95,000	95,000	125,000	31.58%	31.58%
<b>Total Expenses</b>	<b>3,379,197</b>	<b>3,406,429</b>	<b>3,710,216</b>	<b>3,039,515</b>	<b>3,825,987</b>	<b>2,672,396</b>	<b>7,898,000</b>	<b>106.43%</b>	<b>195.54%</b>
<b>Net Change in Fund Balance</b>	<b>201,501</b>	<b>158,265</b>	<b>(132,616)</b>	<b>556,600</b>	<b>(100,687)</b>	<b>1,031,668</b>	<b>2,450</b>		
Beginning Fund Balance	3,691,780	1,812,919	1,971,184	1,838,568	2,395,168	2,395,168	3,426,836		
<b>Ending Fund Balance</b>	<b>3,893,281</b>	<b>1,971,184</b>	<b>1,838,568</b>	<b>2,395,168</b>	<b>2,294,481</b>	<b>3,426,836</b>	<b>3,429,286</b>		

The fiscal year 2018 budget includes a rate increase from \$108.70 to \$150.00 per household annually. In addition, the program will add two positions in the upcoming fiscal year. The new positions will focus on assessing the condition of the current system and developing an asset inventory.

## Outstanding Debt Issues

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

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

Stormwater Revenue Bonds; \$13,810,000					
Issued December 1, 2010					
Matures: 2026					
Debt Outstanding as of June 30, 2016: \$9,910,000					
	FY 2018	FY 2019	FY 2020	FY 2021-2025	FY 2026
Interest	251,173	226,153	200,577	592,418	31,136
Principal	900,000	920,000	950,000	5,145,000	1,120,000
Total	1,151,173	1,146,153	1,150,577	5,737,418	1,151,136
Interest Rate	2.78%	2.78%	2.78%	2.78%	2.78%



Appendix

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# Appendix

## Financial Structure Multiyear – All Funds

The chart below reflects all Funds used by the Town to manage its financial resources for fiscal years 2014 through 2016. Budgets are formally adopted by Town Council for the General Fund, Debt Service Fund, and Capital Projects Fund.

For the year ended June 30, 2016

	General	Tax Increment Financing District	Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Non-major Governmental	Total Governmental
<b>REVENUES</b>										
Real and Personal Property Tax	\$ 12,647,165	\$ 4,090,780	\$ -	\$ -	\$ -	\$ -	\$ 5,136,243	\$ 702,649	\$ -	\$ 22,576,837
Accommodations Tax	3,215,850	-	5,724,984	-	-	-	-	-	-	8,940,834
All Other	14,327,238	822	585	2,887,472	6,436,292	6,506,558	200,570	1,025,115	3,212,886	34,597,538
	<u>30,190,253</u>	<u>4,091,602</u>	<u>5,725,569</u>	<u>2,887,472</u>	<u>6,436,292</u>	<u>6,506,558</u>	<u>5,336,813</u>	<u>1,727,764</u>	<u>3,212,886</u>	<u>66,115,209</u>
<b>EXPENDITURES</b>										
Operating	35,759,049	-	4,062,663	28,871	-	300,000	-	-	2,138,330	42,288,913
Debt service:	-	-	-	-	-	-	10,709,450	-	-	10,709,450
Capital outlay:	608,395	-	-	-	-	-	-	11,567,398	-	12,175,793
Total Expenditures	<u>36,367,444</u>	<u>-</u>	<u>4,062,663</u>	<u>28,871</u>	<u>-</u>	<u>300,000</u>	<u>10,709,450</u>	<u>11,567,398</u>	<u>2,138,330</u>	<u>65,174,156</u>
Excess (Deficit) of Revenues and Exp.	(6,177,191)	4,091,602	1,662,906	2,858,601	6,436,292	6,206,558	(5,372,637)	(9,839,634)	1,074,556	941,053
Other Sources and Uses (net)	7,779,298	(2,657,266)	(1,596,057)	(2,243,681)	(8,186,247)	(5,033,498)	6,473,566	6,724,431	(87,878)	1,172,668
Net change in fund balance	1,602,107	1,434,336	66,849	614,920	(1,749,955)	1,173,060	1,100,929	(3,115,203)	986,678	2,113,721
Fund balance -- beginning	19,349,325	3,781,514	2,834,620	1,737,035	16,515,766	723,465	7,485,841	8,618,510	3,353,662	64,399,738
Fund balances -- ending	<u>\$ 20,951,432</u>	<u>\$ 5,215,850</u>	<u>\$ 2,901,469</u>	<u>\$ 2,351,955</u>	<u>\$ 14,765,811</u>	<u>\$ 1,896,525</u>	<u>\$ 8,586,770</u>	<u>\$ 5,503,307</u>	<u>\$ 4,340,340</u>	<u>\$ 66,513,459</u>

For the year ended June 30, 2015

	General	Tax Increment Financing District	Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Non-major Governmental	Total Governmental
<b>REVENUES</b>										
Real and Personal Property Tax	\$ 11,894,284	\$ 6,486,071	\$ -	\$ -	\$ -	\$ -	\$ 5,084,193	\$ 694,238	\$ -	\$ 24,158,786
Accommodations Tax	3,068,339	-	5,293,455	-	-	-	-	-	-	8,361,794
All Other	13,708,142	1,006	628	2,535,177	6,142,554	6,155,261	205,425	1,154,492	2,967,278	32,869,963
	<u>28,670,765</u>	<u>6,487,077</u>	<u>5,294,083</u>	<u>2,535,177</u>	<u>6,142,554</u>	<u>6,155,261</u>	<u>5,289,618</u>	<u>1,848,730</u>	<u>2,967,278</u>	<u>65,390,543</u>
<b>EXPENDITURES</b>										
Operating	34,330,123	-	3,710,430	25,349	-	300,000	-	-	2,358,265	40,724,167
Debt service:	-	-	-	-	-	-	16,708,296	-	-	16,708,296
Capital outlay:	1,155,354	-	-	-	-	-	-	10,330,101	-	11,485,455
Total Expenditures	<u>35,485,477</u>	<u>-</u>	<u>3,710,430</u>	<u>25,349</u>	<u>-</u>	<u>300,000</u>	<u>16,708,296</u>	<u>10,330,101</u>	<u>2,358,265</u>	<u>68,917,918</u>
Excess (Deficit) of Revenues and Exp.	(6,814,712)	6,487,077	1,583,653	2,509,828	6,142,554	5,855,261	(11,418,678)	(8,481,371)	609,013	(3,527,375)
Other Sources and Uses (net)	8,128,638	(8,621,747)	(1,338,188)	(2,269,578)	(4,204,929)	(6,497,633)	10,500,485	4,957,209	(311)	653,946
Net change in fund balance	1,313,926	(2,134,670)	245,465	240,250	1,937,625	(642,372)	(918,193)	(3,524,162)	608,702	(2,873,429)
Fund balance -- beginning	18,035,399	5,916,184	2,589,155	1,496,785	14,578,141	1,365,837	8,404,034	12,142,672	2,744,960	67,273,167
Fund balances -- ending	<u>\$ 19,349,325</u>	<u>\$ 3,781,514</u>	<u>\$ 2,834,620</u>	<u>\$ 1,737,035</u>	<u>\$ 16,515,766</u>	<u>\$ 723,465</u>	<u>\$ 7,485,841</u>	<u>\$ 8,618,510</u>	<u>\$ 3,353,662</u>	<u>\$ 64,399,738</u>

For the year ended June 30, 2014

	General	Tax Increment Financing District	Accommodations Tax	Real Estate Transfer Fees	Beach Preservation Fees	Hospitality Fees	Debt Service	Capital Projects	Non-major Governmental	Total Governmental
<b>REVENUES</b>										
Real and Personal Property Tax	\$ 11,447,533	\$ 6,433,568	\$ -	\$ -	\$ -	\$ -	\$ 5,064,975	\$ 667,370	\$ -	\$ 23,813,446
Accommodations Tax	2,798,783	-	4,936,607	-	-	-	-	-	-	7,735,390
All Other	13,008,532	1,360	478	2,469,093	5,601,894	5,633,821	228,291	728,939	3,140,947	30,813,355
	<u>27,254,848</u>	<u>6,434,928</u>	<u>4,937,085</u>	<u>2,469,093</u>	<u>5,601,894</u>	<u>5,633,821</u>	<u>728,291</u>	<u>728,939</u>	<u>3,140,947</u>	<u>58,381,833</u>
<b>EXPENDITURES</b>										
Operating	32,524,409	-	3,135,576	24,689	-	300,000	-	-	1,721,596	37,706,270
Debt service:	-	-	-	-	-	-	17,047,598	-	-	17,047,598
Capital outlay:	669,225	-	-	-	-	-	-	12,873,896	-	13,543,121
Total Expenditures	<u>33,193,634</u>	<u>-</u>	<u>3,135,576</u>	<u>24,689</u>	<u>-</u>	<u>300,000</u>	<u>17,047,598</u>	<u>12,873,896</u>	<u>1,721,596</u>	<u>68,296,989</u>
Excess (Deficit) of Revenues and Exp.	(5,938,786)	6,434,928	1,801,509	2,444,404	5,601,894	5,333,821	(11,754,332)	(11,477,587)	1,419,351	(6,134,798)
Other Sources and Uses (net)	6,670,458	(6,101,422)	(1,270,356)	(2,169,797)	(6,545,087)	(7,507,501)	11,051,814	6,700,844	(121,311)	707,642
Net change in fund balance	731,672	333,506	531,153	274,607	(943,193)	(2,173,680)	(702,518)	(4,776,743)	1,298,040	(5,427,156)
Fund balance -- beginning	17,303,727	5,582,678	2,058,002	1,222,178	15,521,334	3,539,517	9,106,552	16,919,415	1,446,920	72,700,323
Fund balances -- ending	<u>\$ 18,035,399</u>	<u>\$ 5,916,184</u>	<u>\$ 2,589,155</u>	<u>\$ 1,496,785</u>	<u>\$ 14,578,141</u>	<u>\$ 1,365,837</u>	<u>\$ 8,404,034</u>	<u>\$ 12,142,672</u>	<u>\$ 2,744,960</u>	<u>\$ 67,273,167</u>

# FY 2018 Flow of Funds – All Funds



## Financial Balance Changes Greater than 10%

The following funds have a budgeted change in fund balance greater than 10%:

1. **General Fund** – The planned use of \$560,642 is well within the Town’s normal unspent budget.
2. **Road Usage Fee** – Fiscal year 2018 is the second year of the Road Usage Fee. The Town has primarily directed these funds toward road paving with an emphasis on dirt roads. The Town expects to fully utilize Road Usage Fees to the extent practical.
3. **Tax Increment Financing (TIF)** – Fiscal year 2018 is the third year in the 10 year extension. Projects include University of South Carolina Beaufort Hilton Head Island facility, Coligny area improvements, and road improvements. The District will stage these projects using a TIF bond issue to implement what projects the special TIF District will provide.
4. **State ATAX** – State law prescribes how the State ATAX funds are distributed. The ATAX Committee will meet and approve distribution of these funds early in fiscal year 2018.
5. **Real Estate Transfer Fee (RETF)** – These funds will be directed to the CIP in accordance to the long-term capital plan. The increase in fund balance is only temporary.
6. **Beach Preservation Fee** – The current year includes beach renourishment projects both caused and not caused by Hurricane Matthew. The Town issued a Bond Anticipation Note (BAN) in 2016 which was primarily for beach renourishment. Beach bonds will be issued to repay the BAN and Beach Preservation Fees will make debt service payments on these bonds.
7. **Hospitality Tax (HTAX)** – The Hospitality Tax Fund is not expected to have a 10% variance in the fund balance.
8. **Debt Service Fund** – The Town has four bond issues planned for fiscal year 2018:
  - General Obligation \$28,500,000
  - TIF \$32,000,000
  - Beach Preservation Fees \$36,000,000
  - G.O. Reserve Restoration \$18,000,000These bonds will be issued during the fiscal year, with planned level payments. The full effect of the bonds will not impact the Debt Service Fund until fiscal year 2019, therefore there will be a temporary increase in the Debt Service Fund fund balance in anticipation of the higher payments coming in future years.
9. **Capital Improvement Plan (CIP)** – The Town has a number of projects in the works. The funds within the CIP increased in fiscal year 2017 in anticipation of these projects. Due to Hurricane Matthew a number of these projects were delayed. It is anticipated many of these projects will restart in fiscal year 2018.
10. **Disaster Fund** – In fiscal year 2017, due to Hurricane Matthew, the Town established a Disaster Fund. For fiscal year 2017, through transfers from other funds, a temporary financing Bond Anticipation Note, and an accrual for the initial FEMA reimbursements, the fund essentially broke even in fiscal year 2017. In fiscal year 2018 the Town should see more FEMA funding, repayment of the BAN, and potential State and County funding to finish the second year of the hurricane response. The Town plans a GO bond issue to re-establish the disaster reserves in this fund for future possible disasters.
11. **Electric Franchise Fee** – Work was delayed in the Electric Franchise Fee area due to Hurricane Matthew. Because of this delay, expenditures for the project to move electric lines underground were delayed and the fund balance temporarily increased. The Town’s intent is to utilize as much as these funds will provide. These activities will help the Town prepare for the next storm.

## Glossary of Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***Glossary of Terms, continued***

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

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

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

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

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

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

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

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

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

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

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

**Expenditure (Governmental Fund)/Expense (Proprietary/Enterprise Fund)** – The disbursement of appropriated funds to pay for goods and/or services.

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

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

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

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

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

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

**Fund Balance** – Equals the equity in each fund.

## ***Glossary of Terms, continued***

**GAAP** – Generally Accepted Accounting Principles

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

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

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

**Governmental Funds** – Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The Town has no permanent funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## ***Glossary of Terms, continued***

**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.

**Proprietary Fund** – A proprietary fund may be classified into one of two fund types. Enterprise funds are used to report any activity for which a fee is charged to external users for goods or services. Internal service funds are used to report any activity that provides goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost reimbursement basis.

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

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

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

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

**Taxable Value** – The assessed value of real property

## ***Glossary of Terms, continued***

**Ten-Year Capital Plan** (also known as a 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, when known.

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

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

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