



Town of Hilton Head Island
FINANCE AND ADMINISTRATIVE COMMITTEE
MEETING
Thursday, June 26, 2025, 10:00 AM
Minutes

Call to Order

Chair Brown called the meeting to order at 10:00 a.m.

Committee Members Present: Alex Brown, Chair; Patsy Brison, and Melinda Tunner

Other Members of Town Council Present: Steve Alfred and Tamara Becker

Adoption of the Agenda

Ms. Brison made a motion to adopt. Ms. Tunner seconded. Motion carried 3-0.

Approval of the Minutes

Regular Meeting Minutes of May 29, 2025

Ms. Brison made a motion to table the presented minutes. Ms. Tunner seconded. Motion carried 3-0.

Presentations

Town of Hilton Head Island FY2025 Monthly Financial Update

Mr. Orlando conducted a presentation with the following information:

Monthly/Year to Date - 5/31/2025

General Fund:

- General Fund revenues collected in May totaled approximately \$2.3 million. Top revenue sources included \$1.1 million in Business License Fees, \$406K in Local Accommodation Tax (ATAX) and \$244K in EMS revenue.
- General Fund fiscal year 2025 year-to-date revenues are 11.8% higher than fiscal year 2024, excluding transfer-ins.
- General Fund expenditures for May are \$4.9 million. Top uses of funds included \$3.5 million in personnel expenses and \$1.1 million in overall operating expenses and \$47K in affiliated agencies reimbursements.
- General Fund fiscal year 2025 year-to-date expenditures are 17.7% higher than fiscal year 2024, excluding transfers-out and affiliated agencies reimbursements

Capital Improvement Program Fund (CIP)

- CIP Fund revenues for May were approximately \$47K primarily from: \$10K in Traffic Impact Fees and \$36K in interest earned.
- CIP Fund expenditures for May totaled approximately \$1.2 million, including \$130K on Park Improvements, \$444K on Roadway Improvements and \$424K on Facility & Equipment Improvements.

- CIP Fund year-to-date expenditures, including encumbrances represent approximately \$40.3 million, leaving a remaining budget balance of \$48.5 million. A significant portion of the remaining balance is attributed to the \$16.5 million budgeted for the Beach Renourishment Program

Debt Service Fund

- Debt Service Fund top sources of revenue for May include \$70K in property tax and \$55K in interest earned.
- Debt Service Fund expenditures for May totaled \$5.2 million, consisting of \$5.0 million in principal payments and \$186,000 in interest payments.
- Debt Service Fund year-to-date revenues totals reflect a 5.1% increase in property tax revenue compared to last year's figures and a 16.0% increase in Investment Income, before any transfers-in. There is also a decrease of 2.8% in principal, a 14.4% decrease in interest and a 5.2% decrease in bank fees. Overall year-to-date Debt Service Fund declined by 4.9% compared to last year, reflecting ongoing debt repayments

Stormwater Fund

- Stormwater Fund top sources of revenues for May included \$45K in stormwater fees and \$35K in interest earned.
- Stormwater Fund expenditures for May included \$195K for personnel, operating and debt service and \$31K in stormwater maintenance
- Stormwater Fund year-to-date revenues increased by 4.0% compared to last year, driven by a 2.2% increase in stormwater utility fees, 7.3% increase in investment income and an 78.6% increase in plan review fees.
- Stormwater Fund year-to-date expenditures are approximately \$3.2 million in actual expenses, with an additional \$1.5 million encumbered.

Gullah Geechee Historic Neighborhoods Community Development Fund

- GGHNCDC Fund revenues for May included a \$8K in interest earned and \$22K in expenditure for personnel expenses.
- GGHNCDC Fund year-to-date expenditures are \$253.7K in actual expenses with an additional \$36.5K encumbered compared to \$109.6K last year. The main expenditure difference includes personnel salary and operating expenses.

Housing Fund

- Housing Fund expenditures for May include an operating expense of \$17K for workforce housing
- Housing Fund housing program operating budget year-to-date reflects activity of \$165.4K in actual expenses and \$1.1 million in encumbered expenses for Northpoint Public Private Partnership and Housing Operating expenses, leaving a remaining budget fund balance for the year of \$2.7 million.

Committee Members had questions, comments, and discussion regarding the strong revenue results, noting that many funds were under spent; clarification regarding the misalignment of parking fees; appreciation for the presentation of the Town's special revenue funds and transparency in how those funds are being allocated; and questions about the consolidated fund balance of \$243 million, including statements indicating that many of the funds will carry over into the next fiscal year's budget.

New Business

Consideration of a Resolution of the Town Council of the Town of Hilton Head Island to approve a Comprehensive South Carolina Accommodations Tax Program to include Application Process and Fund Distribution Policy - Michele Bunce, Senior Grants Administrator

Mr. Colin conducted a presentation with the following information.

At the January 14, 2025 meeting, Town Council directed staff to develop an South Carolina State Accommodations Tax (ATAX) Funds Distribution Policy to help ensure the process of allocating these public funds is transparent, consistent, and aligned with SC State law requirements and the Town's Strategic Plan. In support of this request, the following information was provided:

I. Purpose:

This memorandum provides a comprehensive overview of the Town of Hilton Head Island's policy and process for accepting, reviewing, and awarding grants funded by ATAX revenues. It includes relevant South Carolina Code provisions, outlines the application and review process, and proposes decision-making and voting protocols followed by the Accommodations Tax Advisory Committee (ATAC), the Town Council's Finance and Administrative Committee, and the full Town Council. In addition, the process provides direction for the Town Council regarding the distribution of SC ATAX funds.

By establishing clear guidelines, policy, and procedures, these measures ensure that funds are allocated appropriately, promoting tourism and related activities in accordance with state laws. This structured approach fosters accountability and public trust in the management of ATAX resources.

This policy framework shown in the Resolution and outlined below, will improve consistency, transparency, and alignment with the Town of Hilton Head's Strategic Plan.

II. Overview of the South Carolina Accommodations Tax (ATAX)

The South Carolina Accommodations Tax (ATAX) is imposed under the authority of S.C. Code Ann. § 9-36-920(A)(Supp. 2024) and has three parts, one of which is a two- percent local ATAX on all transient lodging rentals, including hotels, motels, inns, and short-term vacation rentals, which is credited to the county or municipality where the tax was paid under the authority of S.C. Code Ann. § 12-36-2630(3)(Supp. 2024). The use of the 2% local ATAX is governed by S.C. Code Ann. § 6-4-10, et seq. (Supp. 2024). The information below provides additional details to overview the South Carolina Code of Laws related to ATAX.

III. ATAX Grant Program – Town of Hilton Head Island

The Town of Hilton Head Island administers an annual ATAX Grant Program to support organizations and projects that enhance tourism and benefit the local economy. This program includes a public application process, committee and staff review, and Town Council approval.

IV. Grant Review and Recommendation Process

This portion of the process includes a Staff and Technical Review, Accommodations Tax Town of Hilton Head Island Finance and Administrative Committee Meeting Minutes

Advisory Committee Review, Finance & Administrative Committee Review, and Town Council Review and Final Decision.

VI. Post-Award Requirements

This portion of the process requires that grantees must enter into a formal agreement with the Town, submit regular progress and final outcome reports, maintain documentation of all expenditures, submit documentation to request reimbursements, and return unused or misused funds.

VII. Town Council Voting and Approval Process

Following Staff and Committee review, Town Council formally votes on grant awards at a scheduled public meeting.

VIII. Use of ATAX for Workforce Housing

In 2024, the South Carolina General Assembly amended the ATAX statute to allow a temporary use of ATAX funds for workforce housing. This was authorized to provide a funding tool for local jurisdictions to address the challenge of providing housing options for employees.

IX. FY26 Projected Revenues and Distribution Policy

During this portion of the presentation Mr. Colin outlined the FY26 revenue projections and recommended distribution policy.

Distribution Category	Required Distribution	Proposed Distribution	Proposed \$ Distribution
First \$25,000 to General Fund	\$25,000	\$25,000	\$25,000
5% to General Fund	5%	5%	\$616,476
30% to DMO	30%	30%	\$3,698,857
ATAX Grant Awards	—	30%	\$3,706,357
General Fund (Tourism Operating Expenses)	—	20%	\$2,454,654
Capital Improvement Program (CIP)	—	10%	\$1,235,452
Tourism-Serving Housing Program	—	5%	\$617,726
Total	35%	100%	\$12,354,522

X. Next Steps

If supported by the Finance and Administrative Committee to Advance to the full Town Council, the following steps will be taken:

- Town Council consideration of SC Accommodations Tax Fund Distribution Policy: July 15, 2025
- ATAX applications: August 4 – September 5, 2025
- ATAC recommendation of FY26 ATAX Grant approvals to F&A Committee, based upon evaluation criteria and scoring guide: November 6, 2025

- F&A Committee recommendation of FY26 ATAX Grants to Town Council: November 18, 2025
- Town Council consideration of FY26 ATAX Grants: December 9, 2025
- ATAX Grant award letters distributed: December 12, 2025

Chair Brown asked for public comment.

Martin Lesch addressed the Committee as the Cultural Representative for the Accommodations Tax Advisory Committee. He agrees that the 30% for the DMO is limiting. He also asked that stakeholders be allowed to weigh in the policy before it gets approved to allow for feedback.

Katie Henderson addressed the Committee that she feels any organization that asks for funding for housing show the return on investment like all other organizations are required to do as we need to be fiscally responsible.

Jan Smith addressed the Committee on her thoughts that it is important for Town Council to rely on the ATAC Committees recommendation and not just reject the recommendations. They should have a provision for the recommendation be revised by them if needed.

Committee Members had questions, comments, and discussion regarding the length of time allowed to expend ATAX funds, as well as how proposed changes to the process might impact grantees going forward; concerns were expressed about how the timing of Town Council elections, which occur every two years, could affect grant awards due to the shift in the award process from December to January; there were also questions raised about the submission timeline and the explanation of application requirements; a request was made to include language in the resolution stating that “the Town will distribute award letters,” without specifying a strict date or timeframe; members commended the clarity of the policy, noting that it would be particularly helpful for incoming Council Members to better understand the ATAX grant process; additional requests were made to review and clarify the “motions and amendments” section, specifically to ensure that if a recommendation is rejected, a revised recommendation should be requested from the ATAX Committee; further clarification was requested regarding how unused funds are reallocated and what guidelines the ATAX Committee should follow when determining allocation amounts; questions arose as to when the proposed policy changes would take effect; while there was general support for addressing housing needs, some members expressed concern that ATAX funding is not the appropriate tool for housing support; there was concern that adding housing to the allocation formula could unintentionally create obligations the Town is not prepared to fulfill; however, the goal of more clearly distributing funds was seen as a positive development; it was suggested that the housing allocation, based on past years, should remain around \$1 million; emphasis was placed on the importance of continuing to support existing grantees, while also exploring housing incentives for developers and private entities; finally, the Committee discussed separating the application, evaluation, and scoring rubric processes to allow Town Council greater input; there was additional discussion regarding the potential distribution policy, with suggestions including: 33% for ATAX Grant Awards, 20% from the General Fund, 5% for Housing Programs, and 7% for Capital Improvement Projects; the Committee agreed that any adjustments to housing allocations should ultimately be decided by the full Town Council.

Mr. Alfred had to leave prior to the meeting ending and his comments are as follows: I am a supporter of arts and culture affairs. So I want to start by noting that state law specifically mentions "culture" as a appropriate expenditure of ATAX funds. Moreover, state law specifies that one of the seven seats on the ATAC must be for a cultural affairs representative; a point not mentioned in the staff report. While I favor using ATAX funds for workforce housing, I do not want to see the share of the Town's cultural organizations reduced as a result. I note one category proposed for receipt of ATAX grants is the CIP fund. That was added for 2025. It was not included in any prior years. There are numerous other sources of funds for the CIP. Accordingly, I would suggest that this grant be removed and its allocation be placed in the "grants" category instead. At the very least, such allocation should be respread among the other categories.

Ms. Brison made a motion to forward to Town Council for consideration a resolution of the Town Council of the Town of Hilton Head Island to approve a comprehensive South Carolina Accommodations Tax (ATAX) Program, including the application process and fund distribution policy, with the following conditions:

1. Page 5, Article 3, Subsection (b):
Amend the sentence stating that "Town Council approval occurs in early December before the start of the new fiscal year" to reflect that approval will occur in November before the start of the fiscal year.
2. Page 3, Article 4 – Grant Review and Recommendation Process:
Add a provision stating that all meetings are public meetings.
3. Page 4 – Post Award Requirements:
Add a provision that, upon award approval, it is the responsibility of staff to initiate grant agreements, disbursements, and send letters of award.
4. Page 5, Article 7, Subsection (c)(3):
Revise the first bullet point to read: "Council may reject and request a revised recommendation from the ATAC."
5. Page 5, Article 7, Subsection (d) – Voting Procedure:
Remove the last bullet point.
6. Page 5 – Remove the section stating that "the Fiscal Year 2026 ATAX calendar is shown as an example."
7. Page 6, Article 9, Subsection (b) – Recommended Distribution Policy:
 - Revise the ATAX Grant Awards allocation to 33%;
 - Revise the Capital Program allocation from 10% to 7%;
 - The Housing Program allocation percentage will be determined by full Town Council, as the Committee was split on the proposed percentage;
 - Clarify that the application and guidelines are to remain guidelines and are not adopted policy.

Ms. Tunner seconded the motion. Motion carried 3-0.

Public Comment - Non Agenda Item

There was no public comment at this time.

Adjournment

Chair Brown adjourned the meeting at 12:00 p.m.

Approved: August 25, 2025

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