



Town of Hilton Head Island

Town Council Meeting

Tuesday, January 13, 2026, 3:00 PM

**1 Town Center Court, Hilton Head Island, SC
Benjamin M. Racusin Council Chambers**

The meeting can be viewed on the [Town's YouTube Channel](#), the [Beaufort County Channel](#), and Spectrum Channel 1304.

- 1. Call to Order**
- 2. Pledge to the Flag**
- 3. Invocation – Rev. General Hay, First Historic African Baptist Church**
- 4. Adoption of the Agenda**
- 5. Approval of the Minutes**
 - a. Regular Meeting Minutes of December 9, 2025
 - b. Special Meeting Minutes of December 18, 2025
- 6. Presentations and Recognitions**
 - a. Report of the Town Manager
 - b. Beaufort County School District Character Education Student of the Month - Mayor Alan Perry
 - c. Presentation of FY2025 Annual Comprehensive Financial Report for the Town of Hilton Head Island by Mauldin & Jenkins CPAs – Jon Carpenter, Assistant Finance Director
- 7. Reports from Members of Town Council**
 - a. General Reports from Town Council
 - b. Report of the Lowcountry Area Transportation Study - Councilmember Tamara Becker
 - c. Report of the Lowcountry Council of Governments - Councilmember Steve Alfred

- d. Report of the Beaufort County Airports Board - Councilmember Melinda Tunner
- e. Report of the Southern Lowcountry Regional Board - Councilmember Patsy Brison
- f. Report of the Island Recreation Association Board - Mayor Pro Tempore Alex Brown
- g. Report of the Beaufort County Economic Development Corporation - Mayor Alan Perry
- h. Report of the Gullah Geechee Historic Neighborhoods Community Development Corporation - Mayor ProTempore Alex Brown
- i. Report of the Community Development and Public Services Committee - Councilmember Tamara Becker
- j. Report of the Finance and Administrative Committee - Mayor Pro Tempore Alex Brown

8. New Business

- a. Consideration of an Ordinance of the Town of Hilton Head Island to Amend Title 16 of the Municipal Code, the Land Management Ordinance, to Amend Sections 16-3-105.H, 16-4-102.A.6, 16-4-105, and 16-4- 102.B.1 to allow residential Workforce Housing within the Medical (MED) Zoning District - First Reading - Zac Gordon, Planning Director
- b. Consideration of an Ordinance of the Town of Hilton Head Town Council Island to Amend the Official Zoning Map with Respect to the Real Property located at Bethea Drive to Amend the Palmetto Headlands/Hilton Head Hospital Master Plan within the Planned Development Overlay District (PD-2) to Change the Allowed use of Parcels R510 008 000 337A 0000, R510 008 000 0337 0000 and R510 008 000 0452 0000 from Commercial Use to Commercial or Residential Use; and to Provide for Severability and an Effective Date - First Reading - Zac Gordon, Planning Director

9. Public Comment - Non Agenda Items

10. Executive Session

- a. Discussion of Negotiations Incident to Proposed Contractual Arrangements [Pursuant to the South Carolina Freedom of Information Act Section 30-4-70(a)(2)] related to:
 - 1. Patterson Family Park
 - 2. Coligny Plaza
- b. Discussion of Appointment to Boards, Commissions, and Committees [Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 (a)(1)] related to:

1. Gullah Geechee Land & Cultural Preservation Task Force
2. Transportation Sales Tax Referendum for 2026 - Transportation Advisory Committee

- c. Discussion of Legal Advice from the Town Attorney on Matters Covered Under the Attorney-Client Privilege (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:

1. Legal Items Update

- d. Discussion of Employment and/or Appointment (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70[a][1], [2]) related to:

1. Town Council Appointed Attorney

11. Action from Executive Session

12. Adjournment

FOIA Compliance: Public notification of this meeting has been published, posted, and distributed in compliance with the South Carolina Freedom of Information Act and the requirements of the Town of Hilton Head Island.

In accordance with the requirements of Title II of the Americans with Disabilities Act of 1990 ("ADA"), the Town of Hilton Head Island will not discriminate against qualified individuals with disabilities on the basis of disability in its services, programs, or activities. Auditory accommodations are available. Any person requiring further accommodation should contact the Town of Hilton Head Island ADA Coordinator as soon as possible but no later than 48 hours before the scheduled event.

Municipal Association of South Carolina (MASC) Civility Pledge:

"I pledge to build a stronger and more prosperous community by advocating for civil engagement, respecting others and their viewpoints, and finding solutions for the betterment of my city or town."



Town of Hilton Head Island TOWN COUNCIL MEETING Tuesday, December 9, 2025, 3:00 PM Minutes

Call to Order

Mayor Perry called the meeting to order at 3:00 p.m.

Council Members present: Alan Perry, Mayor; Alex Brown, Ward 1, Mayor Pro Tempore; Patsy Brison, Ward 2; Steve DeSimone, Ward 3; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner, Ward 6

Others Present: Marc Orlando, Town Manager; Curtis Coltrane, Town Attorney; Kim Gammon, Town Clerk

Invocation – Fr. Leroy "Chris" Gardner, Anglican Church of the Redeemer

Father Gardner delivered the invocation.

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Becker seconded. Motion carried 7-0.

Approval of the Minutes

Regular Meeting Minutes of November 4, 2025

Mr. Alfred moved to approve. Ms. Tunner seconded. Motion carried 6-0. (Becker abstained as she was not present at the November 4 meeting.)

Presentations and Recognitions

Report of the Town Manager

Mr. Orlando provided updates on several capital projects as well as the beach renourishment project. He also reported on events regarding the Gullah Geechee Historic Neighborhood Community Development Corporation, Crescendo and the Lantern Parade. He concluded his presentation with a review of upcoming events scheduled for the Holiday Season along with recognition of staff accomplishments.

Beaufort County School District Character Education Student of the Month - Mayor Alan Perry

Mayor Perry stated Gavin Ward, a kindergartner from Hilton Head Island Early Childhood Center was selected as a Beaufort County School District Student of the Month. He invited him

to the podium, presented him with a certificate and a commemorative Hilton Head Island medallion and offered congratulations on behalf of the Town Council. Gavin was joined at the podium by his teacher, Katie Hunt, and his parents, Ashley and Garret Ward.

Town of Hilton Head Island Destination Marketing Report (FY26 Marketing Plan - Q1) - Charlie Clark, Vice President of Communications, Hilton Head Island - Bluffton Chamber of Commerce

Charlie Clark and Chase O'Dell provided a detailed report and held discussions, answered questions regarding the report.

Reports from Members of Town Council

General Reports from Town Council

Ms. Brison reported on various events taking place throughout the Island.

Ms. Becker expressed appreciation to Fire Rescue for their efforts in assisting the Humane Society during a recent event.

Mayor Perry stated that Deep Well was recently awarded the recognition of PGA Charity of the Year and received a \$30,000 grant. He noted that they are the third organization from Hilton Head Island to receive the award. The other two were Memory Matters and Second Helpings. In addition, he recognized Frank Soule on his recent retirement as Executive Director of Island Recreation Association and thanked him for his leadership and service to the organization.

Report of the Lowcountry Area Transportation Study – Councilmember Tamara Becker

No report.

Report of the Lowcountry Council of Governments – Councilmember Steve Alfred

No report.

Report of the Beaufort County Airports Board – Councilmember Melinda Tunner

Ms. Tunner reported that construction continues on the terminal addition with completion expected in April 2026. She reported on additional direct flights to and from Chicago O'Hare International Airport that will be provided by United Airlines beginning in April through August 2026

Report of the Southern Lowcountry Regional Board – Councilmember Patsy Brison

Mayor Perry stated updates were provided at the last meeting regarding growth patterns and workforce housing.

Report of the Island Recreation Association Board – Mayor ProTempore Alex Brown

Mr. Brown provided updates regarding activities and events taking place. He noted that the dome has been installed over the pool and swim lessons are being provided. He advised all to

Town of Hilton Head Island Town Council

Meeting Minutes

12/9/2025

go to the website for hours of operation.

Report of the Beaufort County Economic Development Corporation - Mayor Alan Perry

No report.

Report of the Gullah Geechee Historic Neighborhoods Community Development Corporation - Mayor ProTempore Alex Brown

Mr. Brown reported the Corporation will be discussing the renaming of the Rowing and Sailing Center at Squire Pope Community Park as well as discussion regarding disaster relief on Hilton Head Island.

Report of the Community Development and Public Services Committee – Councilmember Tamara Becker

Ms. Becker stated the Committee has conducted interviews for a number of vacancies on boards, committees and commissions and will make their recommendations during executive session at today's meeting. She stated the next meeting will take place on December 15.

Report of the Finance and Administrative Committee – Mayor ProTempore Alex Brown

Mr. Brown reported the Committee met earlier in the day and received a presentation from Lowcountry Regional Transportation Authority, known as Palmetto Breeze regarding a funding gap and a request for assistance from the Town. He encouraged everyone to reach out to our County representatives regarding the topic and the need for the County to assist with funding.

Unfinished Business

Consideration of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Recording of a Declaration of Covenants Regarding Workforce Housing and the Execution and Delivery of a Long Term Ground Lease of Real Property, Both Related to Real Property Owned by the Town of Hilton Head Island, South Carolina at Northpoint - Second Reading - Ben Brown, Strategic Initiatives Director

On June 18, 2024, Town Council approved the Northpoint Workforce Housing Development Agreement with OneStreet Residential (OSR), establishing the roles and responsibilities of both parties in developing and managing a workforce housing neighborhood on the Town's 11-acre Northpoint property. The Agreement outlined a phased approach culminating in a long-term Ground Lease.

The Northpoint initiative builds on the Town's 2018 Workforce Housing Strategic Plan, which identified public-private partnerships as a key strategy to expand the supply of attainable housing. Additional Town policies adopted in 2020 and 2021 further advanced these objectives by promoting workforce housing through zoning and density incentives.

Following a competitive RFQ and RFP process initiated in 2022, OSR was selected as the Town's preferred development partner based on its demonstrated experience in financing,

designing, constructing, and managing high-quality affordable and mixed-income communities. The Northpoint Public-Private Partnership Housing Advisory Committee actively participated throughout the vetting and review process, providing recommendations that informed Town Council's approval of the Development Agreement.

The 2024 Development Agreement formalized the partnership and established the framework for the Ground Lease and Affordability Covenants now before Town Council for final approval.

Upon execution of the Ground Lease, OSR anticipates closing project financing by December 12, 2025, and beginning construction in early 2026.

As part of its ongoing advisory role, the Northpoint Public-Private Partnership Housing Advisory Committee reviewed and supported the framework of the Ground Lease and Affordability Covenants at its October 6, 2025, meeting.

Summary of Schedule:

Town Council – First Reading: November 4, 2025 (approved)

Town Council – Second Reading: December 9, 2025

Close Financing: by December 12, 2025

Commence Construction: January 2026

First Apartments Released: early 2027

Substantial Completion: mid 2027

The proposed Ground Lease and Affordability Covenants represent the final implementation steps outlined in the Northpoint Workforce Housing Development Agreement approved by Town Council in June 2024. Adoption of these documents will formalize the Town's public/private partnership with OSR and enable the construction and long-term management of a high-quality, sustainable workforce housing neighborhood at Northpoint.

The documents are consistent with the terms established in the 2024 Development Agreement, with one adjustment identified during project underwriting. During due diligence, questions arose regarding long-term occupancy, specifically what would occur if, at any point during the 65-year Ground Lease, the property manager could not identify an eligible tenant who meets the Town's Workforce Housing Community standard (defined as persons employed and working within the municipal boundaries of Hilton Head Island).

To address this scenario, the Ground Lease establishes a limited, time-bound exception process. If a unit becomes vacant and no qualified Hilton Head Island workforce household is on the waiting list, and no eligible tenant contacts the property manager within forty-five days, the unit may be leased for a twelve-month term to an income-qualified tenant employed within Beaufort County. At the end of that term, the property manager must again make commercially reasonable efforts to lease the unit to a tenant who meets the Hilton Head Island Workforce Housing Community standard. While this situation is considered unlikely, inclusion of this exception is necessary to secure project financing.

Mr. Alfred moved to approve. Ms. Brison seconded.

Mayor Perry asked for public comment. There was none.

Following discussion, comments and questions from Council the motion carried 7-0.

Consideration of an Ordinance of the Town Council of the Town of Hilton Head Island, South Carolina Authorizing the Execution and Delivery of a Non-Exclusive Easement for Ingress, Egress, and Utilities with the Hilton Head Public Service District at Northpoint - Second Reading - Ben Brown, Strategic Initiatives Director

On June 18, 2024, Town Council approved the Northpoint Workforce Housing Development Agreement with OneStreet Residential (OSR), establishing the roles and responsibilities of both parties in developing and managing a workforce housing neighborhood on the Town's 11-acre Northpoint property. The Agreement outlined a phased approach culminating in a long-term Ground Lease.

The HHPSD owns a 1.03-acre property containing its water tower, a parcel that was part of the original Northpoint tract. HHPSD currently accesses the site via Northpoint Circle. As part of the Northpoint redevelopment, this access will be reconfigured and improved to align with the neighborhood's new internal roadway network. To ensure HHPSD's continued access for the operation and maintenance of critical public utility infrastructure, the Town and HHPSD have negotiated a non-exclusive easement providing ingress, egress, and utility access across the newly configured roadway.

Providing this easement supports HHPSD's responsibility to deliver potable water to residents within its service area. Granting the easement is therefore in the best interest of the Town and is consistent with the infrastructure coordination anticipated in the Northpoint Development Agreement.

Approval of the Non-Exclusive Easement for Ingress, Egress, and Utilities with HHPSD ensures continued and reliable access to the existing water tower site while accommodating the redevelopment of the Northpoint property. The easement is consistent with the Northpoint Development Agreement and is necessary to support HHPSD's provision of essential public services.

Mr. Brown moved to approve. Mr. Alfred seconded.

Mayor Perry asked for public comment. There was none.

Following discussion, comments and questions from Council the motion carried 7-0.

New Business

Consideration of Resolution of the Town Council of the Town of Hilton Head Island, South Carolina, Authorizing the Execution and Delivery of an Agreement Regarding the Payment of One Million and No/100 (\$1,000,000) Dollars for Site Improvements in Connection with the

Development of the Northpoint Workforce Housing Project, and Authorizing the Execution and Delivery of an Escrow and Disbursement of the Funds, and the Completion of the Town's Obligations Described in the Agreements - Ben Brown, Strategic Initiatives Director

On June 18, 2024, Town Council approved the Northpoint Workforce Housing Development Agreement with OneStreet Residential (OSR), establishing the roles and responsibilities of both parties in developing and managing a workforce housing neighborhood on the Town's 11-acre Northpoint property. The Agreement outlined a phased approach culminating in a long-term Ground Lease.

As part of the Development Agreement, the Town committed to contribute \$1,000,000 to support the development of the Northpoint neighborhood. These funds were received through the American Rescue Plan Act (ARPA) and allocated to the project as part of the Town's contribution to the public-private partnership with OSR.

To implement this commitment, the Town and OSR have negotiated the Lessor's Work Supervision Agreement and the Construction Escrow Agreement. These agreements establish the terms under which the \$1,000,000 will be deposited, held, and disbursed. Upon execution of the Ground Lease, the Town will deposit the funds into escrow, where they will be managed by an independent Escrow Agent in accordance with the Construction Escrow Agreement. This structure ensures proper oversight of the funds and compliance with the Development Agreement and Ground Lease.

The Town will remain the owner of the Northpoint property throughout the Ground Lease term and will own all improvements at the end of the lease.

Approval of the Resolution will authorize the execution and delivery of the agreements required to implement the Town's \$1,000,000 contribution toward site improvements for the Northpoint Workforce Housing Initiative. This contribution is consistent with the Town's commitments under the Development Agreement and Ground Lease and advances the public-private partnership with OSR toward financing and construction.

Mr. Brown moved to approve. Ms. Becker seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

Consideration of a Resolution of the Town of Hilton Head Approving the Recommendation from the Accommodations Tax Advisory Committee for the Calendar Year 2026 Grants - Dave Byrd, Finance Director

The Accommodations Tax (ATAX) Advisory Committee met on November 7, 2025, and finalized its recommendations after careful review of all applications received, ensuring that all recommendations complied with the requirements of the South Carolina Tourism Expenditure Review Committee (TERC).

A total of 37 applications were submitted for consideration, with \$4,076,992 available for distribution. One application was voluntarily withdrawn prior to final recommendations, and one application was not funded. Following its review and deliberations, the Accommodations Tax Advisory Committee submitted and recommended 35 ATAX grant awards for funding.

These recommendations align with the Town's new Comprehensive South Carolina Accommodations Tax Program, which emphasizes measurable return on investment (ROI), consistency with the Town's Strategic Action Plan goals, and a transparent, equitable allocation process that prioritizes programs demonstrating clear benefits to Hilton Head Island's tourism economy and community quality of life.

In addition to the recommended 2026 ATAX Grant award funding, the ATAC Committee submitted a recommendation requesting that any grant funds awarded, but not expended, by the recipient organizations by the end of the 2026 grant year cycle to be carried forward in full (100%) and applied to the 2027 Accommodations Tax Grant Fund allocation.

Dave Byrd introduced Keith Schlegel, Chairman of the Accommodations Tax Advisory Committee conduct his presentation. Mr. Schlegel proceeded to review the process, grant recommendations and answered questions from Council.

Concluding the presentation, Mr. Alfred moved to approve the Accommodations Tax Advisory Committee recommendations with the exception of the Lowcountry Golf Association. Ms. Becker seconded.

Mayor Perry asked for public comment. There was none.

Council continued to discuss the motion and the language within the resolution regarding unspent funds being applied to the Accommodations Tax Grant fund allocation. **Concluding discussion and input from the Town Attorney, Ms. Brison moved to amend the text in Subsection (a) of the Resolution to read: "be carried forward in the ATAX Grant Awards Fund." Mr. Brown seconded. Mr. Alfred, the maker of the original motion agreed to the amendment. The motion to amend the resolution carried 7-0.**

Mayor Perry called for a vote on the original motion made by Mr. Alfred and seconded by Ms. Becker **to approve the Accommodations Tax Advisory Committee recommendations with the exception of the Lowcountry Golf Association. Motion carried 7-0.**

Ms. Brison moved to reduce the funding of Lowcountry Golf Course Owners Association from \$100,000 to \$50,000 and to reallocate that \$50,000 to History Cultural organizations as follows: The Gullah Museum, Low Country Gala, The Outdoor Foundation, Sea Turtle Patrol and Hilton Head Symphony (\$10,000 each). Motion failed due to lack of a second.

Mr. Brown moved to approve the Lowcountry Golf Course Owners Association in the amount of \$100,000 as recommended by the Finance and Administrative Committee and Accommodations Tax Advisory Committee. Ms. Tunner seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 6-1 (Brison opposed).

Consideration of an Ordinance of the Town of Hilton Head Island Authorizing the Issuance of General Obligation Debt Bonds - First Reading - Dave Byrd, Finance Director

The Town has the opportunity to acquire 9 Park Lane and 10 Park Lane and make significant capital improvements on these properties to build out a Fire & Rescue Headquarters and Emergency Operations Center. The Town also has the opportunity to fund future strategic land acquisitions for conservation purposes.

The Town can fund the above via a G.O. bond issuance. The Town would pay back the bond issuance over approximately 15 years, with a large portion of the principal to be paid back within 2 months of issuance. The sources of the first payment (\$14.3 million on approximately 6/1/26) would be approximately \$11.7 million from the accumulated Debt Service Fund balance + \$2.6 million in already-requested FY2026 property tax collection millage. The remaining payments would be made via future annual Debt Service millage collections until the bonds are paid off in approximately 15 years.

The Town's future total annual Debt Service millage (for its existing G.O. bonds and the proposed FY2026 G.O. bonds) would stay at or significantly below FY2026's 5.1 Debt Service millage rate, and would thus give the Town the ability to either

- 1) reduce Debt Service millage below 5.1 mils after FY2028,
- 2) undertake addition debt-financed capital projects after FY2028, or,
- 3) a combination of the two.

The Town, through its Municipal Advisor, First Tryon, would sell this debt competitively in the municipal bond market to ensure the most competitive interest rate results. The Town's AAA G.O. bond ratings from Moody's, S&P, and Fitch would be featured prominently in the bond offering documents. The Town would pay back the debt over approximately 15 years through our bond trustee, Regions Bank.

Funding these land purchases and capital projects with G.O. bond proceeds (instead of with cash currently available in various funds balances) will allow the Town to:

- a) Maintain strong General Fund, RETF Fund, and other governmental fund balances in excess of the minimum fund balance policy
- b) Fund other future capital projects with the additional cash on hand in the General Fund, RETF Fund, and other governmental funds
- c) Retain additional financial flexibility in the event of a natural disaster
- d) Align the payment of the land acquisitions and related capital improvements more closely with the land acquisition and related capital improvements' expected useful lives, thus offering a more equitable and financially sustainable approach relative to funding the entire capital project via past-accumulated cash balances

Key Future Dates & Milestones (Dates Approximate):

December 9, 2025 – Town Council Meeting: First Reading of the Bond Ordinance

January 13, 2026 – Town Council Meeting: Second Reading of the Bond Ordinance

January 14, 2026 – 60-day Challenge Period begins February 16, 2026 – Credit Rating Agency meetings

March 7, 2026 – Publish Notice of Sale to Municipal Bond marketplace March 14, 2026 – 60-day challenge period ends

March 17, 2026 – Bond Pricing with winning bidder

April 1, 2026 – Financial Closing, funds transfer to Town account

June 1, 2026 – First Principal & Interest Payment

Mr. Byrd introduced Michael Seezen of Burr and Foreman and Andy Smith of First Tryon Advisors. They answered questions from members of Council.

After discussion, comments and questions from Council, Ms. Tunner moved to approve the Consideration of an Ordinance at the Town of Hilton Head Island Authorizing the insurance of general Obligation Debt Bonds as written, however change the amount from \$35,000,000 to \$25,000,000. Ms Becker seconded.

Mayor Perry asked for public comment. There was none.

Council held discussion, asked questions and made comments, with Ms. Tunner explaining that she was the dissenting vote from the Finance and Administrative Committee's recommendation, stating she does not agree with the amount as she felt the Town should look for the lowest amount of borrow to meet the needs it is trying to accomplish. Ms Becker concurred with her comments.

Following further discussion, Ms. Brison moved to amend the motion on the floor to provide that the insurance on sale of not to exceed \$35,000,000 and to strike the language in the title, which limits the capital projects to the Fire Rescue Center and include Capital Projects and would say "Capital to fund Capital Projects including but not limited to the Fire Rescue Emergency Operations Center", but keeps the language "and Land Acquisition cause for Conservation Purposes" and make similar changes to the first Whereas to say "Capital Projects including but not limited to Fire Rescue and Emergency Operations Center and Acquire Lane for Conservation Purposes". Mr. DeSimone seconded. Amended Motion carried 5-2 (Tunner and Becker opposed).

Consideration of a Resolution Authorizing the Public Dedication and Acceptance of the Private Road Rights of Way for Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane from Cedar Woods Owners' Association, Inc. - Jeff Netzinger, Engineering & Public Projects Director

Mr. Netzinger explained the Town Attorney received a letter dated July 23, 2025, from the Cedar Woods Owners' Association requesting Town acceptance and conveyance of three (3) private roads including Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane and a drainage system owned by the Association in accordance with the Association's governing covenants. Justification for this request cited in the letter included excessive ongoing maintenance costs

incurred by the Association exceeding the logistical and financial capacity of the small neighborhood (50 homes). The letter also noted that the roads (including Kingbird Lane and Bobwhite Lane) and the drainage system of Point Comfort Woods, a neighboring community, were previously accepted by the Town (in 2001), making consistent (Town) oversight more essential for effective stormwater management.

The Town Attorney drafted a Limited Warranty Deed providing the mechanism for the public dedication and acceptance of Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane from Cedar Woods Owners' Association, Inc. that was subsequently executed by the Board of Directors on August 13, 2025

Acceptance of these roads will benefit and promote the general health, safety, and welfare of the citizens, residents, property owners and businesses in the Town.

Acceptance of Song Sparrow Lane, Phoebe Lane, and Goldfinch Lane would add approximately one-half mile of roadway to the Town's roadway inventory, increasing the total lane mileage from 16.0 to 16.5 miles. Staff estimates the average annual cost to the Town, including routine maintenance, repair, and periodic pavement rehabilitation, would equate to \$25,000.

The subject agenda item was brought to the Community Development & Public Safety Committee for consideration on October 20, 2025. The Committee voted (3-0) to table this item and reschedule consideration at the following regularly scheduled meeting (November 17, 2025). The Committee asked if Cedar Woods had capital reserve funds that it would be willing to convey to the Town in exchange for the Town's acceptance of the roads. The Committee also requested that representatives from the Cedar Woods Board be present at the November meeting. The Town received a second letter dated October 27, 2025, from the Cedar Woods board in response to these Committee requests.

The subject agenda item was again brought to the Community Development & Public Safety Committee for consideration on November 17, 2025. The Cedar Woods Board President was present at the meeting and answered several questions asked by members of the Committee. The Committee voted (3-0) in favor of bringing this item to Town Council for consideration.

Mr. Alfred moved to approve. Ms. Becker seconded.

Mayor Perry asked for Public Comment.

Leslie Ford addressed Council providing background from the property owners perspective and thanked Council for consideration of the item before them.

Mr. Alfred reiterated that in prior discussions, it is understood that the Town needs to develop a plan and guidelines for when it will assume control of private roads and agree to pay to maintain them. He stated in going forward with this specific situation and consideration of approval, the intention is that the Town will come up with guidelines for the circumstances under which the Town will assume control of private roads. Ms Tunner stated she felt the item

should be tabled until a policy is established.

Following further discussion, Mayor Perry called for a vote. Motion carried. 6-1 (Tunner opposed).

Consideration of a Resolution Authorizing the Execution of a Standardized Stormwater Agreement for the Cedar Woods Subdivision - Jeff Netzinger, Engineering & Public Projects Director

Mr. Netzinger explained that after the creation of the Storm Water Utility in 2001, the Town offered to accept corrective maintenance responsibility for storm water systems located within private Planned Unit Developments (PUDs). Between 2007 and 2012, the Town executed and delivered drainage agreements with eleven (11) PUDs including Shipyard, Wexford, Long Cove Club, Sea Pines, Palmetto Dunes, Leamington, Shelter Cove, Port Royal Plantation, Indigo Run, Hilton Head Plantation, and Palmetto Hall.

On September 21, 2021, Town Council authorized executing drainage agreements with six (6) additional communities, including Bermuda Pointe, Jarvis Creek Club, Seagrass Landing, Spanish Wells, Wells East, and Yacht Cove.

On November 4, 2020, Town Council approved standardized terms and conditions for current and future drainage agreements. All eleven (11) original agreements were recently updated, using the standard terms and conditions, as authorized by Town Council on July 19, 2022. On June 6, 2023, Town Council authorized executing drainage agreements with five (5) additional communities, including Ashton Cove, Beach City Place, Carolina Isles, Chinaberry Ridge, and Peregrine Pointe.

On November 12, 2024, Town Council authorized executing drainage agreements with four (4) additional communities, including Broad Creek Landing, Paddocks on Jarvis Creek, Ribaut Island, and Victoria Square.

To date, Town Council has authorized executing drainage agreements with twenty-six (26) communities. Cedar Woods Owners' Association, Inc., is currently requesting a similar agreement. During the October 20, 2025 meeting of the Community Development & Public Services Committee, the Committee moved to forward the resolution to the full Council for consideration of approval. The motion carried 3-0.

Mr. Brown moved to approve. Ms. Becker seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

Public Comment - Non Agenda Items

Richard Bisi addressed Council regarding transparency.

Mare Deckard addressed Council regarding hotel fees.

Executive Session

At 5:41 p.m. Mr. Orlando stated the need to enter Executive Session for the reasons listed below.

Mr. Alfred moved to enter Executive Session for the reasons cited by the Town Manager. Ms Becker seconded. Motion carried 7-0.

Discussion Incident to Proposed Contractual Arrangements (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:

1. Town of Hilton Head Island Destination Marketing Organization Request for Qualifications

Discussion Incident to Proposed Contractual Arrangements (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]):

1. Various Agreements Related to Northpoint
2. Bryant Road Redevelopment Project Request for Qualifications
3. Circle Center Outparcel Covenants, Parking & Access Easement, and Sign Easements
4. Coligny Plaza Sign Easement
5. Town Attorney Discussion

Discussion of Appointment to Boards, Commissions, and Committees [Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 (a)(1)] related to:

1. Beaufort County Airports Board
2. Beaufort Jasper Housing Trust
3. Board of Zoning Appeals
4. Gullah Geechee Land & Cultural Preservation Task Force
5. Housing Action Committee
6. Land Management Ordinance Task Force
7. Transportation Sales Tax Referendum for 2026 - Transportation Advisory Committee
8. Northpoint Public-Private Partnership Housing Advisory Committee
9. Bryant Road Partnership Advisory Committee

Discussion of Negotiations Incident to Proposed Contractual Arrangements and Discussions for the Proposed Sale or Purchase of Property (Pursuant to the South Carolina Freedom of Information Act Section 30-4-70 [a][2]) related to:

1. Main Street Area
2. Squire Pope Road Area
3. Bradley Circle Area

Action from Executive Session

Town of Hilton Head Island Town Council
Meeting Minutes
12/9/2025

Council returned to the dais at 8:16 p.m. **Mr. Alfred moved to end the Executive Session and return to the regular meeting. Ms. Brison seconded. Motion carried 7-0.**

Mayor Perry asked if there was any business as a result of Executive Session.

Consideration of the following appointments to Boards, Committees and Commissions:

- Dr. Eli Roth as the Hilton Head Island Representative on the Beaufort County Airports Board with a term ending 6/30/2028.
- Karl Brondell as the Hilton Head Island Representative on the Beaufort Jasper Housing Trust.
- Dale Strecker to the Board of Zoning Appeals (Architect) with a term ending 6/30/2028.
- Barbara Banaszynski to the Housing Action Committee with a term ending 6/30/2026.
- Sue Ann Hess to the Housing Action Committee with a term ending 6/30/2026.
- Maryann O'Brien to the Housing Action Committee with a term ending 6/30/2026.
- Molly Risk to the Housing Action Committee with a term ending 6/30/2027.
- Justin Wilson to the Housing Action Committee with a term ending 6/30/2027.
- Greg Wynn to the Housing Action Committee with a term ending 6/30/2027.

Ms. Becker moved to approve. Ms. Tunner seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

Consideration of Appointment to the Land Management Ordinance Task Force:

- Tom Henz, Planning Commission Chair
- Judd Carstens, Design Review Board Chair
- Louis Johnson, Gullah Geechee Historic Neighborhoods Community Development Corporation Chair
- Lavon Stevens, Gullah Geechee Land and Cultural Preservation Task Force Chair
- Ray Warco, Hilton Head Island – Bluffton Chamber of Commerce Representative
- Eric Brehm, Esposito Construction, Hilton Head Area Home Builders Association Representative
- James Wedgeworth, Hilton Head Area Realtors Representative
- Mike Alsco, Coastal Home and Villa, Short Term Rental Representative
- Cliff McMackin, Sea Pines Resort, Hospitality Industry Representative
- Barbara Banaszynski, Workforce Housing Sector Representative
- Bill Dix, Palmetto Dunes (General Manager)
- Courtney Struna, Palmetto Hall (General Manager)
- Peter Kristian, Hilton Head Plantation (General Manager)
- Brian Kinard, Resident

- Lola Campbell, Resident
- Gregg Russell, Resident
- Edwina Dunlap, Resident
- Ciaran Storan, Resident
- Marc Orlando, Town Manager (Ex-Officio)
- Shawn Leininger, Deputy Town Manager (Ex-Officio)

Mr. Brown moved to approve. Ms. Brison seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

First Reading of an Ordinance Authorizing the Sale of Three Parcel of Real Property Owned by the Town of Hilton Head Island Located at 55 Main Street, 1 Automobile Place and 355 William Hilton Parkway, and Providing for Severability and an Effective Date.

Mr. Brown moved to approve. Ms. Becker seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

Authorization for the Mayor and Town Manager to Execute and Deliver the Proposed Contract by and between the Town of Hilton Head Island and Hilton Head Medical Center, LLC, for the Sale of 4.57 Acres of Town Owned Property on Main Street, and to take such other and further actions as may be necessary to complete the transaction described in the contract.

Mr. Brown moved to approve. Ms. Brison seconded.

Mayor Perry asked for public comment. There was none.

Motion carried 7-0.

Adjournment

Mr. Alfred moved to adjourn. Ms. Becker seconded. Motion carried 7-0. The meeting was adjourned at 8:20 p.m.

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

The full recording and a transcript of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov



Town of Hilton Head Island TOWN COUNCIL MEETING Thursday, December 18, 2025, 11:00 AM Minutes

Call to Order

Mayor Perry called the meeting to order at 11:00 a.m.

Council Members present: Alan Perry, Mayor; Alex Brown, Ward 1, Mayor Pro-Tempore; Patsy Brison, Ward 2; Steve DeSimone, Ward 3; Tammy Becker, Ward 4; Steve Alfred, Ward 5; Melinda Tunner, Ward 6 (via Microsoft Teams)

Others Present: Marc Orlando, Town Manager; Curtis Coltrane, Town Attorney; Kim Gammon, Town Clerk

Adoption of the Agenda

Mr. Alfred moved to approve. Ms. Becker seconded. Motion carried 7-0.

Unfinished Business

Consideration of an Ordinance of the Town of Hilton Head Island, South Carolina Authorizing the Sale of Three Parcels of Real Property Owned by the Town of Hilton Head Island, South Carolina, Located at 55 Main Street, 1 Automobile Place, and 355 William Hilton Parkway, and Providing for Severability and an Effective Date - Second Reading - Ben Brown, Strategic Initiatives Director

Ben Brown provided an update with the following information.

In 2019, the Town acquired the former Modern Classic Motors property located at 55 Main Street, 1 Automobile Place, and 355 William Hilton Parkway for \$3,650,000 using tax revenue.

Since then, the Town has restored the site with funding from Palmetto Electric Utility Tax Credits.

Summary of the Property:

Acres: 4.57

Purchase Price (07.18.2019): \$3,650,000

Source of Funds: General Fund

Appraised Value (07.27.2022): \$4,220,000

Zoning: Main Street District (MS)

Height: 45' maximum

Density: 9,000 ft² per acre, for a maximum yield of up to 41,130 ft

On September 3, 2024, the Town issued a Request for Proposals (RFP) seeking qualified parties interested in purchasing the 4.57-acre property. The RFP emphasized the Town's goal of selecting a buyer who would expand access to healthcare services for Hilton Head Island residents and strategically redevelop the site to create jobs and provide services not currently available on the Island.

In response to the RFP, the Town received a proposal from Novant Health to develop the property into a medical office facility with supporting parking and infrastructure.
Summary of the Proposal from Novant Health

Purchase 4.57 acres from the Town for \$4,341,500
Develop +/- 25,000 ft² with the ability for expansion of another 15,000 ft²

Proposed services include, but not limited to:

- Urgent Care

- Primary Care

- Physical Therapy

- Urology

- Project cost of \$25,336,500 (land, construction, FFE, IT)

- 46 initial jobs created with an average hourly rate of \$45.64

- 86 total jobs projected by 2030

- Commitment to subsidized childcare for employees through a local provider Novant Health's proposal represents a strategic opportunity to expand healthcare services on Hilton Head Island while supporting economic development through job creation and private capital investment.

The purchase price provides a favorable return on the Town's original investment.

Summary of Key Terms from the Contract

- Purchase Price: \$4,341,500

- Purchaser: Hilton Head Medical Center, LLC (affiliate of Novant Health)

- Due Diligence Period: 120 days

- Closing: 150 days after contract date

- Right of First Refusal (ROFR):

- Applies prior to the buyer submitting a building permit application.

- Buyer must notify the Town of any proposed sale; the Town may exercise or waive the ROFR.

- ROFR binds only the original buyer, not subsequent owners.

- Non-Performance Buy-Back Agreement:

- The buyer must submit a complete building permit application for a 25,000 ft² medical office building within 3 years of closing.

Mr. Brown moved to approve. Mr. Alfred seconded.

Mayor Perry asked for public comment. There was none.

Following discussion by Council, the motion carried 7-0.

Consideration of an Ordinance of the Town of Hilton Head Island, South Carolina Authorizing the Issuance of General Obligation Debt Bonds and Providing for Severability and an Effective Date - Second Reading - Dave Byrd, Finance Director

Mr. Byrd provided the following information. He stated Town Council approved First Reading by a vote of 5-2 on December 9, 2025, with the following amendments to the Ordinance:

1. The title of the Ordinance be amended to read “with the proceeds being used to fund certain capital projects, including but not limited to the acquisition and renovation of certain land and existing improvements, if any, located at 9 Park Lane and 10 Park Lane for the new headquarters for Fire Rescue and Emergency Operations Center, and land acquisition costs for conservation purposes”.
2. The first Whereas statement be similarly amended to read “the Town intends to undertake certain capital projects, including but not limited to the acquisition and renovation of certain land and existing improvements, if any, located at 9 Park Lane and 10 Park Lane for the new headquarters for Fire Rescue and Emergency Operations Center, and acquire land for conservation purposes”.

These amendments have been incorporated for Second Reading.

Mr. Byrd proceeded to provide background regarding the item.

Potential Capital Projects and Property Acquisitions to be Funded and/or Reimbursed with G.O. Bond Issue Proceeds:

- Acquiring and improving 9 Park Lane and 10 Park Lane for a new Fire and Rescue headquarters and Emergency Operations Center, including building an adjacent parking lot for the benefit of the facility (total estimated property acquisition and buildout costs of approximately \$9,000,000).
- Acquiring strategic land parcels for conservation purposes, consistent with the Town’s ongoing land acquisition policy.
- Undertaking additional capital projects. The specific capital projects and specific dollar amounts devoted to each project would be determined by Town Council.

The Town has historically funded many of its property acquisitions and capital improvement projects via accumulated cash balances from various Town funds. The Town has also issued G.O. bonds to fund strategic property acquisitions and capital projects throughout its history, including “new money” (non-refunding) G.O. Bond issuances in 2010, 2013, 2017, and 2019.

Sources of Payment/Payback of the Potential G.O. Bond Issuance

1. Accumulated Debt Service Fund Balance - The Town's Debt Service Fund can only be used to pay back debt. The Debt Service Fund's balance has grown to \$14.2 million (as of 6/30/25) over the past several years due to conservative revenue projections. If the Town was to maintain a minimum future Debt Service Fund Balance of \$2.5 million, this would leave approximately \$11.7 million in FY2026 to pay back the first G.O. bond debt service payment (due on approximately June 1, 2026) within 2 months of the initial bond issuance.
2. Already Requested Debt Service Millage Collections for FY2026 – Consistent with the FY2026 budget, the Town has already requested that Beaufort County assess 5.1 mils in FY2026 in Debt Service-related property taxes that can only be used to pay back debt. Of the 5.1 mils of Debt Service millage requested for FY2026, the Town has included 2 mils (approximately \$2.6 million) to pay for additional anticipated debt to be issued in FY2026.
3. Future annual Debt Service millage, over a payback period totaling approximately 15 years, to pay future years' debt service payments. These anticipated future debt service payments would allow the Town to maintain all future annual Debt Service millage rates at or below 5.1 mils.

The Town has the opportunity to:

- Acquire 9 Park Lane and 10 Park Lane and make significant capital improvements on these properties to build out a Fire & Rescue Headquarters and Emergency Operations Center
- Fund future strategic land acquisitions for conservation purposes
- Fund additional capital projects at the discretion of Town Council

The Town can fund the above via a G.O. bond issuance. The Town would pay back the bond issuance over approximately 15 years, with a large portion of the principal to be paid back within 2 months of issuance. The sources of the first payment (\$14.3 million on approximately 6/1/26) would be approximately \$11.7 million from the accumulated Debt Service Fund balance + \$2.6 million in already-requested FY2026 property tax collection millage. The remaining payments would be made via future annual Debt Service millage collections until the bonds are paid off in approximately 15 years.

The Town's future total annual Debt Service millage (for its existing G.O. bonds and the proposed FY2026 G.O. bonds) would stay at or significantly below FY2026's 5.1 Debt Service millage rate, and would thus give the Town the ability to either 1) reduce Debt Service millage below 5.1 mils after FY2028, 2) undertake additional debt-financed capital projects after FY2028, or, 3) a combination of the two.

The Town, through its Municipal Advisor, First Tryon, would sell this debt competitively in the municipal bond market to ensure the most competitive interest rate results. The Town's AAA

G.O. bond ratings from Moody's, S&P, and Fitch would be featured prominently in the bond offering documents. The Town would pay back the debt over approximately 15 years through our bond trustee, Regions Bank.

Funding these land purchases and capital projects with G.O. bond proceeds (instead of with cash currently available in various funds balances) will allow the Town to:

- Maintain strong General Fund, Real Estate Transfer Fee (RETF) Fund, and other governmental fund balances in excess of the minimum fund balance policy Fund other future capital projects with the additional cash on hand in the General Fund, RETF Fund, and other governmental funds

- Retain additional financial flexibility in the event of a natural disaster

- Align the payment of the land acquisitions and related capital improvements more closely with the land acquisition and related capital improvements' expected useful lives, thus offering a more equitable and financially sustainable approach relative to funding the entire capital project via past-accumulated cash balances

Mr. Brown moved to approve. Ms Brison seconded.

Mayor Perry asked for public comment. There was none.

Ms. Tunner and Ms. Becker voiced their opposition to the amount of the bond being \$35,000,000 and stated their preference for the amount of the bond to be \$25,000,000.

Following discussion by Council, the motion carried 5-2 (Tunner and Becker opposed).

New Business

Consideration of a Resolution Relating to the Declaration of Intent by the Town of Hilton Head Island, South Carolina to Reimburse Certain Expenditures (Related to the Fire Rescue Headquarters) Prior to the Issuance by the Town of Tax-Exempt Bonds - Dave Byrd, Finance Director

The Town has contracted to purchase properties at 9 & 10 Park Lane, with a combined purchase price of approximately \$7,700,000. The Town intends to add approximately \$1,300,000 in improvements to these properties to transform the existing structure into a new Fire and Rescue headquarters and Emergency Operations Center, as well as build an adjacent parking lot for the benefit of the facility. The Town will initially use General Fund and RETF dollars to pay for the property purchases at the property acquisitions' closings. The 10 Park Lane purchase was expected to close on 12/12/25, and the 9 Park Lane purchase is expected to close on or about 12/29/25.

The Town is also in the initial stages of preparing a G.O. bond issue to be sold later in FY2026. The proceeds of this bonds issue will be used for multiple capital purposes, including reimbursing the Town's General Fund and Real Estate Transfer Fund for up to \$9,000,000 in funds that will have been expended for the above land purchase and related capital improvements.

Approving the Reimbursement Resolution provides the Town with the ability to reimburse itself for the upfront property acquisition expenses (that will have been paid out of the General Fund and the RETF) via the proceeds from its planned G.O. bond issue.

If approved by the Town Council, this reimbursement action would preserve strong FY2025 General Fund and RETF balances and would allow the Town the ability to pursue additional approved capital projects and property acquisitions with these replenished balances.

Additionally, aligning the payback period of the bond issue to the long-term useful life and benefits of the property acquisition is a more equitable way to pay for these long-term capital improvements and property acquisitions relative to one-time FY2025 General Fund and RETF cash expenditures.

Ms. Brison moved to approve. Ms. Becker seconded.

Mayor Perry asked for public comment. There was none.

Following discussion by Council, the motion carried 7-0.

Consideration of a Resolution of the Town of Hilton Head Island Approving the Execution of a Contract with the Hilton Head Island-Bluffton Chamber of Commerce for Destination Marketing Organization Services - Angie Stone, Assistant Town Manager

Ms. Stone provided the following information.

South Carolina Code of Laws Section 6-4-10 requires that municipalities and counties who have collected more than \$50,000.00 in local accommodations taxes to allocate the taxes based on a prescribed formula. The first \$25,000 plus 5% of the balance must be allocated to the general fund. Beyond that, the formula requires that 30% of the balance must be allocated to a special fund and used only for advertising and promotion of tourism to develop and increase tourist attendance through the generation of publicity.

To manage and direct the expenditure of these tourism promotion funds, the municipality or county shall select one or more organizations, such as a chamber of commerce, visitor and convention bureau, or regional tourism commission, which has an existing, ongoing tourist promotion program. If no organization exists, the municipality or county shall create an organization with the same membership standard in Section 6-4-25. To be eligible for selection the organization must be organized as a nonprofit organization and shall demonstrate to the municipality or county that it has an existing, ongoing tourism promotion program or that it can develop an effective tourism promotion program.

The Hilton Head Island-Bluffton Chamber of Commerce Visitor and Convention Bureau (Chamber VCB) has provided destination marketing services for the Town since 1998. Initially, the Town Council adopted Ordinance 98-03 naming the Chamber VCB as the Town's DMO. In 2015, the Town entered into its first contract with the Chamber VCB to provide DMO services.

The most recent contract was awarded to the Chamber VCB in 2020 and expired on November 30, 2025.

In early 2025, Staff prepared and issued a request for qualifications (RFQ) for DMO services. The RFQ yielded seven responses. A staff team reviewed the responses and interviewed the top two respondents to evaluate qualifications and capabilities to serve as a DMO. Concurrently with the evaluation of qualifications and capabilities, a legal review of respondents' eligibility under SC Law was conducted. The Chamber was identified as the most qualified, eligible respondent.

As a result, the Town entered into negotiations with the Chamber to develop an agreement focused on:

- Clarifying roles and expectations;
- Improving financial transparency;
- Enhancing reporting;
- Aligning marketing efforts with the Town's core values, and
- Refining metrics and performance indicators.

The negotiations resulted a contract for DMO services. The contract clearly articulates the Town Council's expectations and achieves the objectives outlined above. This is a three-year contract with one renewal option for up to two-years.

Mr. Alfred moved to approve. Ms. Becker seconded.

Mayor Perry asked for public comment.

Following discussion by Council, the motion carried 7-0.

Public Comment - Non Agenda Items

None.

Adjournment

At 11:40 a.m., Ms. Becker moved to adjourn. Mr. Alfred seconded. Motion carried 7-0.

Kimberly Gammon, Town Clerk

Alan R. Perry, Mayor

The full recording and a transcript of this meeting can be found on the Town's website at www.hiltonheadislandsc.gov



TOWN OF HILTON HEAD ISLAND

TOWN COUNCIL

TO: Town Council
FROM: Dave Byrd, Finance Director
CC: Marc Orlando, ICMA-CM, Town Manager
DATE: January 13, 2026
SUBJECT: Presentation of FY2025 Annual Comprehensive Financial Report for the Town of Hilton Head Island by Mauldin & Jenkins

BACKGROUND:

In accordance with South Carolina Code Section 5-7-240, the Town is required to have an independent annual audit of financial records and transactions for the Town. The Town has engaged Mauldin and Jenkins LLC CPAs to perform the independent annual audit of the Town for the Fiscal Year Ending June 30, 2025. The Fiscal Year Ending June 30, 2025, audit performed by Mauldin and Jenkins LLC CPAs was the third year of a five-year agreement to provide audit services to the Town of Hilton Head Island.

The Town has received an unmodified (“clean”) opinion from Mauldin and Jenkins LLC CPAs for the year ended June 30, 2025.

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reports to the Town for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024. This was the thirty sixth (36) consecutive year that the Town has received this prestigious award.

SUMMARY:

Kirk Arich, a Director with Mauldin and Jenkins LLC CPAs will provide a Financial Audit Presentation for the Fiscal Year Ending June 30, 2025.

ATTACHMENTS:

1. Mauldin and Jenkins LLC CPAs – Financial Audit Presentation – June 30, 2025
2. Fiscal Year 2025 Annual Comprehensive Financial Report

Town of Hilton Head Island, SC



Financial Audit – June 30, 2025



Presented by:
Kirk Arich, CPA



Purpose of Today's Presentation

- **Introduction of Mauldin & Jenkins**
- **Overview of:**
 - **Independent Auditor's Report**
 - **Compliance Reports**
 - **Financial Statements**
- **Required Communications**
- **Answer Any Questions**

Introduction of Mauldin & Jenkins

MAULDIN & JENKINS BY THE NUMBERS



CONSISTENTLY RANKED AS A TOP
ACCOUNTING FIRM IN THE U.S.

100+ year
HISTORY
OF QUALITY SERVICE

Serve 725+
GOVERNMENT CLIENTS

GOVERNMENTAL
PARTNERS &
DIRECTORS **25**



150+
TEAM MEMBERS DEDICATED
TO SERVING THE
GOVERNMENTAL INDUSTRY



VISION
*To be a trusted advisor, earning trust and building respect through our
consistent commitment to sustainable excellence, leadership, and integrity.*



220+
SINGLE AUDITS PERFORMED LAST
YEAR COVERING OVER \$6 BILLION
OF FEDERAL GRANTS



156,000+
HOURS ANNUALLY
PROVIDED TO
GOVERNMENTAL CLIENTS

175+

CURRENT CLIENTS AWARDED
THE GFOA CERTIFICATE OF
EXCELLENCE

6

STATES

14

OFFICES



Audit Opinion

- **Town: responsible for financial statements.**
- **M&J: to express opinions.**
- **Auditing Standards = *Generally Accepted Auditing Standards and Government Auditing Standards***
- **Financial Audit : Unmodified (Clean) Opinion**
 - **Highest level of Assurance**
 - **Financial Statements are fairly presented in all material respects, in accordance with GAAP**

Compliance Reports

- **Yellow Book Report**
 - **Report on Town's Internal Controls and Compliance – No opinion**
 - **Unmodified (Clean)**

- **Single Audit Report**
 - **Report on Town's Internal Controls and compliance related to federal grant programs (ARPA/CSLFRF)**
 - **Unmodified (Clean)**

Annual Comprehensive Financial Report

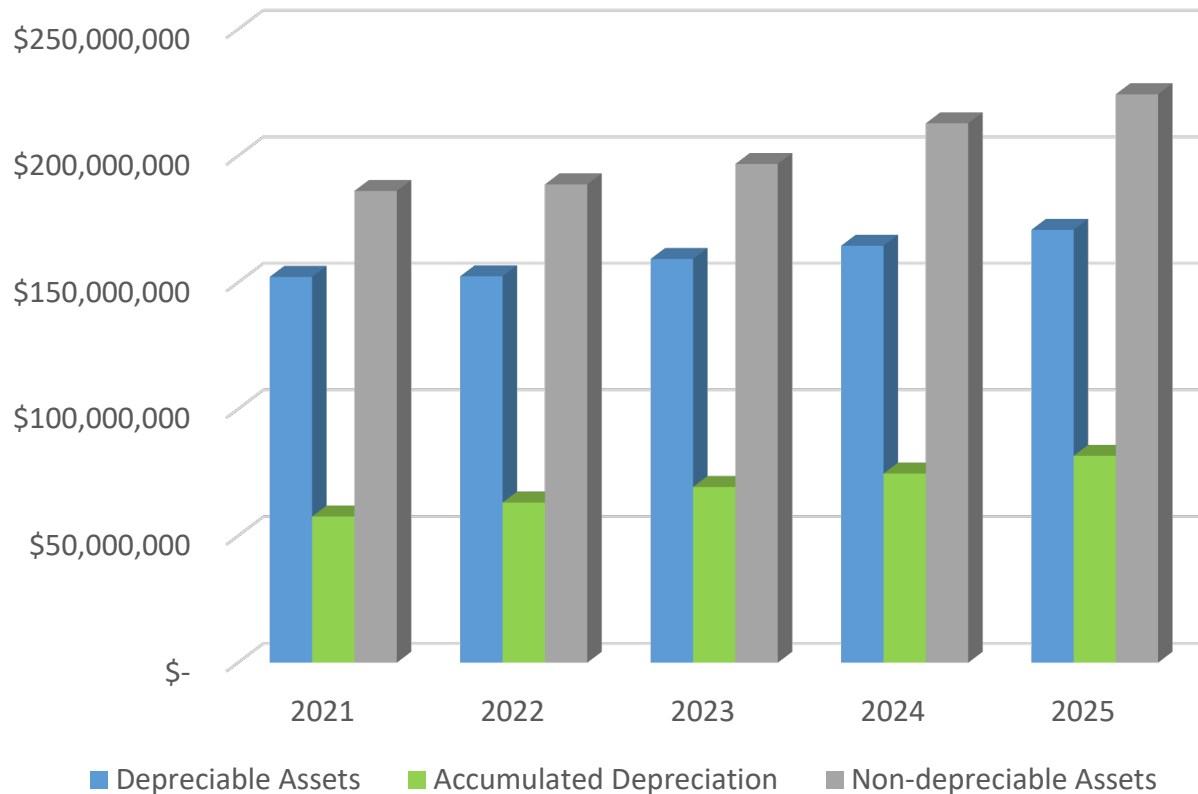
- Goes above and beyond required reporting
- Includes additional sections – introductory and statistical
- Submitted to the GFOA's Certificate of Excellence in Financial Reporting program annually
- FY 2024 certificate is included in the FY 2025 ACFR



Government Wide Financial Statements

- **\$598.8 Million = total assets and deferred outflows**
- **\$323.0 Million = capital assets, net of A/D**
- **\$250.5 Million = cash and investments**
- **\$124.6 Million = total liabilities and deferred inflows**
- **\$88.8 Million = noncurrent liabilities**
- **\$474.2 Million = net position *(or equity)***
- **\$136.3 M revenue, \$98.5 M expense = \$37.8 M inc. NP**

Governmental Capital Asset Activity



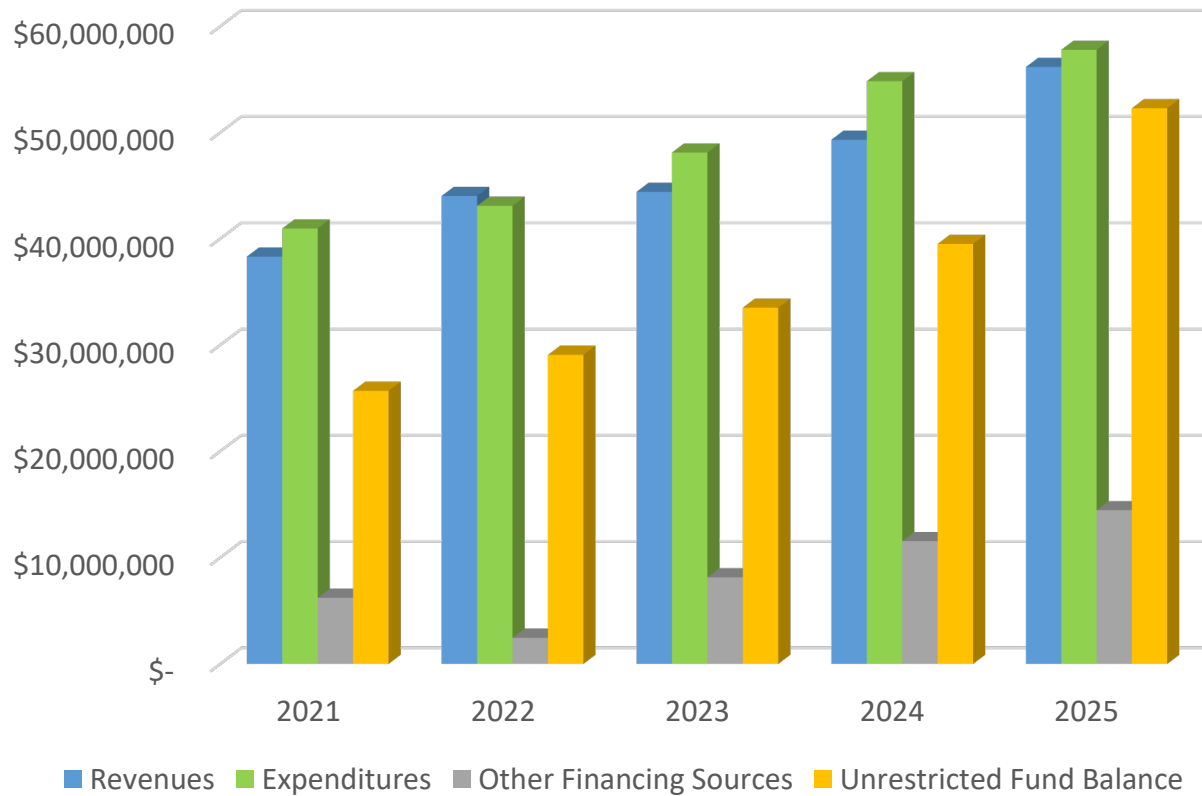
Other Items of Note – Govt Wide

- **\$18.5 Million – capital asset additions**
- **\$12.6 Million – principal payments on bonds**
- **Net pension liability (PORS) - \$17.9 Million – decrease of \$1.1 Million from the prior year – very long term liability**
- **OPEB liability - \$4.0 Million**
- **No significant impact from new GASB standards anticipated in the next few years.**

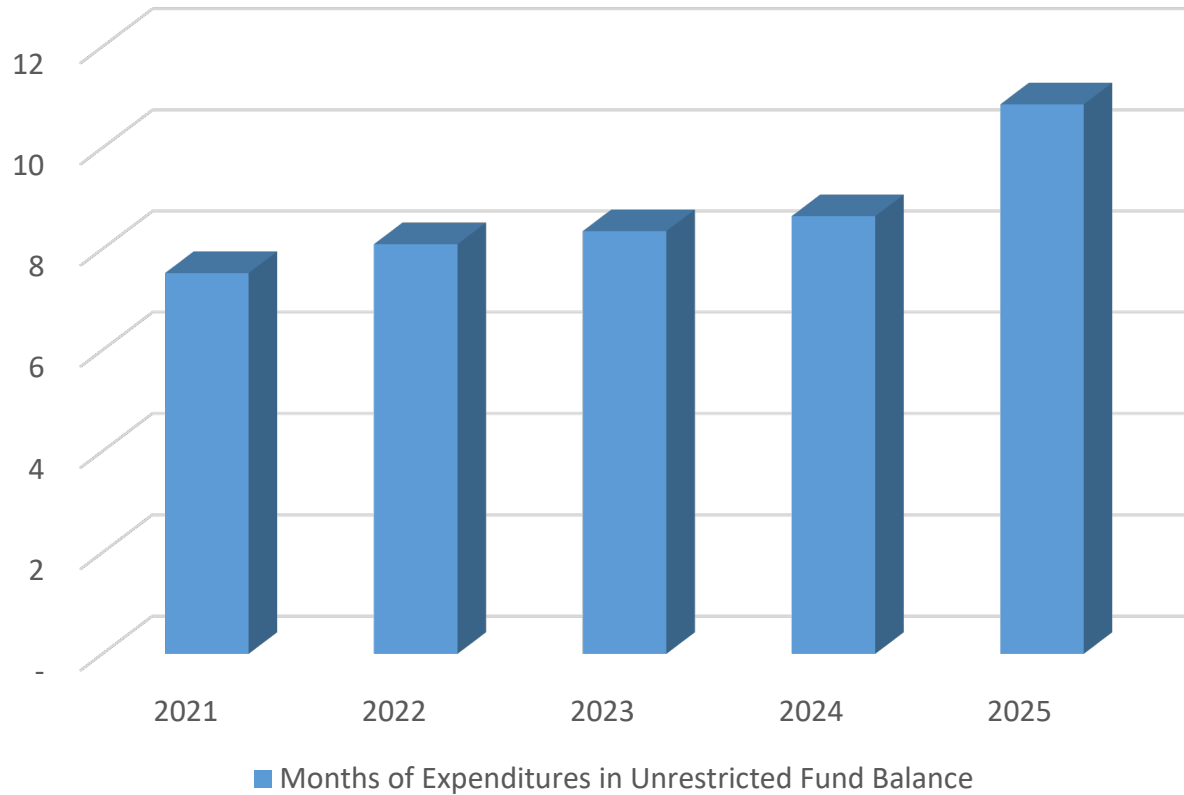
General Fund

- **\$75.1 Million = assets**
- **\$22.8 Million = liabilities and deferred inflows**
- **\$52.4 Million = fund balance (\$27.9 M unassigned, \$24.4 M Committed-Disaster Recovery)**
- **\$56.2 M rev., \$57.8 Million exp., \$14.4 M other fin. sources**
- **\$12.8 Million = Increase in fund balance**
- **~ 5.8 months of exp in unassigned FB (10.8 months unrest.)**
- **Liquid ratio of 3.3:1 – good liquid position**

General Fund – Revenue, Expenditures and Fund Balance History



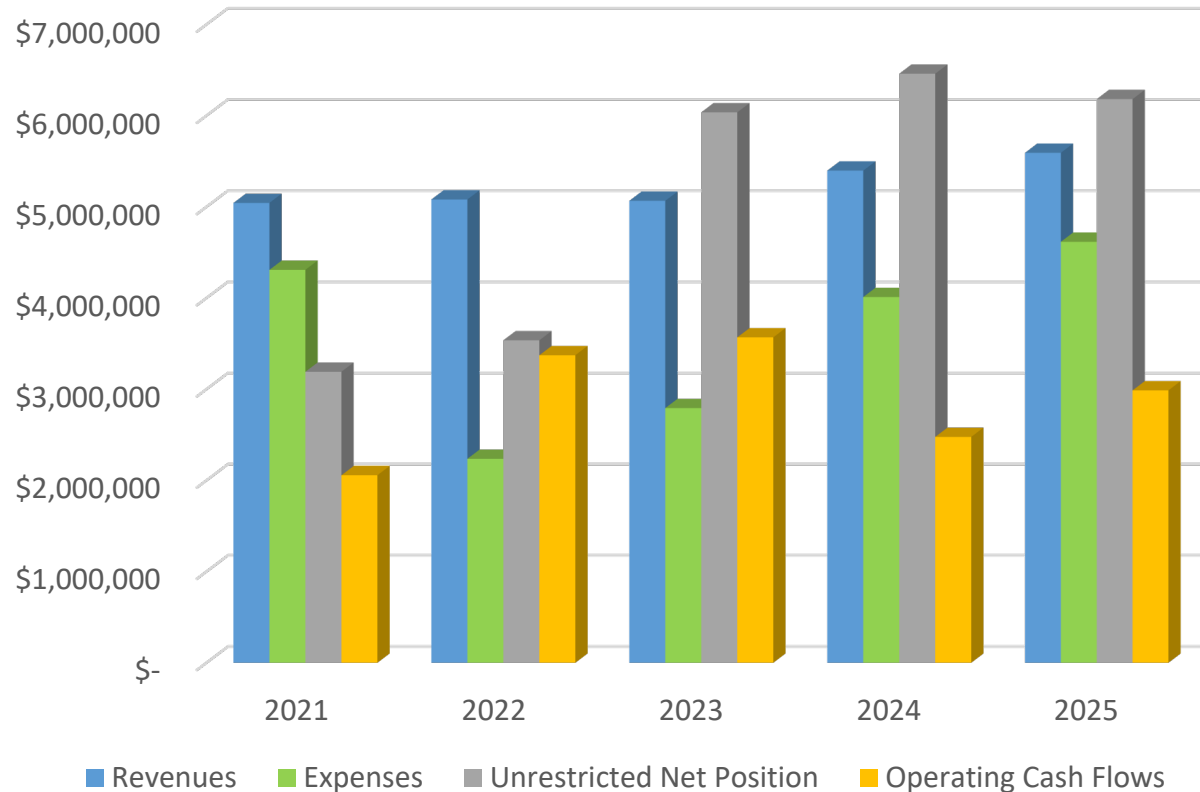
General Fund – Fund Balance History



Stormwater Fund

- **\$18.3 Million = assets**
- **\$4.7 Million = liabilities**
- **\$13.6 Million = net position (\$6.2 M unrestricted)**
- **\$5.6 M rev., \$4.6 Million exp., \$1.3 M net, non-op and transfers**
- **\$.1 Million = Decrease in net position**

Stormwater Five Year Comparison



Required Communications

- **Clean Opinion, No Findings, No Mgmt Letter Comments**
- **FS Disclosures and Significant Estimates – Mgmt Responsibility – Integral Parts of the ACFR**
- **No Difficulties in Dealing with Management**
- **No Disagreements with Management**
- **No Uncorrected Misstatements**
- **We are Independent of the Town**

Closing

We appreciate the opportunity to serve the Town and look forward to serving you in the future.



Town of Hilton Head Island
South Carolina

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Year Ended June 30, 2025



**TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA**

ANNUAL COMPREHENSIVE FINANCIAL REPORT

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2025**

Prepared By:
Town Finance Department

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Transmittal Letter	i – vi
Town Council	vii
Principal Officials	viii
Organizational Chart.....	ix
GFOA Certificate Of Achievement.....	x

FINANCIAL SECTION

Independent Auditor's Report	1 – 4
Management's Discussion and Analysis.....	5 – 22

FINANCIAL STATEMENTS

Government-wide Financial Statements

Statement of Net Position.....	23
Statement of Activities.....	24 and 25

Fund Financial Statements

Balance Sheet – Governmental Funds.....	26 and 27
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	28
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	29 and 30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	31
Statement of Net Position – Proprietary Fund	32
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Fund	33
Statement of Cash Flows – Proprietary Fund	34
Notes to Financial Statements	35 – 104

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – GAAP Basis – General Fund	105
Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – GAAP Basis – General Fund	106 and 107
Schedule of the Town's Proportionate Share of the Net Pension Liability – South Carolina Police Officers' Retirement System.....	108 and 109
Schedule of Contributions – South Carolina Police Officers' Retirement System.....	110 and 111

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS (CONTINUED)

Page

FINANCIAL SECTION (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)

OPEB Schedules – Schedule of Changes in the Town’s Total OPEB Liability and Related Ratios	112 and 113
OPEB Schedules – Schedule of Contributions – OPEB Plan	114 and 115

SUPPLEMENTARY INFORMATION

Combining and Individual Fund Financial Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds	116 and 117
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	118 and 119
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – GAAP Basis:	
General Fund	120 – 123
Housing Fund	124
Gullah Geechee Historic Neighborhoods Community Development Corporations Fund	125
Debt Service Fund	126
Capital Improvements Program Fund	127 and 128
Stormwater Utility Fund	129

STATISTICAL SECTION

Schedule 1: Net Position by Component.....	130
Schedule 2: Changes in Net Position	131 and 132
Schedule 3: Program Revenues by Function/Program.....	133
Schedule 4: Fund Balances – Governmental Funds	134
Schedule 5: Changes in Fund Balances – Governmental Funds.....	135
Schedule 6: General Government Tax Revenues by Source	136
Schedule 7: Assessed Value and Estimated Actual Value of Taxable Property	137
Schedule 8: Property Tax Rates – Direct and Overlapping Governments	138
Schedule 9: Principal Property Taxpayers	139
Schedule 10: Property Tax Levies and Collections.....	140
Schedule 11: Direct and Overlapping Sales Tax Rates.....	141
Schedule 12: Ratios of Outstanding Debt by Type	142
Schedule 13: Ratios of General Bonded Debt Outstanding	143
Schedule 14: Direct and Overlapping Governmental Activities Debt.....	144
Schedule 15: Legal Debt Margin Information.....	145

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TABLE OF CONTENTS (CONTINUED)

Page

STATISTICAL SECTION (CONTINUED)

Schedule 16: Pledged Revenue Coverage	146
Schedule 17: Demographic and Economic Statistics	147
Schedule 18: Principal Employers	148
Schedule 19: Full-Time Equivalent Town Government Employees by Function/Program	149
Schedule 20: Operating Indicators by Function/Program	150
Schedule 21: Capital Asset Statistics by Function/Program.....	151

COMPLIANCE SECTION

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	152 and 153
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	154 – 156
Schedule of Expenditures of Federal Awards	157
Notes to the Schedule of Expenditures of Federal Awards.....	158
Schedule of Findings and Questioned Costs	159 and 160

INTRODUCTORY SECTION





Transmittal Letter

For The Fiscal Year Ended June 30, 2025
The Town of Hilton Head Island, South Carolina

December 4, 2025

The Honorable Mayor, Members of the Town Council, and Citizens of the Town of Hilton Head Island, South Carolina:

The Annual Comprehensive Financial Report ("ACFR") of the Town of Hilton Head Island, South Carolina, (the "Town" or the "Island") for the fiscal year ended June 30, 2025, is submitted in accordance with South Carolina Code Annotated, Section 5-7-240 that requires an annual audit of the books of account and financial records of the Town. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal control that it established for this purpose. Because the cost of internal controls should not outweigh their anticipated benefits, the objective is to provide reasonable rather than absolute, assurance that the financial statements are free of any material misstatements.

In relation to the Town's financial statements being presented fairly and in accordance with generally accepted accounting principles, Mauldin & Jenkins, LLC, has issued an unmodified ("clean") opinion for the year ended June 30, 2025. The Independent Auditor's Report is located at the front of the financial section of this report.

The Management's Discussion and Analysis ("MD&A") immediately follows the Independent Auditor's Report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Town of Hilton Head Island Profile

The Town of Hilton Head Island, incorporated in 1983, is a barrier island on the Atlantic coast of South Carolina. The Island is located about 30 miles from Savannah, Georgia, and about 90 miles from Charleston, South Carolina. Approximately 54 square miles in area, the Island is about 12 miles long and 5 miles wide. A four-lane bridge over the Intercoastal Waterway connects the Island with the mainland. The Town has jurisdiction over the entire Island except for Mariner's Cove, Blue Heron Point, and Windmill Harbor. The Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town operates under the Council/Manager form of government. Policy-making and legislative authority are vested in a governing council (the "Council") consisting of a Mayor and six (6) other members. The Council appoints the government's manager, who in turn appoints the heads of the various departments. The Mayor and each member of the Council shall be elected for a term of office of four (4) years.

Town of Hilton Head Island Profile (Continued)

The annual budget serves as the foundation for the Town's financial planning and control. The Council formally adopts the budget and legally allocates, or appropriates, available monies for the Town's various funds. Therefore, these funds have appropriated budgets, and budget to actual information is presented. At the first Council meeting in May, the Town Manager submits to the Council a proposed budget for the fiscal year commencing the following July 1. Council budget workshops are held for each budgeted fund to discuss proposed expenditures and the means of financing them. A public hearing is held prior to the budget's final adoption in order to obtain taxpayer comments. In June, the budget is legally enacted through passage of an ordinance. The ordinance sets the limit for expenditures during the fiscal year.

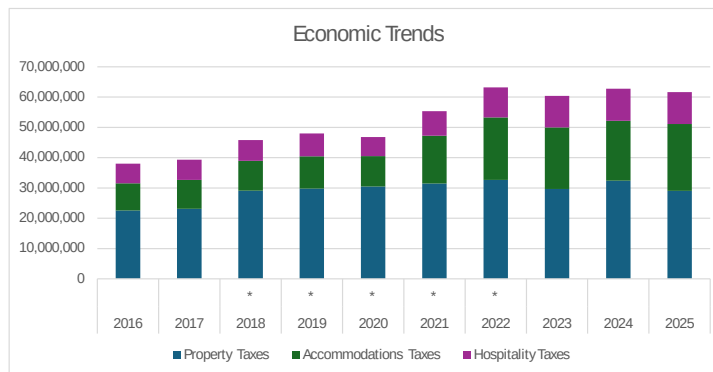
The expenditure appropriations in the adopted budget are by department. The maximum legal expenditure permitted for the fiscal year is the total budget as adopted. Departmental appropriations may be amended during the year in accordance with the budget amendment policies included in the current budget document.

Local Economy

Tourism is the largest industry in the Island's economy. There are approximately 3.1 million visitors annually. It hosts a major sports event in the Heritage Golf Tournament. The Island has established world-class accommodations. The peak summer population is approximately 150,000.

The Town successfully navigated the challenges posed by Hurricane Matthew and the COVID-19 pandemic, emerging stronger than ever. Hospitality tax collections — derived from sales of prepared food and beverages — reached record levels in both 2023 and 2024. Similarly, accommodations tax collections — based on room rentals — remain strong, despite a slight slowdown compared to 2023. Another indicator of economic vitality, property tax collections, also set new records, even with a reduction in the millage rate. The Town continues to grow, and our neighboring communities are thriving as well, fostering a robust and interconnected regional economy.

	Property Taxes	Accommodations Taxes	Hospitality Taxes	Total	Percentage Change
2016	\$ 22,576,837	\$ 8,940,834	\$ 6,506,306	\$ 38,023,977	-1.7%
2017	23,111,039	9,561,791	6,661,873	39,334,703	3.4%
2018 *	29,094,854	9,863,909	6,867,787	45,826,550	16.5%
2019 *	29,824,023	10,620,098	7,545,767	47,989,888	4.7%
2020 *	30,508,737	10,032,022	6,284,461	46,825,220	-2.4%
2021 *	31,512,116	15,745,380	8,051,256	55,308,752	18.1%
2022 *	32,690,057	20,595,819	9,907,025	63,192,901	14.3%
2023	29,681,107	20,293,368	10,400,345	60,374,820	-4.5%
2024	32,427,102	19,734,854	10,574,379	62,736,335	3.9%
2025	29,068,782 **	22,009,068 ***	10,559,662	61,637,512	-1.8%



* Property tax totals include a 5 Mill assessment for disaster recovery for FY2018-2022.

** The Town's TIF ended in 2025 including a cap for collections.

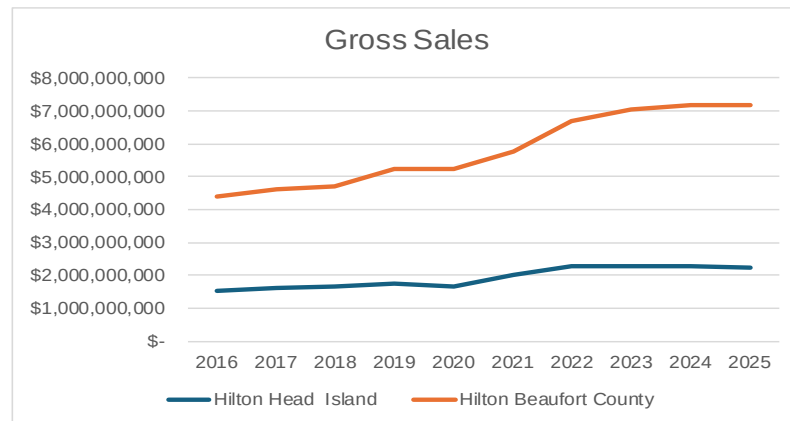
*** TIF collections in 2024 were \$7,844,686 while 2025 collections were \$3,258,859.

*** The Town received a one-time settlement of ATAX collections in 2025 of \$1,507,015.

Local Economy (Continued)

The local economy also noted stable sales for both the Town and Beaufort County in 2025 as another indicator of the growth and economic health of the region.

	Hilton Head Island	Beaufort County	HHI as a percent of Beaufort Co.
2016	\$ 1,550,271,152	\$ 4,421,420,044	35.1%
2017	1,609,775,746	4,617,923,914	34.9%
2018	1,642,934,775	4,731,079,626	34.7%
2019	1,754,457,567	5,248,962,421	33.4%
2020	1,679,223,643	5,238,834,223	32.1%
2021	2,004,519,594	5,785,523,469	34.6%
2022	2,292,682,920	6,694,245,598	34.2%
2023	2,284,245,173	7,070,090,852	32.3%
2024	2,266,772,906	7,200,516,319	31.5%
2025	2,225,173,383	7,187,784,931	31.0%



Long-Term Financial Planning

The Town's three-year financial plan is grounded in robust financial reserves, conservative revenue forecasts, and a strategic approach to limiting future expenditures. As the Town nears full development, challenges such as mainland growth and fluctuations in the national economy will require careful navigation to uphold its commitment to delivering the highest quality essential services to its citizens.

The Finance Department plays a crucial role in maintaining and recommending improvements to the financial plan to ensure the Town's continued fiscal stability. Achieving and sustaining this stability depends on the collaboration of multiple elements and partners working seamlessly together. The following outlines the key components of our financial plan.

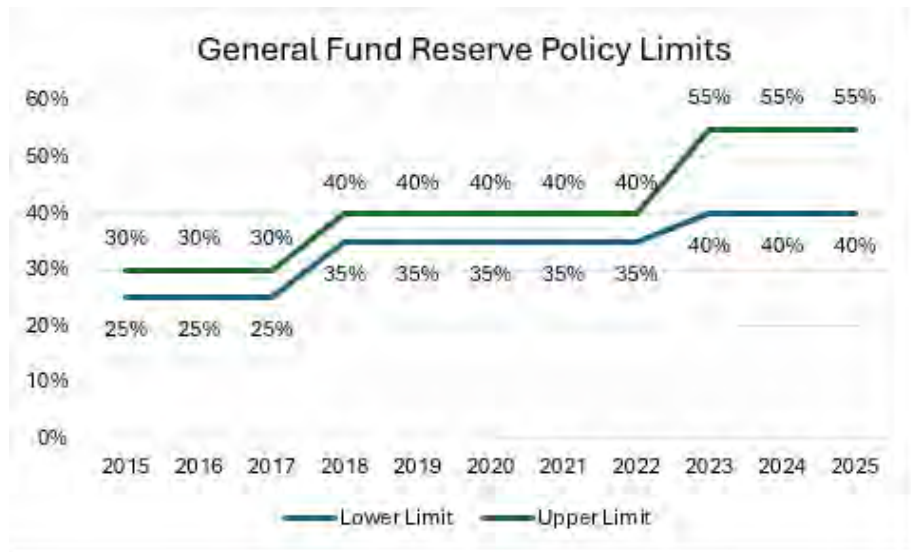
Adopted Financial Policies

Financial policies provide the foundation for the Town's overall fiscal planning and management. They establish guidelines for evaluating current budget performance and assessing proposals for future programs. These policies shape the fiscal decision-making process for both staff and Council.

Long Term Financial Planning (Continued)

Adopted Financial Policies (Continued)

The Town currently maintains financial policies covering operations, capital planning, debt management, reserves, and financial reporting. These policies undergo regular review and improvement as part of the financial plan development process and are adopted annually by Council. In alignment with the adoption of the fiscal year 2025 budget, the Town's General Fund reserve policies will remain unchanged.



Financial Resource Planning

The Town's strategic financial planning begins with determining the Town's fiscal capacity based upon long-term financial forecasts of recurring available revenues. Conservative financial forecasts coupled with financial trend analysis techniques and careful reserve analysis help preserve the fiscal well-being of the Town. Strategic financial capacity planning is a critical element to reach long-term financial stability goals and to determine special financial needs for critical objectives of the Council.

Operating Budget Planning

The Town's budget planning process integrates long-term operating expenditure plans with community expectations and the overarching goals of the Council. While the Town is required to adopt an annual budget to comply with state statutory requirements, for fiscal year 2026, it intends to take a broader, long-term view of the Town's economic outlook. This includes collaborating with regional partners to optimize the Town's future prospects. This initiative represents a significant step forward in the Town's planning process. Council and Town Management, in coordination with the Finance and Administrative Committee, conduct monthly reviews of the budget. Any necessary adjustments will be identified and presented as needed.

Capital Improvement Program Planning

The Town's Capital Improvement Program ("CIP") aligns with the comprehensive plan, "Our Plan." This plan emphasizes community involvement in shaping the long-term vision and priorities for the Town's future. Funding for the CIP is based on conservatively estimated revenues to support capital construction. When debt financing is utilized, project sizes are carefully designed to adhere to existing debt management policies.

The Capital Improvement Program Projects are guided by the Strategic Plan, which reflects community input and serves as a policy blueprint developed by Town Council with contributions from Town Management and staff. This ensures alignment between community priorities and the Town's policy direction.

Long-Term Financial Planning (Continued)

Debt Management

The Town issues debt solely to finance capital infrastructure or high-cost, long-lived assets. Each issuance is rigorously evaluated against several factors, including:

- Debt service as a percentage of operating expenditures;
- The tax and revenue bases available for repayment;
- The overall debt burden on the community;
- Statutory limitations; and
- Conditions influencing tax-exempt interest rates.

A comprehensive long-term analysis is conducted to assess the financial capacity that aligns with the Town's ability to repay its obligations. The size of the CIP is calibrated to the Town's debt capacity while considering conservatively estimated revenues. This approach stabilizes per capita debt and reduces annual debt service costs, promoting fiscal sustainability over the long-term.

The Town's credit ratings on its General Obligation outstanding bonds were raised this year – now the Town has a triple, Aaa -- affirmed at Aaa, AAA, and AAA, from the three major credit ratings agencies, Moody's Investor Service, Standard and Poor's Rating Group, and Fitch Ratings, respectively. These ratings reinforce confidence in our ability, willingness and efforts of the Town to maintain a fiscally sound operation through uncertain economic times — through sound policies and actions.

Fiscal year 2025 was the seventh year in a row that the Town's debt has declined. The last new money issue was the 2019 General Obligation bonds issued to renovate the Fire Station in Sea Pines. This careful debt management continues to position the Town for its future.

Major Initiatives

The Town has an aggressive Capital Improvement Plan in the works. The Town has several parks, roads, beach, pathways, facilities and other projects as part of the CIP. The Town details the projects and the progress on its website at www.hiltonheadislandssc.gov. The Town is embarking on a ten-year implementation from the update to the comprehensive planning process to map out its future for the next phase of the Town's future.

	FY 2025 -- General Fund -- from Schedule A		
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenue	\$ 45,327,843	\$ 56,163,870	\$ 10,836,027
Transfers In (Out), net	14,357,026	14,357,026	-
Proceeds – Sale of Cap. Assets	-	88,628	88,628
Expenditures	<u>\$ (62,546,927)</u>	<u>(57,775,830)</u>	<u>4,771,097</u>
Revenues Over(Under)Expenditures	<u><u>\$ (2,862,058)</u></u>	<u><u>\$ 12,833,694</u></u>	<u><u>\$ 15,695,752</u></u>

Resiliency efforts

The Town continues to collaborate with the Federal Emergency Management Agency (“FEMA”) and state officials to secure the maximum allowable reimbursements for past storm events. The Town’s exceptional planning and preparation have been invaluable in ensuring the safety of the community during these incidents. This year, the Town is advancing its resiliency study to explore and implement best practices for preparatory measures, reinforcing its commitment to safeguarding the community against future challenges.

Awards and Acknowledgements

The Government Finance Officers Association (“GFOA”) awarded the Town a Certificate of Achievement for Excellence in Financial Reporting for its Annual Comprehensive Financial Report (“ACFR”) for the fiscal year ended June 30, 2024. This marks the thirty-sixth consecutive year the Town has received this prestigious honor.

To qualify for the Certificate of Achievement, a government must publish an ACFR that is not only easily readable and efficiently organized but also complies with generally accepted accounting principles and applicable legal standards. The Certificate is valid for one year, and the Town believes its current ACFR continues to meet the program’s rigorous standards. Accordingly, it has been submitted to the GFOA for consideration for another award.

Additionally, the Town received the GFOA Distinguished Budget Presentation Award for the fiscal year beginning July 1, 2025. This represents the twenty-first consecutive year the Town has earned this recognition. The award underscores the quality of the Town’s budget document, which serves as its primary fiscal policy guide.

The preparation of this report would not have been possible without the efficient and dedicated efforts of the Finance Department’s entire staff. I extend my gratitude to the Town’s leadership team and its committed employees for their unwavering dedication to maintaining the high-quality services our citizens expect, all while demonstrating prudent stewardship of the Town’s finances.

I would also like to express my sincere appreciation to the Town Manager, Marc Orlando, and the members of the Council for their continued fiscal responsibility, visionary leadership, and commitment to fostering a future of economic, cultural, and environmental vitality. A special acknowledgment goes to our senior accountants, Crystal Bollino and Laurie Malik, and special work by Jeff Herriman for their exceptional oversight, diligence, and contributions to making the fiscal year 2025 reporting process a success.

This report reflects the strong financial position of the Town of Hilton Head Island, South Carolina. We take this opportunity to thank you and the citizens of the Town for your vital role in enabling the Town to sustain this high standard of fiscal responsibility. Your continued support is invaluable as we move forward together.

Respectfully submitted,

John M. Troyer

John M. Troyer
Interim Director of Finance

TOWN OF HILTON HEAD ISLAND

ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR ENDED JUNE 30, 2025

TOWN COUNCIL



Mayor - Alan Perry
Elected November 2022



Mayor Pro Tempore - Alex Brown
Ward 1 Town Council Member
Elected November 2020



Ward 2 Town Council Member
Patsy Brison – *Elected November 2022*



Ward 3 Town Council Member
Steve DeSimone – *Elected November 2024*



Ward 4 Town Council Member
Tamara Becker – *Elected November 2018*



Ward 5 Town Council Member
Steve Alfred – *Elected November 2022*



Ward 6 Town Council Member
Melinda Tunner – *Elected November 2024*

VISION

Our 2020–2040 vision: To reinvent sustainability... again. To focus on revitalization and modernization, and to build an inclusive and diverse community.

MISSION

The Town of Hilton Head Island's mission is to promote the health and vitality of the community we serve through ethical and inclusive programs, policies and actions.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

PRINCIPAL OFFICIALS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Elected Officials

Alan Perry	Mayor, At-Large
Alex Brown	Mayor Pro-Tem / Ward 1
Patsy Brison	Council Member – Ward 2
Steve DeSimone	Council Member – Ward 3
Tamara Becker	Council Member – Ward 4
Steve Alfred	Council Member – Ward 5
Melinda Tunner	Council Member – Ward 6

Executive Staff

Marc Orlando, ICMA-CM	Town Manager
Shawn Gillen, Ph.D.	Assistant Town Manager
Shawn Leininger, AICP	Assistant Town Manager
Angie Stone, IPMA-SCP	Assistant Town Manager
Ben Brown	Strategic Initiatives Director

Department Staff

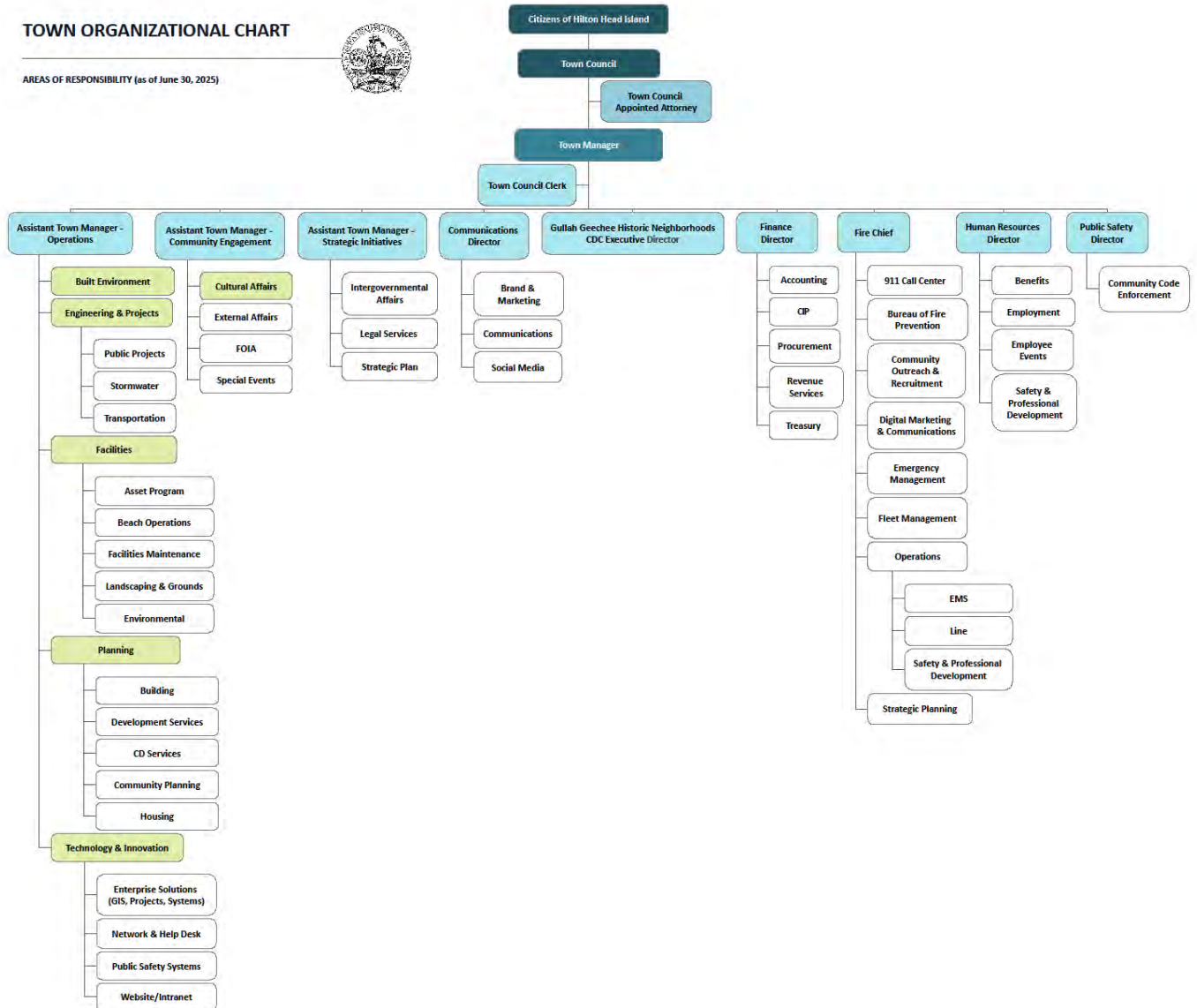
Natalie Harvey	Director of Cultural Affairs
Jeff Netzing	Engineering & Projects Director
Zenos Morris	Director of Built Environment
Derrick Coaxum	Facilities Director
Thomas Sunday	Technology and Innovation Director
Heather Woolwine	Communications Director
Chris Blankenship	Fire Chief
Lisa Stauffer	Director of Human Resources
Bob Bromage	Public Safety Director
Zac Gordon	Director of Planning
Dave Byrd	Finance Director

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

ORGANIZATIONAL CHART FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TOWN ORGANIZATIONAL CHART

AREAS OF RESPONSIBILITY (as of June 30, 2025)



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

GFOA CERTIFICATE OF ACHIEVEMENT



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Town of Hilton Head Island
South Carolina**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO



FINANCIAL SECTION

Town of Hilton Head Island, South Carolina



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the Town Council
Town of Hilton Head Island, South Carolina
Hilton Head Island, South Carolina

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Hilton Head Island, South Carolina** (the "Town"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

We draw attention to Note 5 in the financial statements, which describes the implementation of GASB Statement No. 101, *Compensated Absences*. The Town implemented this new accounting principle for the fiscal year ended June 30, 2025, which supersedes the requirements of GASB Statement No. 16, *Accounting for Compensated Absences*. As discussed in Note 5, the new standard establishes a unified recognition and measurement model for compensated absences, requiring the recognition of a liability for unused leave that is "more likely than not" to be used for time off or otherwise paid in cash or settled through noncash means, significantly changing the criteria previously used. This change resulted in a restatement of the beginning net position for the earliest period presented and a material increase in the reported compensated absences liability. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis ("MD&A"), the budgetary comparison schedule for the General Fund, the Schedule of Proportionate Share of the Net Pension Liability – South Carolina Police Officers' Retirement System, and the Schedule of Contributions – South Carolina Police Officers' Retirement System, the Schedule of Changes in the Town's Total OPEB Liability and Related Ratios, and the Schedule of Contributions – OPEB Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board ("GASB") who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining and Individual Fund Financial Statements and Schedules and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Combining and Individual Fund Financial Statements and Schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2025 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hilton Head Island, South Carolina's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Savannah, Georgia
December 4, 2025

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2025

As management of the Town of Hilton Head Island, South Carolina (the "Town" or the "Island"), we present this narrative overview and analysis of the Town's financial statements for the fiscal year ended June 30, 2025 ("2025" or "FY 2025"), in comparison with the fiscal year ended June 30, 2024 ("2024" or "FY 2024"). The purpose of this Management's Discussion and Analysis ("MD&A") is to provide an overall assessment of the Town's financial performance. We encourage readers to consider not only the information presented in this section, but also the details provided in the letter of transmittal, financial statements and the accompanying notes to gain a comprehensive understanding of the Town's overall improved financial position.

FINANCIAL HIGHLIGHTS

- The Town's total net position increased by \$37,915,381 and decreased by \$118,081 for its governmental and business-type activities, respectively, for a total increase in net position of approximately \$37,797,300 compared to the prior year net position.
- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by approximately \$474,190,826 (net position), including \$460,554,199 in net position for governmental activities and \$13,636,627 in net position for business-type activities. Unrestricted net position was approximately \$56,260,871, including unrestricted net positions of approximately \$50,079,290 and \$6,181,581 for governmental and business-type activities, respectively.
- The overall increase in the Town's capital assets for the period ended June 30, 2025, was approximately \$9,742,918 (or 3%), including an increase of \$10,741,124 for its governmental activities and a decrease of \$998,206 for its business-type activities, respectively. Capital asset additions for governmental activities of \$18,510,779 exceeded depreciation and amortization expense of \$7,760,580 and net disposals of \$0. There were no capital asset additions for business-type activities – only depreciation expense of \$998,206.
- As of the close of the current fiscal year, the Town's governmental funds reported combined ending fund balances of approximately \$239,938,097, an increase of approximately \$23,921,339 over the prior year fund balance.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was approximately \$27,911,157 (or 48%) of total General Fund expenditures for the year ended June 30, 2025.
- The Town's total liabilities, decreased by approximately \$4,245,259 during the current fiscal year, including a decrease of \$3,999,808 and \$245,451 for governmental and business-type activities, respectively.
- The Town issued new debt of \$7,584,000 for new Fire Rescue pumper trucks in governmental activities during the fiscal year and made principal and refunding payments totaling \$12,625,000. No new debt was issued for business-type activities, with principal and refunding payments amounting to \$1,260,000. Additionally, the Town recognized approximately \$220,047 in the amortization of premiums.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts – *Introductory Section*, *Financial Section* (which includes the MD&A, the financial statements, required supplementary information, and supplementary information), and *Statistical Section*.

Financial Statements

This MD&A section serves as an introduction to the Town's financial statements, which comprise three main components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. These financial statements provide two distinct perspectives on the Town's finances through the government-wide and fund financial statements. Additionally, this report includes supplementary information designed to further enhance the reader's understanding of the Town's financial condition.

The *government-wide financial statements* provide readers with a comprehensive overview of the Town's finances in a manner similar to that of a private-sector business. In contrast, the *fund financial statements* offer a more detailed examination of the Town's financial activities.

Government-Wide Financial Statements

The ***Statement of Net Position*** provides information about the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the differences reported as net position. Over time, changes in net position can serve as a meaningful indicator of whether the Town's financial position is improving or deteriorating.

The ***Statement of Activities*** outlines how the Town's net position has changed during the most recent fiscal year. This statement records changes in net position as they occur, regardless of the timing of related cash flows. As a result, some revenues and expenses reported in this statement may lead to cash flows only in future fiscal periods.

The government-wide financial statements are divided into two categories:

- 1) **Governmental Activities:** These include general government, management services, community services, public safety, culture and recreation, Visitor's and Convention Bureau, and administration. The primary funding sources for these activities are taxes (including business licenses), building permits, impact assessments, other service charges, and state and federal grants.
- 2) **Business-Type Activities:** These are related to the operations of the Town's stormwater program.

The government-wide financial statements can be found in the section indicated in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

The fund financial statements provide a more detailed look at the Town's most significant activities. A *fund* is a collection of related accounts used to manage and monitor resources set aside for specific activities or objectives. The Town, like all other governmental entities in South Carolina, employs fund accounting to demonstrate and ensure compliance with finance-related legal requirements, such as the general statutes or the Town's budget ordinance.

The Town's funds are classified into two main categories:

1. Governmental Funds
2. Proprietary

Governmental Funds

Governmental funds are used to account for the functions reported as governmental activities in the government-wide financial statements. Most of the Town's basic services are accounted for in governmental funds. Governmental funds emphasize assets that can be readily converted into cash, tracking cash flow (inflows and outflows) and the remaining funds at year-end that will be available for spending in the following fiscal year. These funds are reported using the *modified accrual basis of accounting*, which focuses on short-term financial resources. Consequently, the governmental fund financial statements provide a detailed short-term perspective, helping readers determine whether sufficient financial resources are available to support the Town's programs.

The relationship between *governmental activities* (as reported in the Statement of Net Position and the Statement of Activities) and the *governmental funds* is explained in a reconciliation included in the fund financial statements.

The Town manages several individual governmental funds. Key funds, considered major, are presented separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances. These include the General Fund, Tax Increment Financing Fund, Accommodations Tax Fund, Real Estate Transfer Fees Fund, Beach Preservation Fees Fund, Hospitality Fees Fund, Debt Service Fund, Capital Improvements Program Fund, Natural Disasters Fund, and Federal Grants Fund. Information for other governmental funds is combined into aggregated presentations, with individual data for nonmajor funds provided in combining schedules elsewhere in the report. The governmental fund financial statements are located as indicated in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF FINANCIAL STATEMENTS (CONTINUED)

Proprietary Funds

The Town maintains one proprietary fund, specifically an *Enterprise Fund*, which is used to account for operations that:

- (a) Are financed and operated in a manner similar to private business enterprises, where the intent is to recover costs (including depreciation) primarily through user charges; or
- (b) Require periodic determination of revenues, expenses, and/or net income for purposes of capital maintenance, public policy, management control, accountability, or other purposes.

The Town has one Enterprise Fund to account for its stormwater operations. The Proprietary Fund financial statements are listed in the table of contents.

Notes to the Financial Statements

The notes provide essential additional details that enhance understanding of the data presented in the government-wide and fund financial statements. The Notes to the Financial Statements are also referenced in the table of contents.

Other Information

In addition to the financial statements and accompanying notes, this report includes certain required supplementary information. The Town adopts an annual budget for its General Fund, as mandated by Article 10, Section 7 of the South Carolina Constitution, as well as for the Debt Service Fund, Capital Improvements Program Fund, Stormwater Utility Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation Fund ("GGHNCD"). A required Budgetary Comparison Schedule for the General Fund has been provided to demonstrate compliance with the budget. Budgetary comparison schedules are not required to be presented for Debt Service, Capital Improvements Program, Stormwater Utility, Housing, and GGHNCD Funds.

Additionally, the report includes required pension schedules that offer relevant details about the Town's participation in the South Carolina Police Officers' Retirement System ("PORS"). The Required Supplementary Information can be found as referenced in the table of contents.

Supplementary information, such as combining information for the nonmajor governmental funds, and budgetary comparison schedules for the other major and nonmajor budgeted funds, is included immediately following the Required Supplementary Information. These schedules are also referenced in the table of contents.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table provides a summary of the Town's net position at June 30, 2025 compared to June 30, 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 260,445,621	\$ 233,139,718	\$ 7,663,214	\$ 6,939,479	\$ 268,108,835	\$ 240,079,197
Capital assets, net	313,559,308	302,818,184	9,442,164	10,440,370	323,001,472	313,258,554
Total assets	<u>574,004,929</u>	<u>535,957,902</u>	<u>17,105,378</u>	<u>17,379,849</u>	<u>591,110,307</u>	<u>553,337,751</u>
Deferred outflows of resources	7,698,528	7,552,631	-	89,061	7,698,528	7,641,692
Current and other liabilities	21,102,977	17,817,226	1,493,751	479,202	22,596,728	18,296,428
Long-term liabilities	76,041,772	82,523,144	1,975,000	3,235,000	78,016,772	85,758,144
Net pension liability	17,901,586	19,019,198	-	-	17,901,586	19,019,198
Total OPEB liability	4,033,824	3,720,399	-	-	4,033,824	3,720,399
Total liabilities	<u>119,080,159</u>	<u>123,079,967</u>	<u>3,468,751</u>	<u>3,714,202</u>	<u>122,548,910</u>	<u>126,794,169</u>
Deferred inflows of resources	2,069,099	834,921	-	-	2,069,099	834,921
Net position:						
Net investment in capital assets	238,218,393	226,540,130	7,455,046	7,294,431	245,673,439	233,834,561
Restricted	172,256,516	161,752,478	-	-	172,256,516	161,752,478
Unrestricted	50,079,290	31,303,037	6,181,581	6,460,277	56,260,871	37,763,314
Total net position	<u>\$ 460,554,199</u>	<u>\$ 419,595,645</u>	<u>\$ 13,636,627</u>	<u>\$ 13,754,708</u>	<u>\$ 474,190,826</u>	<u>\$ 433,350,353</u>

The Town's total assets at June 30, 2025, increased by \$37,772,556 (7%) from the prior year, consisting of an increase of \$38,047,027 (7%) in its governmental activities and a decrease of \$274,471 (2%) in its business-type activities. The increase in governmental activities was primarily due to record investment interest earnings, higher property taxes, higher business licenses and expected reimbursements from other governments, and continuing attention to cost controls.

The Town's capital assets at June 30, 2025 (net of accumulated depreciation), increased by approximately \$9,742,918 (3%), including an increase of approximately \$10,741,124 (4%) and a decrease of approximately \$998,206 (-10%) for governmental and business-type activities, respectively. Capital asset additions for governmental activities consisted of approximately \$7,142,586 in land purchases, \$4,318,558 in construction in progress additions, \$1,772,098 in buildings, \$15,043 in furniture, fixtures and equipment additions, \$5,076,846 in vehicles, \$0 in improvements other than buildings for park development and \$0 in Subscription-based Information Technology Arrangements ("SBITA") intangible assets.

The Town completed approximately \$185,648 in ongoing capital projects which were reclassified from construction in progress to infrastructure development and furniture, fixtures and equipment.

The long-term liabilities decreased by approximately \$7,741,372 (9%), including a decrease of \$6,481,372 (8%) and \$1,260,000 (39%) for governmental and business-type activities, respectively. As previously noted, the Town issued new debt for Fire Rescue pumper trucks in the amount of \$7,584,000 in governmental activities and made principal and refunding payments of \$13,885,000. The Town recognized \$220,047 in amortization of premiums. The Town issued no new debt for business-type activities and made \$1,260,000 in principal payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The net pension liability decreased by approximately \$1,117,612 (6%), entirely related to governmental activities, due to a decrease in the PORS total net pension liability. The State has faced challenges in funding the pension program, which have been addressed through increased contribution requirements and improved investment earning. As State funding for the pension program improves, the Town's net pension liability is expected to increase. However, this liability is not controlled by the Town.

Current and other liabilities increased by approximately \$4,300,300 (24%), comprising an increase of \$3,285,751 (18%) for governmental activities and an increase of \$1,014,549 (212%) for business-type activities. The change in business-type activities is primarily attributed to an increase in accounts payable and accrued expense.

Deferred inflows of resources increased by \$1,234,178 (148%), entirely related to governmental activities. This change reflects a shift in the Town's proportionate share of participation in the PORS. The Other Post-Employment Benefits ("OPEB"), increased by \$313,425. Under GASB 75, local governments are required to report for post-employment benefits other than pensions in their financial statement notes.

The Town's total net position increased by approximately \$37,915,381 and decreased \$118,081 for its governmental and business-type activities, respectively, for a total net increase in net position of \$37,797,300 compared to the prior year net position.

Assets and deferred outflows exceeded liabilities and deferred inflows of resources (net position) by \$474,190,826 with \$460,554,199 attributed to governmental activities and \$13,636,625 to business-type activities. The largest portion of the Town's net position, \$245,673,439 (52%), which includes \$238,218,393 (52%) and \$7,455,046 (55%) for governmental and business-type activities, respectively, reflects its investment in capital assets (e.g., land, buildings, equipment, and infrastructure) net of any related debt used to acquire these assets. These capital assets are essential for providing services to residents and are not available for future spending. While reported net of related debt, it is important to note that resources to repay this debt must come from other sources, as the capital assets themselves cannot typically be liquidated to settle liabilities.

An additional portion of the Town's net position of approximately \$172,256,516 (37%), entirely related to governmental activities, represents resources subject to external restrictions on their use. These restricted resources are primarily allocated to special revenue programs funded by specific revenue streams such as tax increment financing, accommodations taxes, real estate transfer fees, beach preservation fees, and hospitality taxes. The remaining balance of the Town's net position, \$56,260,871 (12%), is unrestricted. This includes \$50,079,290 (11%) for governmental activities and \$6,181,581 (45%) for business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

The following table shows the changes in the Town's net position for FY 2025 compared to FY 2024:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program revenues:						
Charges for services	\$ 51,526,854	\$ 44,073,516	\$ 5,592,984	\$ 5,397,615	\$ 57,119,838	\$ 49,471,131
Operating grants and contributions	3,851,053	2,499,359	-	-	3,851,053	2,499,359
Capital grants and contributions	430,640	3,692,991	-	-	430,640	3,692,991
General revenues:						
Property taxes	29,060,955	32,431,390	-	-	29,060,955	32,431,390
Other taxes	32,568,730	30,309,233	-	-	32,568,730	30,309,233
Other	12,901,164	12,401,824	351,131	328,692	13,252,295	12,730,516
Total revenue	<u>130,339,396</u>	<u>125,408,313</u>	<u>5,944,115</u>	<u>5,726,307</u>	<u>136,283,511</u>	<u>131,134,620</u>
Expenses						
Governmental activities:						
General government	15,856,113	7,580,451	-	-	15,856,113	7,580,451
Management services	10,139,102	9,509,361	-	-	10,139,102	9,509,361
Community services	22,135,310	21,936,453	-	-	22,135,310	21,936,453
Public safety	33,260,109	25,142,426	-	-	33,260,109	25,142,426
Culture and recreation	3,521,165	4,789,146	-	-	3,521,165	4,789,146
Visitor's and Convention Bureau	3,942,797	3,829,597	-	-	3,942,797	3,829,597
Administrative	52,297	48,831	-	-	52,297	48,831
Interest and other charges	4,824,675	3,053,568	-	-	4,824,675	3,053,568
Business-type activities						
Stormwater	-	-	4,754,643	4,165,209	4,754,643	4,165,209
Total expenses	<u>93,731,568</u>	<u>75,889,833</u>	<u>4,754,643</u>	<u>4,165,209</u>	<u>98,486,211</u>	<u>80,055,042</u>
Transfers	<u>1,307,553</u>	<u>985,000</u>	<u>(1,307,553)</u>	<u>(985,000)</u>	<u>-</u>	<u>-</u>
Change in net position	37,915,381	50,503,480	(118,081)	576,098	37,797,300	51,079,578
Net position beginning, as previously presented	419,595,645	369,092,165	13,754,708		433,350,353	369,092,165
Restatement	3,043,173	-	-		3,043,173	-
Net position beginning, as restated	422,638,818	369,092,165	13,754,708	13,178,610	436,393,526	382,270,775
Net position, ending	<u>\$ 460,554,199</u>	<u>\$ 419,595,645</u>	<u>\$ 13,636,627</u>	<u>\$ 13,754,708</u>	<u>\$ 474,190,826</u>	<u>\$ 433,350,353</u>

Revenues and other financing sources exceeded expenses, and other financing uses by approximately \$37,797,300 for the year ended June 30, 2025, this included surpluses of \$37,915,381 from governmental activities and a reduction of \$118,018 from business-type activities.

Total revenues increased by approximately \$5,148,891 (4%) compared to the prior year. This change includes an increase of \$4,931,083 (4%) in governmental activities and an increase of \$217,808 (4%) in business-type activities. The increase in governmental activities revenues was primarily driven by an increase in ATAX, business licenses and investment income. In the same manner, the increase in business-type revenues was largely due to changes in investment income and stormwater fees. As a result, the Town is well-positioned to address future challenges.

Total expenses increased by \$18,431,169 (23%) compared to the prior year. This includes an increase of \$17,841,735 (24%) in governmental activities and an increase of \$589,434 (14%) in business-type activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

For governmental activities, the increase in expenses was driven by:

- An increase of \$8,275,662 in general government expenses.
- An increase of \$629,741 in management services.
- An increase of \$198,857 in community services.
- An increase of \$8,117,683 in public safety.
- An increase of \$1,771,107 in interest and other charges.
- A decrease of \$1,267,981 in culture and recreation expenses.

For business-type activities, the increase in expenses was primarily due to an increase of \$589,434 related to stormwater repairs and maintenance.

These financial outcomes reflect the Town's continued focus on balancing revenue growth and cost management, ensuring sustainable operations while addressing infrastructure and service needs and on improving the Island experience for both residents and visitors.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The primary focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is particularly useful for assessing the Town's current financing requirements. In particular, the unassigned fund balance serves as a key indicator of the government's net resources available for discretionary spending at the end of the fiscal year.

As of the end of FY 2025, the Town's governmental funds reported combined ending fund balance of approximately \$239,938,097, reflecting an increase of \$23,921,339 compared to the prior year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

Of the total fund balance:

- Approximately 12% (\$27,911,157) constitutes the General Fund's unassigned fund balance, which is available for spending at the government's discretion.
- The remainder of fund balance is classified as nonspendable, committed, or restricted as detailed below:

Classification/Fund	Purpose	Amount
Nonspendable		
General Fund	Prepaid expenses	\$ 89,206
Capital Improvements Program	Prepaid expenses	50,000
Restricted:		
Tax Increment Financing	Economic development	4,073,041
Accommodations Tax	Tourism promotion	11,335,171
Real Estate Transfer Tax	Environmental conservation	13,976,147
Beach Preservation	Beach renourishment	43,324,862
Hospitality Fee	Public health and safety	28,803,714
Debt Service	Debt service payments	14,243,513
Capital Improvements Program	Construction of major capital facilities	9,525,904
GGHNCDC	Gullah Geechee historic neighborhoods	5,564,275
Natural Disasters	Response to natural disasters	37,543,869
Palmetto Electric Franchise	Underground electrical service	1,273,557
Operating Grants	Operating grants	321,121
HOME Grant	HOME grant	12,127
Fire Truck Lease Proceeds	Fire truck lease	1,767
Road Usage Fees	Road projects	2,268,106
Short-Term Rental Fees	Short-term rentals	324,395
Housing	Community development	2,868,190
Firemen's Fund	Firemen's fund	57,975
Committed:		
General Fund	Disaster recovery	24,370,000
Beach Preservation	Beach renourishment	12,000,000
Unassigned:		
General Fund		27,911,157
Total fund balance		<u>\$ 239,938,097</u>

This breakdown provides insight into the Town's financial position and demonstrates its ability to meet both immediate and future obligations while maintaining fiscal stability.

The General Fund serves as the primary operating fund of the Town. At the end of FY 2025, the total fund balance was \$52,370,363, including committed fund balance of approximately \$24,370,000 for disaster recovery.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Governmental Funds (Continued)

To assess the General Fund's liquidity, it is helpful to compare the unassigned fund balance to total General Fund expenditures. At the close of the fiscal year, the unassigned fund balance was \$27,911,157 representing (49%) of total General Fund expenditures for the year ended June 30, 2025. The total fund balance, which includes committed, non-spendable, and unassigned amounts, was \$239,938,097, or 208%, of total expenditures for the same period.

Highlights of Changes in Fund Balance

General Fund

- General Fund revenues totaled approximately \$56,163,870, reflecting an increase of \$6,850,697 (14%) over the prior year. This change was primarily due to:
 - o An increase of \$280,376 in investment income and an increase of \$916,414 in real and personal property taxes.
 - o An increase of \$3,062,159 in business license revenue in large part due to revenue received from the Municipal Association of South Carolina ("MASC").
- General Fund expenditures total approximately \$57,775,830, an increase of \$2,925,860 (5%) over the prior year. The key contributors to this change include:
 - o An increase of \$711,766 in community services due to higher staffing and operating costs to improve and maintain beaches, parks, and landscaping on the Island.
 - o An increase of \$190,195 in public safety for additional expenses to higher salary, staffing benefits and other operating costs.
 - o An increase of \$928,749 in management services for additional expenses related to salaries and operating costs.
 - o An increase of \$2,082,306 in non-departmental expenses including Habitat and CCDC contributions to improve the Island.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Tax Increment Financing ("TIF") District Fund

The Tax Increment Financing ("TIF") District Fund's fund balance experienced a decrease of approximately \$5,569,560. This change was driven by revenues of approximately \$3,602,215, which was less than transfers out totaling \$9,171,775, as this TIF begins to wind down successfully.

- TIF Fund revenues decreased by approximately \$4,683,235 (56%) primarily due to:
 - o Reaching the contractual cap for County revenues in real and personal property taxes.
 - o A decrease of approximately \$97,408 in investment earnings due to declining balances as the TIF winds down.

Accommodations Tax Fund

The Accommodations Tax Fund's fund balance increased by \$349,973 as a result of expenditures and other financing sources totaling \$13,234,089 less than revenues of approximately \$13,584,062.

- Revenues increased by \$294,498 (2%) primarily due to an increase in ATAX of \$377,333 during the current year.
- Expenditures decreased by \$1,181,781 (13%).
- Other financing uses experienced a decrease of \$858,189 (13%).

This detailed analysis highlights the Town's ability to maintain financial stability while responding to funding requirements across key funds.

Real Estate Transfer Fee Fund

The Real Estate Transfer Fee Fund increased by \$3,573,202 due to revenues of \$6,962,055 exceeding expenditures and other financing uses of \$3,388,853. Revenues increased by \$1,557,048 due to grants of \$1,243,000 and an increase in property sales on the Island. Expenditures remained relatively flat year over year, while other financing uses decreased by \$4,996,195 (60%) as the Town made smaller dollar value land purchases during the current year than the previous year.

Beach Preservation Fee Fund

The Beach Preservation Fee Fund increased \$12,338,873 as revenues of \$19,323,072 exceeded expenditures and other financing uses of \$6,984,199. Revenues increased by \$3,621,422 (23%) primarily due to a settlement and an increase in beach collections during the current year. Expenditures and other financing uses decreased by \$1,902,756 as a result of changes in transfers.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Hospitality Fee Fund

The Hospitality Fee Fund increased by \$1,679,882, with revenues of \$11,501,999 exceeding expenditures and other financing uses. Revenues decreased by \$382,332 (3%) due to fluctuations in tourism activity and changes in investment earnings. Other financing uses of \$17,273,617 included the pumper trucks of \$7,584,000 backed by Hospitality Fees.

Debt Service Fund

The Debt Service Fund increased by \$526,950 as revenues and other financing sources of \$15,573,443 exceeded expenditures of \$15,046,493. Revenues increased by \$289,780 (4%) compared to the prior year, while other financing sources decreased by \$2,094,127 (20%) due to paying off debt. Expenditures decreased \$774,090 (7%) as a result of scheduled adjustments in principal and interest payments.

Capital Projects Fund

The Capital Projects Fund increased by \$1,900,558, as revenues and other financing sources of \$32,966,667 offset expenditures and transfers out of \$31,066,109. Revenues and Other Financing Sources included grants, state shared funds and investment earnings of \$525,252. Net other financing sources increased by \$5,116,480 (19%) due to changes in current and future capital needs. Expenditures increased by \$4,017,369 (15%) as a result of new land acquisitions, fleet program fire truck purchase and beach-related projects.

Natural Disasters Fund

The Natural Disasters Fund increased by \$1,574,395 as revenues of \$2,056,298 covered expenditures, and other financing uses totaling \$481,903. Revenues increased by \$400,275 (24%) primarily by investment income, offset by a decrease in grant revenue. Expenditures increased by \$421,374 (696%) due to higher debris removal and other recovery-related costs due to tropical storms Debby and Helene.

Federal Grants Fund

The Federal Grants Fund reported no fund balance as revenues of \$1,159,149 offset expenditures and other financing uses of \$1,159,149. Revenues increased by \$540,377 (87%) as the Town recognized revenue in line with eligible expenditures incurred during the year. This activity underscores using federal dollars to stretch local efforts to improve the Island successfully and bring federal dollars to our Island.

This analysis highlights the Town's ability to manage its funds efficiently while balancing revenues, expenditures, and financing needs across various funds, ensuring fiscal responsibility and alignment with long-term goals.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Federal Grants Fund (Continued)

The table below presents a summary of revenues and other financing sources, expenditures and other financing uses, fund balances, and changes in fund balances for the Town's governmental funds for the fiscal years ended June 30, 2025 and 2024:

Fund	Fiscal Year Ended June 30, 2025			
	Revenue and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 70,609,524	\$ 57,775,830	\$ 52,370,363	\$ 12,833,694
Tax Increment Financing	3,602,215	9,171,775	4,073,041	(5,569,560)
Accommodations Tax (State)	13,584,062	13,234,089	11,335,171	349,973
Real Estate Transfer Fee	6,962,055	3,388,853	13,976,147	3,573,202
Beach Preservation Fee	19,323,072	6,984,199	55,324,862	12,338,873
Hospitality Fee	19,085,999	17,406,117	28,803,714	1,679,882
Debt Service	15,573,443	15,046,493	14,243,513	526,950
Capital Projects	32,966,667	31,066,109	9,575,904	1,900,558
Natural Disasters	2,056,298	481,903	37,543,869	1,574,395
Federal Grants	1,159,149	1,159,149	-	-
Nonmajor Governmental	8,158,990	13,445,618	12,691,513	(5,286,628)
Total governmental funds	<u>\$ 193,081,474</u>	<u>\$ 169,160,135</u>	<u>\$ 239,938,097</u>	<u>\$ 23,921,339</u>

Fund	Fiscal Year Ended June 30, 2024			
	Revenue and Other Financing Sources	Expenditures and Other Financing Uses	Fund Balance	Changes in Fund Balance
General	\$ 63,856,831	\$ 57,822,970	\$ 39,536,669	\$ 6,033,861
Tax Increment Financing	8,285,450	4,494,978	9,642,601	3,790,472
Accommodations Tax (State)	13,289,564	15,248,059	10,985,198	(1,958,495)
Real Estate Transfer Fee	5,405,007	8,381,582	10,402,945	(2,976,575)
Beach Preservation Fee	15,701,650	8,884,104	42,985,989	6,817,546
Hospitality Fee	11,884,331	9,246,221	27,123,832	2,638,110
Debt Service	17,377,790	15,820,583	13,716,563	1,557,207
Capital Projects	31,671,440	27,398,740	7,675,346	4,272,700
Natural Disasters	1,656,023	60,529	35,969,474	1,595,494
Federal Grants	618,772	618,772	-	-
Nonmajor Governmental	9,879,813	13,876,349	17,978,141	(3,996,536)
Total governmental funds	<u>\$ 179,626,671</u>	<u>\$ 161,852,887</u>	<u>\$ 216,016,758</u>	<u>\$ 17,773,784</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS (CONTINUED)

Highlights of Changes in Fund Balance (Continued)

Enterprise Fund

The previously discussed business-type activities pertain solely to the Stormwater Fund. Refer to the earlier discussion for detailed information regarding changes in the Stormwater Fund.

General Fund Budgetary Highlights

During the fiscal year, the Town adopted budget amendments to the General Fund budget. Typically, budget amendments fall into one of four categories:

1. Adjustments to original budget estimates once more precise information becomes available;
2. Recognition of new funding amounts from external sources, such as Federal and State grants;
3. Necessary increases in expenditures to maintain essential services due to change in circumstances from expected at budget development; and
4. Carryover of approved funds from the previous budget year as the project life spans the end of the fiscal year.

In the current year, amendments to the General Fund budget primarily addressed the carryover of funds from FY 2024 for projects and purchases that were delayed due to various factors. At the conclusion of FY 2024, there was (\$308,508) remaining in unspent operating funds from the Parking Contract and transferred into FY 2025. These funds were utilized as operating expenses. Additionally, Council authorized supplemental, mid-year appropriations under the Affiliated Agency Program for Coastal Community Development Corporation (\$600,000) and the Hilton Head Regional Habitat for Humanity (\$500,000). Unspent funding was carried forward from FY 2024 to FY 2025 in the amount of (\$522,546) to complete the projects spanning the fiscal year-end. The total increase from the original to the revised General Fund budget was \$1,622,546.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2025, the Town's capital assets for its governmental and business-type activities amounted to \$312,912,308 and \$9,442,164, respectively, net of accumulated depreciation. These capital assets include land, construction in progress, buildings, improvements, furniture, fixtures, equipment, vehicles, and infrastructure.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets (Continued)

The capital assets (net of accumulated depreciation) for June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 196,208,919	\$ 189,075,408	\$ -	\$ -	\$ 196,208,919	\$ 189,075,408
Development rights	10,734,391	10,734,391	-	-	10,734,391	10,734,391
Easements/Right-of-ways	3,602,367	3,602,367	-	-	3,602,367	3,602,367
Construction in progress	13,769,193	9,450,635	-	-	13,769,193	9,450,635
Buildings	27,879,469	27,884,272	-	-	27,879,469	27,884,272
Furniture, fixtures, and equipment	1,307,816	1,779,382	-	-	1,307,816	1,779,382
Vehicles	7,940,459	4,242,126	-	-	7,940,459	4,242,126
Improvements other than buildings:						
Park development	24,000,789	25,501,315	-	-	24,000,789	25,501,315
Infrastructure	27,468,905	29,486,551	9,442,164	10,440,370	36,911,069	39,926,921
Total	<u>\$ 312,912,308</u>	<u>\$ 301,756,447</u>	<u>\$ 9,442,164</u>	<u>\$ 10,440,370</u>	<u>\$ 322,354,472</u>	<u>\$ 312,196,817</u>

The overall increase in the Town's capital assets for the period ended June 30, 2025, was approximately \$9,742,918 (3%), consisting of an increase of \$10,741,124 for governmental activities and a decrease of \$998,206 for business-type activities. For governmental activities, capital asset additions of \$22,415,266 exceeded depreciation expense of \$7,760,580 and net disposals of \$0. In contrast, business-type activities had no capital asset additions, with only depreciation expense of approximately \$998,206.

Further details on the Town's capital assets can be found in Notes 1 and 3 of the notes to the financial statements.

Debt

As of June 30, 2025, the Town's total outstanding long-term debt was \$70,795,507 for governmental activities and \$1,975,000 for business-type activities. Of this total, \$41,815,000 represents general obligation debt, which is secured by the full faith and credit of the Town.

The Town's total long-term obligations as of June 30, 2025 and 2024 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
General Obligation bonds	\$ 41,815,000	\$ 46,125,000	\$ -	\$ -	\$ 41,815,000	\$ 46,125,000
Tax Increment Financing bonds	-	3,860,000	-	-	-	3,860,000
Revenue/Special obligation bonds:						
Beach Preservation Fees	10,975,000	14,290,000	-	-	10,975,000	14,290,000
Hospitality Tax	9,785,000	10,925,000	-	-	9,785,000	10,925,000
Stormwater	-	-	1,975,000	3,235,000	1,975,000	3,235,000
Financed purchases	7,584,000	-	-	-	7,584,000	-
SBITAs	636,507	1,036,521	-	-	636,507	1,036,521
Total	<u>\$ 70,795,507</u>	<u>\$ 76,236,521</u>	<u>\$ 1,975,000</u>	<u>\$ 3,235,000</u>	<u>\$ 72,770,507</u>	<u>\$ 79,471,521</u>

The Town also carries a net pension liability, which is further detailed in Note 4 of the notes to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Debt (Continued)

The overall decrease in the Town's debt for the current fiscal year was \$6,701,014 (8%).

Key events impacting the Town's debt during the year include:

- Principal payments totaling \$13,885,000.
- Issuance of financed purchase of Fire Rescue pumper trucks of \$7,584,000.

For additional details regarding the Town's long-term obligations, please refer to Note 3 in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

The Town implemented several financial measures in response to recent tropical storms. For FY 2025, the millage rate decreased from 23.10 to 21.4, remaining flat through FY 2025, reflecting the Town's improved financial position. For FY 2026, Council lowered the millage rate from 21.4 to 19.4 further reflecting the confidence in the Town's financial structure. The foresight of Town officials in building reserves and preparing for events like Hurricane Matthew has significantly benefitted the Town. Council has demonstrated strong leadership by implementing the necessary operational and financial measures to keep the Town hurricane ready. Council has also demonstrated foresight in continuing to invest in the Island – preserving and growing property values while adding value to the Island experience for both visitors and residents alike.

The consolidated budget for fiscal year 2026, approved by the Council, totals \$174,711,350. Additional details regarding the budget can be found on the Town's website: www.hiltonheadislandsc.gov.

Real Estate Revenues

Revenues related to real estate, including construction permits and real estate transfer fees, were 7% higher than the prior year. FY 2025 Real Estate Transfer Fees increased compared to FY 2023 and FY 2024. This performance remains indicative of a strong and resilient local real estate market.

Fiscal Year	Real Estate Transfer Fee		Construction Permits		Total Real Estate Revenues	
	Actual	Percentage Change	Actual	Percentage Change	Actual	Percentage Change
2021	\$ 7,127,885	101%	\$ 2,125,382	31%	\$ 9,253,267	79%
2022	6,957,245	-2%	2,001,046	-6%	8,958,291	-3%
2023	4,975,631	-28%	1,570,126	-22%	6,545,757	-27%
2024	4,883,205	-2%	2,315,139	47%	7,198,344	10%
2025	5,228,355	7%	2,461,684	6%	7,690,039	7%

MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES FOR THE TOWN

Tourism Revenues

Tourism-related revenues, including Accommodations Taxes and Beach Preservation Fees were up significantly while Hospitality Taxes remained relatively flat compared to the prior year. The chart below provides further details.

Fiscal Year	ATAX/Beach Preservation Fees		Hospitality Tax		Total Tourism Revenues		
	Actual	Percentage Change	Actual	Percentage Change	Actual	Dollar Change	Percentage Change
2021	\$ 26,869,181	57%	\$ 8,051,256	28%	\$ 34,920,437	\$(2,246,305)	49%
2022	34,648,881	29%	9,907,025	23%	44,555,906	9,635,469	28%
2023	34,190,299	-1%	10,400,345	5%	44,590,644	34,738	0%
2024	33,623,903	-2%	10,574,379	2%	44,198,282	(392,362)	-1%
2025	39,277,850	17%	10,559,662	0%	49,837,512	5,639,230	13%

Council adopted a \$174,711,350 consolidated budget for FY 2026, an increase of 4% over the \$166,936,866 consolidated budget adopted for FY 2025. This new budget continued the two new funds added from the prior year: the Gullah Geechee Historic Neighborhoods Community Development Corporation and the Housing Fund, which account for \$7,264,740 (4%) of the total \$174,711,350 FY 2026 consolidated budget. Two consecutive years of strong non-property tax revenue are reflected in the FY 2026 budget, which also includes enhanced revenues from growth-related application fee adjustments.

Council structured the budget using a lower tax rate for FY 2026 than FY 2025. To further strengthen the Town's financial preparedness for future storms, Council maintained its reserve policy. The General Fund budget for FY 2026 is balanced. The millage rate started at 21.4 mills for FY 2025, was reduced to 19.4 mills during FY 2026. Council continues to balance appropriate levels of investment and services on the Island with amounts raised from property taxes and other methods to make the Island the place of choice for both residents and visitors.

The Town's unwavering commitment to financial stability and fiscal responsibility is evident, particularly in the prudent handling of post-hurricane expenses.

As evidence of the Town's commitment to financial stability, the Town received the last of three AAA rating designations from the three leading rating agencies in FY 2025.

MANAGEMENT'S DISCUSSION AND ANALYSIS

OTHER INFORMATION

The Governmental Accounting Standards Board adopted GASB Statement No. 101, *Compensated Absences*. The Town implemented Statement No. 101 for FY 2025. The implementation was in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, and implemented retroactively. The net result of the implementation was an increase in net position of governmental activities by \$3,043,173 to \$422,638,818. For more information on the implementation, see Note 5. Change in Accounting Principle.

REQUESTS FOR INFORMATION

This financial report aims to provide a general overview of the Town's finances for anyone with an interest in the government's financial position. If there are any questions regarding the information presented, please direct them to:

Director of Finance
Town of Hilton Head Island
One Town Center Court
Hilton Head Island, South Carolina, 29928

BASIC FINANCIAL STATEMENTS



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION JUNE 30, 2025

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash, Cash Equivalents and Investments	\$ 241,606,853	\$ 8,888,189	\$ 250,495,042
Accounts Receivable, Net	11,565,351	-	11,565,351
Due from Employees	6,208	-	6,208
Prepays	139,206	-	139,206
Due from Other Governments	5,886,959	16,069	5,903,028
Internal Balances	1,241,044	(1,241,044)	-
Capital Assets:			
Non-depreciable	224,314,870	-	224,314,870
Depreciable, Net of Accumulated Depreciation	89,244,438	9,442,164	98,686,602
TOTAL ASSETS	574,004,929	17,105,378	591,110,307
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Charges on Bond Refunding	933,198	-	933,198
Deferred OPEB Charges	1,714,119	-	1,714,119
Deferred Pension Charges	5,051,211	-	5,051,211
TOTAL DEFERRED OUTFLOWS OF RESOURCES	7,698,528	-	7,698,528
LIABILITIES			
Accounts Payable	8,325,863	1,484,788	9,810,651
Accrued Payroll and Related Payables	813,344	-	813,344
Due to Other Governments	10,018,672	-	10,018,672
Unearned Revenue	1,094,350	-	1,094,350
Irrigation and Pool Surety Bonds Payable	77,800	-	77,800
Performance Bonds Payable	78,817	-	78,817
Accrued Interest Payable	694,131	8,963	703,094
Noncurrent Liabilities:			
Net Pension Liability - Due in More than One Year	17,901,586	-	17,901,586
Total OPEB Liability - Due Within One Year	243,385	-	243,385
Total OPEB Liability - Due in More than One Year	3,790,439	-	3,790,439
Due Within One Year	9,601,465	1,275,000	10,876,465
Due In More Than One Year	66,440,307	700,000	67,140,307
TOTAL LIABILITIES	119,080,159	3,468,751	122,548,910
DEFERRED INFLOWS OF RESOURCES			
Deferred OPEB Credits	248,406	-	248,406
Deferred Pension Credits	1,820,693	-	1,820,693
TOTAL DEFERRED INFLOWS OF RESOURCES	2,069,099	-	2,069,099
NET POSITION			
Net investment in capital assets	238,218,393	7,455,046	245,673,439
Restricted for:			
Response to Natural Disasters	37,543,869	-	37,543,869
Debt Service	14,243,513	-	14,243,513
Capital Projects	120,469,134	-	120,469,134
Unrestricted	50,079,290	6,181,581	56,260,871
TOTAL NET POSITION	\$ 460,554,199	\$ 13,636,627	\$ 474,190,826

The accompanying notes are an integral part of these financial statements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2025

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Governmental Activities:				
General Government	\$ 15,856,113	\$ 2,461,684	\$ -	\$ -
Management Services	10,139,102	18,795,752	-	-
Community Services	22,135,310	22,412,122	2,725,120	430,640
Public Safety	33,260,109	2,628,941	1,125,933	-
Culture and Recreation	3,521,165	-	-	-
Visitor's and Convention Bureau	3,942,797	-	-	-
Administration	52,297	5,228,355	-	-
Interest	4,824,675	-	-	-
Total Governmental Activities	93,731,568	51,526,854	3,851,053	430,640
Business-Type Activities:				
Stormwater	4,754,643	5,592,984	-	-
Total Business-Type Activities	4,754,643	5,592,984	-	-
Total Primary Government	\$ 98,486,211	\$ 57,119,838	\$ 3,851,053	\$ 430,640

General Revenues:

Taxes:

Property Taxes

Accommodations Taxes

Hospitality Taxes

State Shared Funds

Other Revenue

Investment Income

Transfers

Total General Revenues and Transfers

CHANGE IN NET POSITION

NET POSITION, Beginning of Year, As Previously Presented

Restatement (see Note 5)

NET POSITION, Beginning of Year, As Restated

NET POSITION, End of Year

The accompanying notes are an integral part of these financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION PRIMARY GOVERNMENT		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (13,394,429)	\$ -	\$ (13,394,429)
8,656,650	-	8,656,650
3,432,572	-	3,432,572
(29,505,235)	-	(29,505,235)
(3,521,165)	-	(3,521,165)
(3,942,797)	-	(3,942,797)
5,176,058	-	5,176,058
(4,824,675)	-	(4,824,675)
(37,923,021)	-	(37,923,021)
-	838,341	838,341
-	838,341	838,341
(37,923,021)	838,341	(37,084,680)
29,060,955	-	29,060,955
22,009,068	-	22,009,068
10,559,662	-	10,559,662
1,298,281	-	1,298,281
1,068,811	-	1,068,811
10,534,072	351,131	10,885,203
1,307,553	(1,307,553)	-
75,838,402	(956,422)	74,881,980
37,915,381	(118,081)	37,797,300
419,595,645	13,754,708	433,350,353
3,043,173	-	3,043,173
422,638,818	13,754,708	436,393,526
\$ 460,554,199	\$ 13,636,627	\$ 474,190,826

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2025

	General Fund	Tax Increment Financing Fund	Accommodations Tax Fund	Real Estate Transfer Fees Fund	Beach Preservation Fee Fund
ASSETS					
Cash, Cash Equivalents, and Investments	\$ 62,397,198	\$ 9,075,247	\$ 8,717,105	\$ 13,222,279	\$ 50,118,225
Accounts Receivable, Net	4,950,093	-	-	-	4,140,960
Due from Employees	6,208	-	-	-	-
Prepays	89,206	-	-	-	-
Interfund Receivables	7,249,291	-	-	250,000	1,076,227
Due from Other Governments	451,380	7,068	4,788,960	503,868	-
Total Assets	<u>\$ 75,143,376</u>	<u>\$ 9,082,315</u>	<u>\$ 13,506,065</u>	<u>\$ 13,976,147</u>	<u>\$ 55,335,412</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 2,054,895	\$ -	\$ 1,717,417	\$ -	\$ 10,550
Accrued Payroll and Other Liabilities	813,344	-	-	-	-
Due to Other Governments	10,018,672	-	-	-	-
Interfund Payables	9,654,266	5,009,274	453,477	-	-
Unearned Revenue	1,902	-	-	-	-
Irrigation and Pool Bonds	77,800	-	-	-	-
Performance Bonds	78,817	-	-	-	-
Total Liabilities	<u>22,699,696</u>	<u>5,009,274</u>	<u>2,170,894</u>	<u>-</u>	<u>10,550</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	<u>73,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>73,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	89,206	-	-	-	-
Restricted	-	4,073,041	11,335,171	13,976,147	43,324,862
Committed	24,370,000	-	-	-	12,000,000
Unassigned	27,911,157	-	-	-	-
Total Fund Balances	<u>52,370,363</u>	<u>4,073,041</u>	<u>11,335,171</u>	<u>13,976,147</u>	<u>55,324,862</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 75,143,376</u>	<u>\$ 9,082,315</u>	<u>\$ 13,506,065</u>	<u>\$ 13,976,147</u>	<u>\$ 55,335,412</u>

The accompanying notes are an integral part of these financial statements.

Hospitality Fees Fund	Debt Service Fund	Capital Improvements Program Fund	Natural Disasters Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 23,754,584	\$ 14,204,975	\$ 13,471,100	\$ 37,587,250	\$ -	\$ 9,058,890	\$ 241,606,853
2,474,298	-	-	-	-	-	11,565,351
-	-	-	-	-	-	6,208
-	-	50,000	-	-	-	139,206
2,574,832	38,538	863,161	-	1,099,971	6,151,900	19,303,920
-	25,361	98,276	-	-	12,046	5,886,959
<u>\$ 28,803,714</u>	<u>\$ 14,268,874</u>	<u>\$ 14,482,537</u>	<u>\$ 37,587,250</u>	<u>\$ 1,099,971</u>	<u>\$ 15,222,836</u>	<u>\$ 278,508,497</u>
\$ -	\$ -	\$ 4,393,516	\$ 43,381	\$ 77,930	\$ 28,174	\$ 8,325,863
-	-	-	-	-	-	813,344
-	-	-	-	-	-	10,018,672
-	-	513,117	-	-	2,432,742	18,062,876
-	-	-	-	1,022,041	70,407	1,094,350
-	-	-	-	-	-	77,800
-	-	-	-	-	-	78,817
-	-	4,906,633	43,381	1,099,971	2,531,323	38,471,722
-	25,361	-	-	-	-	98,678
-	25,361	-	-	-	-	98,678
-	-	50,000	-	-	-	139,206
28,803,714	14,243,513	9,525,904	37,543,869	-	12,691,513	175,517,734
-	-	-	-	-	-	36,370,000
-	-	-	-	-	-	27,911,157
<u>28,803,714</u>	<u>14,243,513</u>	<u>9,575,904</u>	<u>37,543,869</u>	<u>-</u>	<u>12,691,513</u>	<u>239,938,097</u>
<u>\$ 28,803,714</u>	<u>\$ 14,268,874</u>	<u>\$ 14,482,537</u>	<u>\$ 37,587,250</u>	<u>\$ 1,099,971</u>	<u>\$ 15,222,836</u>	<u>\$ 278,508,497</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2025

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$ 239,938,097
---	-----------------------

Amounts reported for governmental activities in the Statement of Net Position are different because of the following:

Revenues which will be collected in the future but are not available soon enough to pay for the current period's expenditures are considered unavailable revenue in the funds.	98,678
--	--------

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the government funds:

Cost of assets, including SBITAs	\$ 395,101,658	
Accumulated depreciation/amortization	<u>(81,542,350)</u>	
		313,559,308

The Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(14,671,068)
---	--------------

The Town's total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the plan are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(2,568,111)
---	-------------

Interest is recorded as an expenditure when due and payable in the governmental funds. Interest is recorded in the government-wide statements when it is incurred. This amount represents the amount of interest incurred but not yet due and payable at year-end.	(694,131)
--	-----------

Bond deferred charges on refunding are recorded as expenditures in the year they are incurred in the governmental funds, but are amortized over the lives of the bonds in the government-wide statements. This amount represents net bond deferred charges on refunding at year-end.	933,198
--	---------

Long-term liabilities, including bonds payable, are not due or payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consisted of the following:	
Long-term debt and premiums	\$ (73,509,437)
Compensated absences	<u>(2,532,335)</u>
	<u>(76,041,772)</u>

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 460,554,199</u>
---	------------------------------

The accompanying notes are an integral part of these financial statements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	General Fund	Tax Increment Financing Fund	Accommodations Tax Fund	Real Estate Transfer Fees Fund	Beach Preservation Fee Fund
Revenues					
Real and Personal Property Tax	\$ 19,190,794	\$ 3,258,859	\$ -	\$ -	\$ -
Accommodations Tax	8,841,406	-	13,167,662	-	-
Hospitality Tax	-	-	-	-	-
Business License and Franchise Fees	18,647,405	-	-	-	-
Permits	2,461,684	-	-	-	-
Impact Fees	-	-	-	-	-
Real Estate Transfer Fees	-	-	-	5,228,355	-
Beach Preservation Fees	-	-	-	-	17,268,782
Short-Term Rental Fees	-	-	-	-	-
Electric Franchise Fees	-	-	-	-	-
State Shared Funds	981,781	-	-	-	-
Grants	-	-	-	1,243,000	-
Road Usage Fees	-	-	-	-	-
EMS Revenue	2,627,171	-	-	-	-
Public Safety Revenue	1,770	-	-	-	-
One Percent Revenue	-	-	-	-	-
Miscellaneous Revenue	908,988	-	-	-	-
Investment Income	2,502,871	343,356	416,400	490,700	2,054,290
Total Revenues	56,163,870	3,602,215	13,584,062	6,962,055	19,323,072
Expenditures					
Current:					
General Government	1,836,708	-	-	-	-
Management Services	9,549,647	-	-	-	-
Community Services	14,110,787	-	-	-	-
Public Safety	22,261,138	-	-	-	-
Non-Departmental	9,655,436	-	-	-	38,350
Culture and Recreation	-	-	3,521,165	-	-
Visitor's and Convention Bureau	-	-	3,942,797	-	-
Administration	-	-	-	52,297	-
Capital Outlay:					
Community Services	-	-	-	-	-
Debt Service:					
Administrative Charges	-	-	-	-	-
Principal	335,213	-	-	-	-
Interest	26,901	-	-	-	-
Total Expenditures	57,775,830	-	7,463,962	52,297	38,350
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,611,960)	3,602,215	6,120,100	6,909,758	19,284,722
Other Financing Sources (Uses)					
Transfers In	14,357,026	-	-	-	-
Transfers Out	-	(9,171,775)	(5,770,127)	(3,336,556)	(6,945,849)
Financed Purchases	-	-	-	-	-
Proceeds From Sale of Capital Assets	88,628	-	-	-	-
Total Other Financing Sources (Uses)	14,445,654	(9,171,775)	(5,770,127)	(3,336,556)	(6,945,849)
Net Change in Fund Balances	12,833,694	(5,569,560)	349,973	3,573,202	12,338,873
Fund Balances, Beginning of Year	39,536,669	9,642,601	10,985,198	10,402,945	42,985,989
Fund Balances, End of Year	\$ 52,370,363	\$ 4,073,041	\$ 11,335,171	\$ 13,976,147	\$ 55,324,862

The accompanying notes are an integral part of these financial statements.

Hospitality Fees Fund	Debt Service Fund	Capital Improvements Program Fund	Natural Disasters Fund	Federal Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 6,619,129	\$ -	\$ -	\$ -	\$ -	\$ 29,068,782
-	-	-	-	-	-	22,009,068
10,559,662	-	-	-	-	-	10,559,662
-	-	-	-	-	-	18,647,405
-	-	-	-	-	-	2,461,684
-	-	148,347	-	-	-	148,347
-	-	-	-	-	-	5,228,355
-	-	-	-	-	-	17,268,782
-	-	-	-	-	1,883,995	1,883,995
-	-	-	-	-	3,258,395	3,258,395
-	-	316,500	-	-	-	1,298,281
-	-	430,640	36,215	1,159,149	286,756	3,155,760
-	-	-	-	-	950	950
-	-	-	-	-	-	2,627,171
-	-	-	-	-	-	1,770
-	-	-	-	-	1,125,933	1,125,933
-	-	62,120	-	-	-	971,108
942,337	635,822	525,252	2,020,083	-	602,961	10,534,072
11,501,999	7,254,951	1,482,859	2,056,298	1,159,149	7,158,990	130,249,520
-	-	-	-	-	277,025	2,113,733
-	-	-	-	-	-	9,549,647
-	-	-	-	1,159,149	280,402	15,550,338
-	-	-	481,903	-	1,543,417	24,286,458
-	-	-	-	-	-	9,693,786
-	-	-	-	-	-	3,521,165
-	-	-	-	-	-	3,942,797
-	-	-	-	-	-	52,297
-	-	30,998,369	-	-	-	30,998,369
132,500	17,526	-	-	-	-	150,026
-	12,625,000	64,801	-	-	-	13,025,014
-	2,403,967	2,939	-	-	-	2,433,807
132,500	15,046,493	31,066,109	481,903	1,159,149	2,100,844	115,317,437
11,369,499	(7,791,542)	(29,583,250)	1,574,395	-	5,058,146	14,932,083
-	8,318,492	31,474,733	-	-	1,000,000	55,150,251
(17,273,617)	-	-	-	-	(11,344,774)	(53,842,698)
7,584,000	-	-	-	-	-	7,584,000
-	-	9,075	-	-	-	97,703
(9,689,617)	8,318,492	31,483,808	-	-	(10,344,774)	8,989,256
1,679,882	526,950	1,900,558	1,574,395	-	(5,286,628)	23,921,339
27,123,832	13,716,563	7,675,346	35,969,474	-	17,978,141	216,016,758
\$ 28,803,714	\$ 14,243,513	\$ 9,575,904	\$ 37,543,869	\$ -	\$ 12,691,513	\$ 239,938,097

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2025

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ 23,921,339
---	----------------------

Amounts reported for the governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(7,827)
--	---------

Changes in the Town's proportionate shares of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State retirement plans for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	240,496
--	---------

Changes in the Town's proportionate shares of the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the plan for the current year are not reported in the governmental funds but are reported in the Statement of Activities.	(274,840)
---	-----------

Changes in the Town's compensated absences liability are not reported in the governmental funds but are reported in the Statement of Activities.	(125,130)
--	-----------

Issuance of a financed purchase is an other financing source in the governmental funds, however this issuance is reported as a long-term liability in the Statement of Net Position.	(7,584,000)
--	-------------

Repayments of principal are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.	13,025,014
---	------------

Bond deferred gains and losses are expenditures in the year they are incurred in governmental funds, but are amortized over the lives of the bonds in the Statement of Activities. This amount represents the amortization of deferred charges for the year.	(249,750)
--	-----------

Premiums on issuance of debt must be deferred and amortized over the life of the respective debt in the Statement of Activities. However, proceeds from premiums are reported as an other financing source in the year they are received in the governmental funds. This represents the amount which current year premiums were exceeded by amortization of premiums in the current year.	(1,877,685)
---	-------------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and payable and thus requires the use of current financial resources. In the Statement of Activities, however interest expense is recognized as the interest accrues, regardless of when it is due and payable. This represents the change in accrued interest during the year.	106,640
---	---------

Governmental funds report only proceeds received from the sale of capital assets without any consideration for the net book value of the assets that were sold. The Statement of Activities reports gains or losses based on the proceeds and the net book value of the assets sold.	(9,075)
--	---------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets that are considered capital asset additions is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 18,510,779	
Depreciation/amortization expense	<u>(7,760,580)</u>	
		<u>10,750,199</u>

TOTAL CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>37,915,381</u>
--	-----------------------------

The accompanying notes are an integral part of these financial statements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF NET POSITION PROPRIETARY FUND JUNE 30, 2025

		Stormwater Utility Fund
ASSETS		
CURRENT ASSETS		
Cash, cash equivalents, and investments	\$	8,888,189
Due from other governments		16,069
Total current assets		8,904,258
NONCURRENT ASSETS		
Capital assets		
Depreciable, net of accumulated depreciation		9,442,164
Total noncurrent assets		9,442,164
Total assets		18,346,422
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable		1,484,788
Interfund payables		1,241,044
Accrued interest payable		8,963
Current portion of bond payable		1,275,000
Total current liabilities		4,009,795
LONG-TERM LIABILITIES		
Bonds payable		700,000
Total long-term liabilities		700,000
Total liabilities		4,709,795
NET POSITION		
Net investment in capital assets		7,455,046
Unrestricted		6,181,581
Total net position	\$	13,636,627

The accompanying notes are an integral part of these financial statements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Stormwater Utility Fund
OPERATING REVENUE	
Stormwater Fees	\$ 5,384,264
Permit Fees	208,720
Total operating revenues	<u>5,592,984</u>
OPERATING EXPENSES	
Maintenance and Repair	2,660,498
Administrative - Salary and Benefits	770,240
Administrative - Operating	188,291
Depreciation	998,206
Total operating expenses	<u>4,617,235</u>
Operating income	975,749
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	351,131
Amortization of Loss on Refunding	(89,061)
Interest Expense	(48,347)
Total non-operating revenues (expenses)	<u>213,723</u>
Income before transfers	1,189,472
Transfers out - Capital Projects Fund	(1,182,553)
Transfers out - General Fund	(125,000)
Total transfers	<u>(1,307,553)</u>
Change in net position	(118,081)
Net position, beginning of year	<u>13,754,708</u>
Net position, end of year	\$ <u>13,636,627</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATEMENT OF CASH FLOWS PROPRIETARY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Stormwater Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Charges for Fees and Services	\$ 5,588,285
Payments to Suppliers	(1,830,075)
Payments to Employees	(770,240)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,987,970
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Transfers to Other Funds for Non-Capital Purposes	(1,307,553)
Change in Interfund Payable	1,195,496
NET CASH USED IN NON-CAPITAL FINANCING ACTIVITIES	(112,057)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond and Note Payments	(1,260,000)
Interest and Fiscal Charges Paid on Bonds	(52,512)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,312,512)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned on investments	351,131
NET CASH PROVIDED BY INVESTING ACTIVITIES	351,131
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,914,532
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,973,657
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 8,888,189
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:	
Operating income	\$ 975,749
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation Expense	998,206
(Increase) decrease in Assets:	
Accounts Receivable	(4,699)
Increase (decrease) in Liabilities:	
Accounts Payable	1,018,714
Net Cash Provided by Operating Activities	\$ 2,987,970

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Town of Hilton Head Island, South Carolina (the "Town") was organized under a charter originally granted by the State of South Carolina in 1983. The Town operates under the Council/Manager form of government in accordance with Home Rule Act Number 283. Town Council (the "Council") is composed of a Mayor and six Council members elected from single member wards. All legislative powers of the Town are vested in Council. Each member of Council, including the Mayor, has one vote in each matter. Under the Town's form of government, the Council hires a Manager who acts as the Chief Executive Officer.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"), as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Town's accounting policies are described below.

As required by GAAP, the financial statements must present the Town's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the Town both appoints a voting majority of the entity's governing body, and either: 1) the Town is able to impose its will on the entity, or 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the Town. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the Town and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the Town.

In order to be considered fiscally independent, an entity must have the authority to do all of the following: (a) determine its budget without the Town having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the Town; and (c) issue bonded debt without approval by the Town. An entity has a financial benefit or burden relationship with the Town if, for example, any one of the following conditions exists: (a) the Town is legally entitled to or can otherwise access the entity's resources, (b) the Town is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the entity, or (c) the Town is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the Town's financial statements to be misleading.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (Continued)

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the Town. Based on the criteria above, the Town has one blended component unit and no discretely presented component units.

The Town of Hilton Head Island Public Facilities Corporation (the "Corporation"), a blended component unit, is a not-for-profit 501(c)(3) organization created to facilitate the issuance of debt for acquisition of the Town's administration facilities. The Town appoints the Corporation's board members and the Corporation provides services entirely to the Town. Because the Corporation is so closely related to the Town, it is, in effect, the same as the primary government. The Corporation's financial information is reported in the Debt Service Fund and Capital Improvements Program Fund of the Town. Separate financial statements for the Corporation are not issued.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Town. For the most part, the effect of interfund activity (except for interfund services provided and used between functions) has been removed from these financial statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely, to a significant extent, on fees and charges for support. The Town's business-type activities consist of the stormwater operations.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the Town.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

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 when a liability is incurred, regardless of the timing of related cash flows. 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The government-wide statements are prepared using a different measurement focus from the manner in which governmental fund financial statements are prepared (see further detail below). Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Property taxes, intergovernmental revenues, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be measurable and susceptible to accrual and so have been recognized as revenues of the current fiscal period. For this purpose, the Town generally considers its revenues to be available if they are collected within 30 days of the end of the current fiscal period with the exception of certain reimbursement expenditure grants for which a twelve-month availability period is generally used.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payments are due and payable.

Capital asset acquisitions are reported as capital outlay expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

Fund financial statements report detailed information about the Town. The focus of governmental fund financial statements, is on major funds rather than by fund type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

When both restricted and unrestricted resources are available for use, it is the Town's practice to use restricted resources first, then unrestricted resources as they are needed.

The accounts of the government are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Town uses the following fund categories:

Governmental fund types are those through which most governmental functions of the Town are financed. The Town's expendable financial resources and related assets and liabilities are accounted for through governmental funds. The Town's governmental fund types and funds are as follows:

The **General Fund, a major fund** and a budgeted fund, is the general operating fund of the Town and accounts for all revenues and expenditures of the Town except those required to be accounted for in other funds. All general tax revenues and other receipts that: (a) are not allocated by law or contractual agreement to other funds, or (b) that have not been restricted, committed, or assigned to other funds, are accounted for in the General Fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund, a major fund** and a budgeted fund, is used to account for the accumulation of resources and payments of long-term bond principal and interest from government resources. The Debt Service Fund, a major fund and a budgeted fund, is used to account for and report the accumulation of financial resources that are restricted for the payment of all long-term debt principal, interest and related costs for the Town.

Capital Improvements Program Fund, a major fund and a budgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for: (a) the acquisition, construction, or renovation of major capital facilities, (b) ongoing major improvement projects which usually span more than one year, and (c) major equipment or other capital asset acquisitions which are not financed by another fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary Fund Types are accounted for based on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary funds are made up of two classes: Enterprise Funds and Internal Service Funds. The Town has one Enterprise Fund and has no Internal Service Funds.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an Enterprise Fund's principal ongoing operations. The principal operating revenues of Enterprise Funds are primarily charges for services and fees. Operating expenses for Enterprise Funds include the expense for providing goods and services, administrative expenses, maintenance, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating items. Enterprise Fund types include the following fund:

The Stormwater Utility Fund, a major enterprise fund and a budgeted fund, is used to account for and report 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. Costs are recovered through user charges in a manner similar to private business enterprises.

Special Revenue funds are used to account for and report the proceeds of specific revenue sources (that are expected to continue to comprise a substantial portion of the inflows of the fund) that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The Town has the following special revenue funds:

- i. **The Tax Increment Financing ("TIF") District Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from incremental taxes charged to individuals that are restricted for expenditures related to economic development within the TIF districts.
- ii. **The Accommodations Tax Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the state-imposed 2% tax levied on rentals of transient accommodations within the corporate limit that are restricted for expenditures related to tourism promotion.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

- iii. **The Real Estate Transfer Fee Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the fee equal to one quarter of 1% (0.0025%) of the purchase price upon the transfer of any real property situated within the corporate limits of the Town that is restricted for expenditures related to environmental conservation.
- iv. **The Beach Preservation Fee Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the beach preservation fees that are restricted for expenditures related to nourishment and restoration of the Town's beaches.
- v. **The Hospitality Fees Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds from the 2% tax levied on the sale of prepared meals and beverages sold in establishments or sales of prepared meals and beverages sold in establishments licensed for on-premises consumption of alcoholic beverages, beer or wine that are restricted for expenditures that enhance the health, safety, and general welfare of the Town.
- vi. **The Natural Disasters Fund, a major fund** and an unbudgeted fund, is used to account for and report financial resources that are restricted, committed, or assigned for expenditures related to the Town's response to a natural disaster or declared emergency.
- vii. **The Federal Grants Fund, a major fund** and an unbudgeted fund, is used to account for and report the proceeds related to the American Rescue Plan Act ("ARPA") federal funds received by the Town.
- viii. The Town also reports the Palmetto Electric Franchise Fees Fund, the Operating Grants Fund, the Short-Term Rental Fee Fund, the Home Grant Fund, the Road Usage Fee Fund, and the Firemen's Fund as unbudgeted nonmajor special revenue funds and the Housing Fund and the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") Fund as budgeted nonmajor special revenue funds.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

During the fiscal year ended June 30, 2025, the Town decided to change the names in the financial statements of the Capital Projects Fund to the Capital Improvements Program Fund, the Stormwater Fund to the Stormwater Utility Fund, and the Community Development Fund to the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCDC") Fund. This change was made to improve comparability between the fund-level budgets and the financial statements. All financial activity and balances for these funds have been presented under their new names.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity

1. *Cash, Cash Equivalents and Investments*

The Town considers all highly liquid investments (including restricted assets) with original maturities of three months or less when purchased and investments in the South Carolina Pooled Investment Fund ("Pool") to be cash equivalents. Securities with an initial maturity of more than three months (from when initially purchased) that are not purchased from the Pool are reported as investments.

The Town's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina). The statutes of the State of South Carolina authorize the Town to invest in the following:

- (a) Obligations of the United States and its agencies, the principal and interest of which is fully guaranteed by the United States.
- (b) Obligations issued by the Federal Financing Bank, Federal Farm Credit Bank, the Bank of Cooperatives, the Federal Intermediate Credit Bank, the Federal Land Banks, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration, and the Farmers Home Administration, if, at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

1. *Cash, Cash Equivalents and Investments (Continued)*

- (c) (i) General obligations of the State of South Carolina or any of its political units; or (ii) revenue obligations of the State of South Carolina or its political units, if at the time of investment, the obligor has a long-term, unenhanced, unsecured debt rating in one of the top two ratings categories, without regard to a refinement or gradation of rating category by numerical modifier or otherwise, issued by at least two nationally recognized credit rating organizations.
- (d) Savings and Loan Associations to the extent that the same are insured by an agency of the federal government.
- (e) Certificates of deposit where the certificates are collaterally secured by securities of the type described in (a) and (b) above held by a third-party as escrow agent or custodian, of a fair value not less than the amount of the certificates of deposit so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government.
- (f) Repurchase agreements when collateralized by securities as set forth in this section.
- (g) No load open-end or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit, political subdivision, or county treasurer if the particular portfolio of the investment company or investment trust in which the investment is made: (i) is limited to obligations described in items (a), (b), (c), and (f) of this subsection, and (ii) has among its objectives the attempt to maintain a constant net asset value of \$1 a share and to that end, value its assets by the amortized cost method.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

1. Cash, Cash Equivalents and Investments (Continued)

The Town's cash and investment objectives are safety, liquidity and yield. The Town reports its cash and investments at fair value which is normally determined by quoted market prices. The Town currently or in the past year has primarily used the following investments in its operating activities:

- South Carolina Local Government Investment Pool ("SCLGIP") investments are invested with the South Carolina State Treasurer's Office, which established the SCLGIP pursuant to Section 6-6-10 of the South Carolina Code. The SCLGIP is an investment trust fund, in which public monies in excess of current needs, which are under the custody of any city treasurer or any governing body of a political subdivision of the State, may be deposited. In accordance with GASB Statement No. 31 *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB Statement No. 72 *"Fair Value Measurement and Application"*, investments are carried at fair value determined annually based upon: (a) quoted market prices for identical or similar investments, or (b) observable inputs other than quoted market prices. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1. Funds may be deposited by SCLGIP participants at any time and may be withdrawn upon 24 hours' notice. Financial statements for the SCLGIP may be obtained by writing:

Office of State Treasurer
Local Government Investment Pool
P.O. Box 11778
Columbia, SC 29211-1960

- Government mutual funds are generally open-ended funds that invest in short-term debt securities (including obligations of the United States and related agencies) that generally have a weighted average maturity of less than one year and do not invest more than 5% in any one issuer, except for government securities and repurchase agreements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

2. *Receivables and Payables*

During the course of its operations, the Town has numerous transactions occurring between funds. These transactions include expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers in (out). To the extent that certain transactions between funds had not been paid or received as of year-end, balances of interfund receivables or payables have been recorded.

Property taxes receivable represent current real and personal property as well as delinquent real and personal property taxes for the past ten years, less an allowance for amounts estimated to be uncollectible. All net property taxes receivable at year-end, except those collected within 30 days, are recorded as unavailable revenue (a component of deferred inflows of resources) and thus not recognized as revenue until collected in the governmental funds.

Property taxes are assessed and collected by Beaufort County under a joint billing and collection agreement. Taxes are levied and billed in October on all property other than motor vehicles and watercraft and are payable without penalty until January 15th of the following year. After that date, penalties begin to accrue on the dates listed below, up to 15% of the original balance due. However, an account does not become delinquent, as defined by South Carolina State Law, until March 19. Penalties are assessed on unpaid taxes on the following dates: January 16 – 3%, February 4 – an additional 7%, and March 18 – an additional 5%. April 1 – A fee of \$250 is applied and delinquent tax bills are generated in accordance with South Carolina State Statute 12-51-40(a). September 5 – A fee of \$150 is applied to the current year taxes due. After a property becomes delinquent, it is assigned to a delinquent collections program based on the type of property and entity owning the property, among other criteria.

For motor vehicle (or car) and watercraft taxes, the taxes are due in the month that your registration expires. If the taxes are not paid by the due date, they will accrue a delinquent collections fee and may be turned over to a collection agency, and registration is suspended until payment is received.

Property tax and EMS receivables are shown net of an allowance for uncollectibles.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

3. *Inventories and Prepaid Items*

Inventories and prepaid items, if any, in the governmental funds are accounted for using the purchase method (expensed when paid).

4. *Capital Assets*

Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets used in the operations of governmental funds and not specifically related to activities reported in proprietary funds have been reported as assets in the governmental activities column of the government-wide financial statement. The Town capitalizes assets other than infrastructure and software acquisition that costs \$5,000 or more and have an estimated useful life of at least two years. The capitalization threshold for infrastructure shall be \$100,000 and for software acquisition, including subscription-based information technology arrangements ("SBITA") the threshold shall be \$50,000.

Capital assets are recorded at historical cost or estimated historical cost if not purchased or constructed. Donated capital assets are recorded at estimated acquisition value (as estimated by the Town) at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets and right-to-use SBITAs are depreciated/amortized on the straight-line method using the following estimated useful lives:

Category	Estimated Useful Life in Years
Building	25 – 30
Infrastructure	25
Vehicles	8 – 15
Furniture, fixtures and equipment	5 – 20
Roads	25 – 30
Waterway	30
Dams	30 – 50
Software	10
SBITAs	3 – 10

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

5. *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. In accordance with GASB Statement No. 101, *Compensated Absences*, the Town has accrued all compensated absences that are more likely than not to be used by employees or paid out upon termination. Thus, all vacation time is accrued as it is paid out upon termination, and the portion of sick leave expected to be used is accrued as it is not paid out upon retirement. The entire compensated absence liability and expense is reported on the government-wide financial statements.

6. *Accrued Liabilities and Long-Term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method (as it approximates the effective interest method) if material. Debt is reported net of applicable bond premiums and discounts. Issuance costs are expensed in the period incurred.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current financial resources. However, claims and judgments, debt, compensated absences, contractually required pension contributions, special termination benefits and other similar long-term liabilities that will eventually be paid from governmental funds are not reported as a liability in the fund financial statements until due and payable.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized immediately. 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

7. *Deferred Outflows and Inflows of Resources*

As defined by GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", deferred outflows of resources and deferred inflows of resources represent the consumption of net assets by the government that are applicable to a future reporting period and an acquisition of net assets by the government that are applicable to a future reporting period, respectively.

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has three types of deferred outflows of resources: 1) the Town reports *deferred charges on bond refundings* in its Statement of Net Position. *Deferred charges on bond refundings*, which are the differences between the reacquisition prices and the net carrying amounts of the defeased debt, are deferred and amortized over the shorter of the life of the refunding or refunded bonds. Amortization of *deferred charges on bond refundings* is included in interest expense in the Statement of Activities, 2) the Town also reports *deferred pension charges* in its Statement of Net Position in connection with its participation in the South Carolina PORS. These *deferred pension charges* are either: (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date), or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP, and 3) the Town reports deferred items related to the Other Post-Employment Benefit ("OPEB") Plan, the details of this balance are disclosed in footnote 4.F.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

7. *Deferred Outflows and Inflows of Resources (Continued)*

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has four types of deferred inflows of resources: 1) the Town reports *unavailable revenue* only in the governmental funds Balance Sheet. These items are deferred and recognized as an inflow of resources (revenues) in the period the amounts become available; 2) the Town reports *deferred gains on bond refundings* in its Statement of Net Position. *Deferred gains on bond refundings*, which are the differences between the reacquisition prices and the net carrying amounts of the defeased debt, are deferred and amortized over the shorter of the life of the refunding debt or refunded bonds. Amortization of *deferred gains on bond refundings* is included in interest expense in the Statement of Activities; 3) the Town also reports deferred items in its Statement of Net Position in connection with its participation in the South Carolina PORS. The details of these items are disclosed in footnote 4.B; and 4) the Town reports deferred items related to the Other Post-Employment Benefit ("OPEB") Plan, the details of this balance are disclosed in footnote 4.F.

8. *Fund Balance*

In accordance with GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*", the Town classifies its governmental fund balances as follows:

Nonspendable – includes amounts that inherently cannot be spent either because they are not in spendable form (i.e., prepaids, inventories, etc.) or because of legal or contractual requirements (i.e., principal on an endowment, etc.).

Restricted – includes amounts that are constrained by specific purposes which are externally imposed by: (a) other governments through laws and regulations, (b) grantors or contributions through agreements, (c) creditors through debt covenants or other contracts, or (d) imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

8. Fund Balance (Continued)

Committed – includes amounts that are constrained for specific purposes that are internally imposed by the government through formal action made by the highest level of decision making authority, Council, before the end of the reporting period. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed amounts for the Town consist of amounts passed and approved by resolution by Council.

Assigned – includes amounts that are intended to be used for specific purposes that are neither considered restricted nor committed and that such assignments are made before the report issuance date. The Town reserves the right to assign fund balance by a simple majority vote of Council.

Unassigned – includes amounts that do not qualify to be accounted for and reported in any of the other fund balance categories. This classification represents the amount of fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts of restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The Town generally uses restricted amounts first when both restricted and unrestricted (committed, assigned and unassigned) fund balance is available unless there are legal documents, contracts or agreements that prohibit doing such. Additionally, the Town generally would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. See Note 3.D. for more information on fund balance.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

9. *Net Position*

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the Statement of Net Position. Net position is classified as net investment in capital assets; restricted; and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Outstanding debt which has not been spent is included in the same net position component as the unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. See Note 3.E. for more information on net position.

10. *Encumbrances*

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditures are recorded to reflect the use of the applicable spending appropriations, is used by the General Fund during the year to control expenditures. Encumbrances do not constitute expenditures or liabilities. For budget purposes, encumbrances and unused expenditure appropriations lapse at year-end.

11. *Pensions*

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (see Note 4.B. and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The Town recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the Town's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the Town's fiscal year-end.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

11. *Pensions (Continued)*

Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

12. *Accounting Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of these balances as of the date of the financial statements. In addition, they affect the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates and assumptions.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

13. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Town can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Equity (Continued)

13. Fair Value (Continued)

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The Town believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

14. Comparative Data

Comparative data (i.e., presentation of prior year totals by fund type) has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual appropriated budgets are adopted for the General Fund, Debt Service Fund, Capital Improvements Program Fund, Stormwater Utilities Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation Fund. The Town uses the following procedures in establishing budgetary data reflected in these financial statements:

1. The Town Manager submits to Council a proposed operating budget for the General Fund, Capital Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") Fund for the year which includes proposed expenditures and the means of financing them.
2. Public hearings are held for taxpayers' comments for the General Fund, Capital Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the GGHNCD Fund budgets.
3. The budgets are legally enacted and adopted by Council.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgetary Information (Continued)

4. The Town Manager has budgetary transfer authority that individually addresses the appropriate levels that are needed to effectively administer a particular Fund.
 - A. General Fund: The General Fund budgetary authority is to be adopted at the departmental level with the exception that the Town Manager, or designee, shall have the authority to transfer funds across departmental accounts to implement staff reorganizations and salary adjustments. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
 - B. Capital Improvements Program Fund: The Capital Improvements Program Fund is to be adopted at the program level. The Town Manager, or designee, shall have the authority to transfer appropriated funds between projects within each program category identified in the Capital Improvement Program Fund if the project(s) fall under the same functional program category. The appropriated projects under the Capital Improvements Program Fund are on a multi-year project basis and are effective as of July 1 each fiscal year and shall be reappropriated each new fiscal year until the project is complete but said appropriations are subject to cancellation or amendment by the Council as may be in the best interest of the Town.
 - C. Debt Service Fund: The Debt Service Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
 - D. Stormwater Utility Fund: The Stormwater Utility Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
 - E. Housing Fund: The Housing Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
 - F. Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") Fund: The GGHNCD Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES

A. Deposits and Investments

Deposits

Custodial Credit Risk for Deposits: Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Town's deposits might not be recovered. The Town does not have a formal deposit policy for custodial credit risk but follows the investment policy statutes of the State of South Carolina. As of June 30, 2025, none of the Town's bank balances of approximately \$2,552,000 (with a carrying value of approximately \$1,327,000) were exposed to custodial credit risk.

Investments

As of June 30, 2025, the Town had the following investments and maturities:

Investment Type	Fair Value Level ⁽¹⁾	Credit Rating [^]	Fair Value	Investment Maturity in Years
SC Local Government Investment Pool	N/A ⁽²⁾	NR, NR	\$ 135,770,793	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	AAAm, Aaa-mf	66,866	< 1 year
Open-Ended Mutual Fund Investing in Governmental Securities	Level 1	NA, NA	5,128	< 1 year
United States Treasury and Agencies	Level 1	*	85,789,732	< 1 year
United States Treasury	Level 1	*	27,535,075	1 – 3 years
Total			<u>\$ 249,167,594</u>	

⁽¹⁾ See Note 1.C. 13 for the details of the Town's fair value hierarchy.

⁽²⁾ Investments that have a net asset value are not subject to the fair value hierarchy.

* Credit ratings are not required for obligations of the U.S. government.

[^] If available, credit ratings are for Standard & Poor's and Moody's Investors Services.

NA - Not Available

NR - Not Rated

Interest Rate Risk: Interest rate risk is limiting investment maturities to help manage exposure to fair value losses from increasing interest rates. The Town's policy is to minimize interest rate risk by: 1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; thereby, avoiding the need to sell securities on the open market prior to maturity, and 2) investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk for Investments: Custodial credit risk for investments is the risk that, in the event of a bank failure, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have an investment policy for custodial credit risk but follows the investment statutes of the State of South Carolina. As of June 30, 2025, none of the Town's investments were exposed to custodial credit risk.

Credit Risk for Investments: Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Town's investment policy minimizes credit risk by limiting investments to the types of securities in compliance with the provisions of South Carolina statutes as discussed previously.

Concentration of Credit Risk for Investments: The Town places no limit on the amount the Town may invest in any one issuer. Investments issued by or explicitly guaranteed by the U.S. Government and investments in mutual funds, external investment pools and other pooled investments are exempt from concentration of credit risk disclosures.

Certain cash, cash equivalents and investments of the Town are legally restricted for specified purposes. The major types of restrictions at June 30, 2025 were: (a) those imposed by the revenue source (i.e., hospitality tax, accommodations taxes, impact assessment fees, etc.), and (b) unspent bond proceeds.

Reconciliation to the Financial Statements

The following table reconciles the amounts reported as deposits and investments in the notes to the financial statements to cash and cash equivalents reported in the financial statements:

Deposits and Cash on Hand	\$ 1,327,448
Investments	<u>249,167,594</u>
Total Cash, Cash Equivalents, and Investments per the Statement of Net Position	<u><u>\$ 250,495,042</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable and Unearned Revenues

Property Taxes

The Town's fiscal year 2025 real and business personal property taxes (which were for tax year 2024) were levied on September 30, 2024, and were due beginning on this date based on the assessed valuation as of January 1, 2024. Property taxes are considered late on January 16, 2025. Motor vehicle property tax is levied and collected on a portion of taxable vehicles monthly. Assessed values are established by the Beaufort County Tax Assessor and the South Carolina Tax Commission. The Town's current operating and debt service millage rates were 15.90 mills, and 5.50 mills, respectively. Town property taxes are billed and collected by Beaufort County under a joint billing and collection agreement.

The Town's governmental activities receivables and allowances at June 30, 2025 consisted of the following:

Government-wide Financial Statements - Governmental Activities				
Governmental Fund Financial Statements				
	General Fund	Beach Preservation Fee Fund	Hospitality Fee Fund	Total
Receivables:				
EMS fees	\$ 1,251,891	\$ -	\$ -	\$ 1,251,891
Local accommodations taxes	2,070,480	-	-	2,070,480
Other receivables	2,043,722	-	-	2,043,722
Due from employees	6,208	-	-	6,208
Beach preservation fees	-	4,140,960	-	4,140,960
Hospitality fees	-	-	2,474,298	2,474,298
Less: EMS allowance	(416,000)	-	-	(416,000)
Total receivables	<u>\$ 4,956,301</u>	<u>\$ 4,140,960</u>	<u>\$ 2,474,298</u>	<u>\$ 11,571,559</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable and Unearned Revenues (Continued)

Due From Other Governments

The amounts due from other governments to the Town as of June 30, 2025 are as follows:

Government-wide Financial Statements - Governmental Activities									
Governmental Fund Financial Statements									
General Fund	Tax Increment Financing	Accommodations Taxes	Real Estate Transfer Fees	Debt Service Fund	Capital Improvements Program Fund	Natural Disasters	Nonmajor Governmental Funds	Total	
Due from other governments:									
Beaufort County:									
Property Taxes	\$ 275,003	\$ -	\$ -	\$ 38,791	\$ 374	\$ 2,227	\$ -	\$ 316,395	
Other	214,357	-	-	-	-	-	-	214,357	
Real Estate Transfer Fees	-	-	503,868	-	-	-	-	503,868	
Tax Increment Financing	-	7,068	-	-	-	-	-	7,068	
Grants	-	-	-	-	-	-	12,046	12,046	
Less: Property Tax Allowance	(37,980)	-	-	(13,430)	(374)	(2,227)	-	(54,011)	
State of South Carolina:									
Sunday Liquor Fees	-	-	-	-	34,350	-	-	34,350	
Accommodations Taxes	-	-	4,788,960	-	-	-	-	4,788,960	
Federal Government	-	-	-	-	63,926	-	-	63,926	
Total	\$ 451,380	\$ 7,068	\$ 4,788,960	\$ 503,868	\$ 25,361	\$ 98,276	\$ 12,046	\$ 5,886,959	

The amounts due from other governments to the Town's Enterprise Fund as of June 30, 2025 are as follows:

	Stormwater Utility Fund
Beaufort County:	
Stormwater Fees	\$ 16,069
Total	\$ 16,069

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

B. Receivables and Unavailable and Unearned Revenues (Continued)

Unavailable and Unearned Revenues

Governmental funds report as a component of deferred inflows of resources: (a) revenues that are not considered to be available to liquidate liabilities (unavailable revenue), and (b) revenues that have been received but are intended to finance future periods (deferred revenue). Governmental funds also defer revenue recognition and report liabilities in connection with resources that have been received but not yet earned (unearned revenue).

At June 30, 2025, the various components of unavailable and unearned revenues were as follows:

	Fund	Deferred Inflows of Resources	Liabilities	Total
		Unavailable	Unearned	
Advance - Miscellaneous	General	\$ -	\$ 1,902	\$ 1,902
Advance - Grants	Federal Grants	-	1,022,041	1,022,041
Advance - Revolving Fund Loans	Nonmajor Governmental	-	70,407	70,407
Delinquent Taxes Receivable	General	73,317	-	73,317
Delinquent Taxes Receivable	Debt Service	25,361	-	25,361
Total		<u>\$ 98,678</u>	<u>\$ 1,094,350</u>	<u>\$ 1,193,028</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Interfund balances at June 30, 2025 consisted of the following individual fund receivables and payables:

Fund	Receivables	Payables
<u>Major Governmental Funds:</u>		
General Fund	\$ 7,249,291	\$ 9,654,266
Tax Increment Financing Fund	-	5,009,274
Accommodations Tax Fund	-	453,477
Real Estate Transfer Fees Fund	250,000	-
Beach Preservation Fees Fund	1,076,227	-
Hospitality Fees Fund	2,574,832	-
Debt Service Fund	38,538	-
Capital Improvements Program Fund	863,161	513,117
Federal Grants Fund	1,099,971	-
<u>Other Nonmajor Governmental Funds:</u>		
Palmetto Electric Franchise Fees Fund	289,505	-
Operating Grants Fund	326,190	-
Home Grant Fund	82,534	-
Road Usage Fee Fund	2,268,106	-
Short-Term Rentals Fund	314,132	-
Housing Fund	2,871,433	-
GGHNCDC Fund	-	15,847
Firemen's Fund	-	16,530
Fire Truck Lease Proceeds Fund	-	2,400,365
<u>Proprietary Funds:</u>		
Stormwater Utility Fund	-	1,241,044
	<u>\$ 19,303,920</u>	<u>\$ 19,303,920</u>

Amounts due from/to funds resulted from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30, 2025. All balances are expected to be repaid within one year.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

C. Interfund Receivables, Payables and Transfers (Continued)

Interfund Transfers

Interfund transfers for the year ended June 30, 2025 consisted of the following:

Fund	Transfers In	Transfers Out	Purpose
<u>Major Governmental Funds:</u>			
General Fund	\$ 14,357,026	\$ -	Funding from various funds for tourism-related expenditures
Tax Increment Financing Fund	-	9,171,775	Fund Capital Improvement Program
Accommodations Tax Fund	-	5,770,127	Fund tourism-related expenditures
Real Estate Transfer Fees Fund	-	3,336,556	Fund purchase of Council approved property
Beach Preservation Fees Fund	-	6,945,849	Fund tourism-related expenditures and Debt Service payments
Hospitality Fees Fund	-	17,273,617	Fund tourism-related expenditures and Debt Service payments
Debt Service Fund	8,318,492	-	Funding from various funds for Debt Service payments
Capital Improvements Program Fund	31,474,733	-	Funding from various funds for Capital Improvement Program
<u>Other Nonmajor Governmental Funds:</u>			
Short-Term Rentals Fund	-	1,825,000	Fund personnel and software expenditures in the General Fund
Housing Fund	1,000,000	-	Funding from various funds for housing-related expenditures
Road Usage Fee Fund	-	481,323	Fund Capital Improvement Program
Palmetto Electric Franchise Fees Fund	-	9,038,451	Fund Capital Improvement Program
<u>Proprietary Funds:</u>			
Stormwater Utility Fund	-	1,307,553	Transfers In to fund tourism-related expenditures and transfers out to fund Capital Improvement Program
	<u>\$ 55,150,251</u>	<u>\$ 55,150,251</u>	

The Town uses transfers to: 1) move revenues from the fund that by statute or budget requires to collect them to the fund that statute or budget requires to expend them, 2) move Town grant monies from grantor funds to grantee funds, and 3) transfer bond proceeds from the fund that by statute or budget requires to receive them to other funds authorized to execute the project.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Fund Balances

Fund balances for all major and nonmajor funds as of June 30, 2025 were distributed as follows:

Classification/Fund	Purpose	Amount
Nonspendable		
General Fund	Prepaid items	\$ 89,206
Capital Improvements Program	Prepaid items	50,000
Restricted:		
Tax Increment Financing District	Economic development	4,073,041
Accommodations Tax	Tourism promotion	11,335,171
Real Estate Transfer Fee	Environmental conservation	13,976,147
Beach Preservation Fee	Beach renourishment	43,324,862
Hospitality Fee	Public health and safety	28,803,714
Debt Service	Debt service payments	14,243,513
Capital Improvements Program	Construction of major capital facilities	9,525,904
Natural Disasters	Response to natural disasters	37,543,869
Palmetto Electric	Underground electrical service	1,273,557
Operating Grants	Operating grants	321,121
HOME Grant	HOME grant program	12,127
Fire Truck Lease Proceeds	Fire truck lease	1,767
Road Usage Fee	Road projects	2,268,106
Short-Term Rental Fee	Short-term rentals	324,395
Housing Fund	Community development	2,868,190
GGHNCDC	Gullah Geechee historic neighborhoods	5,564,275
Firemen's Fund	One Percent Firemen's Fund	57,975
Committed:		
General	Disaster recovery	24,370,000
Beach Preservation Fee	Beach renourishment	12,000,000
Unassigned:		
General		27,911,157
Total Fund Balance		<u>\$ 239,938,097</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Fund Balances (Continued)

In relation to fund balance committed for Disaster Planning, the Council has established the following reserves:

- **Committed for Operating Expenditures** – The Town will establish and maintain an operating balance based on a range with a minimum of 40% up to a maximum of 55% of the Town's adopted fiscal year operating budget. The operating balance 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 55% 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. These funds may be used for early retirement or other debt payments; 2) the Natural Disasters Fund to maintain an account for disaster preparation, disaster response, or disaster recovery; or 3) the Capital Improvements Program Fund – subject to Council appropriations for usage from the CIP fund.

A report shall be given each year to Council, at the close of the fiscal year, identifying the status of the fund balance in relation to the operating reserve policy, and any potential excess funds that could be transferred or used. As of June 30, 2025, the Town had approximately \$24,370,000 committed in fund balance. This represents 41% of the Town's adopted fiscal year budget, which is above the policy minimum of 40%.

- **Assigned for Advertising Expenditures** – The Town will set aside 2% of the 2% local hospitality tax and 5% of the 1% local accommodations tax revenues collected annually into an advertising account. These funds are committed for disaster management communications oriented programs. The fund will be used to provide post disaster advertising, a communications link to emergency agencies, and media programs to provide public notice. Funds may be distributed upon authorization by the Town Manager. The total amount of funds for this purpose will not exceed \$1,000,000. Annual interest earned on funds will also be deposited into the account.
- **Committed for Beach Renourishment** – 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 account shall not exceed \$12 million. At June 30, 2025, the balance was approximately \$12,000,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Fund Balances (Continued)

Effective July 1, 2025, Council has established the following Fund Reserve Policy:

- **General Fund Reserves (Operating)** – The Town establishes and maintains an operating balance based on a range with a minimum of 40% and a maximum of 55% of the Town's adopted fiscal year budget. The General Fund balance reserve may be utilized for emergency purposes in pre-disaster and 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, to cushion the effects of an economic downturn, to provide for emergency expenditures or to offset a revenue shortfall from unforeseen circumstances. The Director of Finance has the discretion to transfer the amount of unassigned fund balance above the 55% maximum balance into the following funds: 1) The Debt Service Fund to maintain an account reserved for the reduction of the Town's general obligation debt – these funds may be used for early debt retirement or other debt payments; 2) The Natural Disasters Fund to maintain an account for disaster preparation, disaster response, or disaster recovery; or 3) The Capital Improvements Program Fund, subject to Council appropriations for usage from the CIP Fund.
- **Assigned for Advertising Account** – The Town shall maintain an Assigned 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 maintain a balance of \$1.0 million in this account. Once the reserve balance is utilized, the Town shall restore it to \$1.0 million by transferring 2% of the current year's approved local hospitality tax revenues and 5% of the local accommodations tax revenues. The Town may distribute the funds in the following manner: 1) The Council 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 \$1 million, or 2) Following a vote of Council, funds may be distributed for other such targeted advertising needs as approved.
- **Long-Term General Obligations Debt Limit** – General statutes limit the amount of general obligation debt that a unit of government can issue up to 8% of the total assessed value of taxable property located within that government's boundaries. The Town may incur the General Obligation Debt over the 8% limit when approved by a majority vote in a referendum as authorized by law. In addition, Council has imposed an 80% cap on this amount. The remaining 20% is reserved for additional bonding associated with disaster recovery.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Fund Balances (Continued)

- **Real Estate Transfer Fee Reserve** – The Town shall maintain a minimum of \$1 million of real estate transfer fees. The funds will be used to fund debt service payments during a disaster or financial crisis. The Town Manager has the discretion to allocate this reserve balance for emergency purposes.
- **Beach Preservation Fee Reserve** – The Town shall maintain a reserve of \$20 million. An additional \$2.6 million will be allocated in fiscal year 2026 from the Airbnb Settlement. The goal is to allocate funds equivalent to the projected cost of the fiscal year 2025-2026 Beach Renourishment project in preparation for the next scheduled renourishment effort. Funds held in the reserve account may be used for the following items: 1) Direct expenditures to pay costs of any project of purposes identified in the Municipal 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; 2) To pledge as security for or to use as debt service for any debt or financial obligation of the Town; or 3) To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Council shall have reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state, or federal source. Authorization to utilize reserve funds shall require a resolution duly adopted by the Council, provided that circumstances allow for a Council meeting to be convened. If circumstances do not permit the convening of a Council meeting, the Town Manager may authorize the use of reserve funds, with the understanding that such action must be presented to the Council for ratification at the earliest practicable opportunity.
- **Hospitality Tax Reserve** – The Town shall maintain a reserve of \$5 million. This reserve calculation represents six months of revenue from the prior fiscal year. Funds held in the reserve account may be used for the following items: 1) Direct expenditures to pay costs of any project of purposes identified in the Municipal 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; 2) To pledge as security for or to use as debt service for any debt or financial obligation of the Town; or 3) To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Council shall have reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state, or federal source. Authorization to utilize reserve funds shall require a resolution duly adopted by the Council, provided that circumstances allow for a Council meeting to be convened. If circumstances do not permit the convening of a Council meeting, the Town Manager may authorize the use of reserve funds, with the understanding that such action must be presented to the Council for ratification at the earliest practicable opportunity.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

D. Fund Balances (Continued)

- **Stormwater Utility Fund Reserve** – The Town shall maintain a reserve of \$5 million. This reserve calculation represents twelve months of revenue from the prior fiscal year. Funds held in the reserve account may be used for the following items: 1) Direct expenditures to pay costs of any project of purposes identified in the Municipal 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; 2) To pledge as security for or to use as debt service for any debt or financial obligation of the Town; or 3) To advance monies needed by the Town to meet extenuating circumstances created by a storm or natural disaster, provided that the Council shall have reasonable expectation that such amounts would be reimbursed, at least in part, from a local, state, or federal source. Authorization to utilize reserve funds shall require a resolution duly adopted by the Council, provided that circumstances allow for a Council meeting to be convened. If circumstances do not permit the convening of a Council meeting, the Town Manager may authorize the use of reserve funds, with the understanding that such action must be presented to the Council for ratification at the earliest practicable opportunity.
- **Natural Disasters Fund Reserve** – The Town shall maintain a minimum reserve fund of \$36 million, which may be increased to account for the potential for greater damage and higher costs associated with unpredictable natural disasters.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

E. Net Position

The Town has reported unrestricted net position of approximately \$56,261,000, which includes approximately \$17,902,000 related to the Town's proportionate share of the net pension liability. The Town does not anticipate funding this liability and will continue to contribute to the pension plan at State required contribution rates.

	Governmental Activities	Business-Type Activities
Net investment in capital assets:		
Net capital assets	\$ 313,559,308	\$ 9,442,164
Less:		
Outstanding long-term debt	(73,509,437)	(1,975,000)
Construction related AP and retainage	(2,831,542)	(12,118)
Add:		
Deferred charges on refunding	933,198	-
Unspent bond proceeds	66,866	-
Subtotal Net investment in Capital Assets	238,218,393	7,455,046
Restricted for:		
Economic development	4,073,041	-
Tourism promotion	11,335,171	-
Environmental conservation	13,976,147	-
Beach renourishment	43,324,862	-
Public health and safety	28,803,714	-
Debt service payments	14,243,513	-
Construction of major capital facilities	9,459,038	-
Gullah Geechee Historic Neighborhoods		
Community Development Corporation	5,564,275	-
Natural disasters	37,543,869	-
Underground electrical service	1,273,557	-
Operating grants	321,121	-
HOME grant	12,127	-
Road projects	2,268,106	-
One Percent	57,975	-
Subtotal Restricted	172,256,516	-
Unrestricted	50,079,290	6,181,581
Total net position	\$ 460,554,199	\$ 13,636,627

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Accommodations Tax Fund

Accommodations Tax Fund is a Special Revenue Fund used to record accommodations tax receipts and grants approved by Council payable out of appropriations. Thirty percent (approximately \$3,943,000) and five percent (approximately \$657,000) of accommodations taxes after deducting a \$25,000 transfer to the General Fund are required to be transferred to the Hilton Head Island Chamber of Commerce Visitor's and Convention Bureau and the General Fund, respectively. The remaining amounts are allocated to various projects approved by Council and these projects must be tourism-related. Council has adopted a policy whereby the appropriations for an individual grant will lapse if the project is not underway by December 31 of the year following appropriation. The grant can be extended, by the Town Manager, for one additional calendar year.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

F. Accommodations Tax Fund (Continued)

Council has approved amounts for calendar year 2025 as follows:

Grantee	Appropriations
Art League of Hilton Head	\$ 80,000
Arts Center of Coastal Carolina	447,000
David M. Carmine Foundation	185,000
Gullah Museum of Hilton Head	180,000
Harbour Town Merchants Association	29,000
Hilton Head Audubon Society	21,400
Hilton Head Choral Society	20,000
Hilton Head Concours d'Elegance	350,000
Hilton Head Dance Theater	23,000
Hilton Head Island Airport	150,000
Hilton Head Island Bridge Association	15,000
Hilton Head Island Land Trust	47,000
Hilton Head Island Recreation Association	75,000
Hilton Head Island St. Patrick's Day Parade	80,000
Hilton Head MLK Committee for Justice	2,980
Hilton Head Island Wine and Food Festival	130,000
Hilton Head Island Wine and Food - Craft Beer Fest	30,000
Hilton Head Symphony Orchestra	350,000
Lean Ensemble Theater	55,000
Lowcountry Golf Course Owners	150,000
Long Cove Club - Intercollegiate	61,897
Lowcountry Gullah	100,000
Mitchelville Preservation Project	190,000
Native Island Business and Community	225,000
Rotary Club of Hilton Head	40,000
Sea Turtle Patrol Hilton Head Island	70,000
Shelter Cove Harbour Company	293,800
Tedx Hilton Head	10,000
Boys and Girls Club - Pedal Hilton Head Island	40,000
Coastal Discovery Museum	400,000
The First Tee of the Lowcountry	50,000
The Heritage Library Foundation	143,000
The Outside Foundation	72,000
The Sandbox	64,000
	<u>\$ 4,180,077</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Capital Assets

Capital asset activity for the Town's governmental activities for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital Assets, Non-Depreciable:					
Land	\$ 189,075,408	\$ -	\$ (9,075)	\$ 7,142,586	\$ 196,208,919
Development Rights	10,734,391	-	-	-	10,734,391
Easements/Right-of-Ways	3,602,367	-	-	-	3,602,367
Construction In Progress	9,450,635	18,495,736	-	(14,177,178)	13,769,193
Total Capital Assets, Non-Depreciable	212,862,801	18,495,736	(9,075)	(7,034,592)	224,314,870
Capital Assets, Depreciable:					
Buildings	49,854,890	-	-	1,772,098	51,626,988
Furniture, Fixtures and Equipment	5,054,171	15,043	-	-	5,069,214
Vehicles	11,519,896	-	(763,829)	5,076,846	15,832,913
Improvements Other Than Buildings:					
Park Development	37,513,151	-	-	-	37,513,151
Infrastructure	58,755,819	-	-	185,648	58,941,467
SBITA Assets	1,803,055	-	-	-	1,803,055
Total Capital Assets, Depreciable	164,500,982	15,043	(763,829)	7,034,592	170,786,788
Less Accumulated Depreciation for:					
Buildings	21,970,618	1,776,901	-	-	23,747,519
Furniture, Fixtures and Equipment	3,274,789	486,609	-	-	3,761,398
Vehicles	7,277,770	1,378,513	(763,829)	-	7,892,454
Improvements Other Than Buildings:					
Park Development	12,011,836	1,500,526	-	-	13,512,362
Infrastructure	29,269,268	2,203,294	-	-	31,472,562
SBITA Assets	741,318	414,737	-	-	1,156,055
Total Accumulated Depreciation	74,545,599	7,760,580	(763,829)	-	81,542,350
Total capital assets, depreciable, net	89,955,383	(7,745,537)	-	7,034,592	89,244,438
Governmental activities capital assets, net including SBITAs	\$ 302,818,184	\$ 10,750,199	\$ (9,075)	\$ -	\$ 313,559,308

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

G. Capital Assets (Continued)

Capital asset depreciation/amortization expense for governmental activities was charged to functions/programs as follows:

Functions/Programs	
General Government	\$ 850,241
Management Services	606,244
Community Services	3,994,697
Public Safety	2,309,398
Total	<u>\$ 7,760,580</u>

Capital asset activity for the Town's business-type activities for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-Type activities					
Capital Assets, Depreciable:					
Infrastructure	\$ 26,200,717	\$ -	\$ -	\$ -	\$ 26,200,717
Total Capital Assets, Depreciable	<u>26,200,717</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,200,717</u>
Less Accumulated Depreciation for:					
Infrastructure	15,760,347	998,206	-	-	16,758,553
Total Accumulated Depreciation	<u>15,760,347</u>	<u>998,206</u>	<u>-</u>	<u>-</u>	<u>16,758,553</u>
Total Capital Assets, Depreciable, Net	<u>\$ 10,440,370</u>	<u>\$ (998,206)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,442,164</u>

Capital asset depreciation expense for business-type activities was charged to Stormwater.

H. Long-Term Obligations

The Town issues bonds to provide funds for the acquisition and construction of major capital facilities as well as the purchase of land. General Obligation Bonds ("GOB") are direct obligations and pledge the full faith and credit of the Town. Special Obligation Bonds ("SOB") are considered a special obligation of the Town payable from a specified revenue source, such as hospitality tax, beach preservation fees, stormwater fees, etc. The full faith, credit and taxing powers of the Town are not pledged for the payment of the SOB nor the interest thereon.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Details on the Town's outstanding debt issues as of June 30, 2025 are as follows:

General Obligation Bonds

\$5,005,000 General Obligation Bonds 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 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. These bonds were paid off during the fiscal year ended June 30, 2025.

\$13,080,000 General Obligation Bonds Dated September 14, 2016

On September 14, 2016, the Town issued \$13,080,000 in general obligation bonds with a net interest rate of 0.999% to advance refund \$13,210,000 general obligation bonds dated March 15, 2005. The net proceeds of \$13,593,831 including \$513,831 in premiums (after payment of \$209,846 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in-substance defeasance. These general obligation bonds were refunded to reduce total debt service by \$1,272,716 over the life of the bonds and to obtain a present value economic gain of \$1,219,122. Ad Valorem tax revenues of the Debt Service Fund are used to repay these bonds. These bonds were paid off during the fiscal year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$9,035,000 General Obligation Bonds Dated September 14, 2016

On September 14, 2016, the Town issued \$9,035,000 in general obligation bonds with a net interest rate of 1.98% to advance refund \$9,515,000 general obligation bonds dated February 3, 2010. The net proceeds of \$9,708,531 including \$673,531 in premiums (after payment of \$173,384 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for in-substance defeasance. These general obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,281,272 and to obtain a present value economic gain of \$1,225,838. A schedule for the amounts due is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	4.000	\$ 116,238	\$ 465,000	\$ 581,238
2027	2.000	97,638	465,000	562,638
2028	2.000	88,338	470,000	558,338
2029	2.000	78,938	485,000	563,938
2030	2.000	69,238	495,000	564,238
2031 – 2035	various	187,025	2,660,000	2,847,025
		<u>\$ 637,415</u>	<u>\$ 5,040,000</u>	<u>\$ 5,677,415</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$27,310,000 General Obligation Bonds Dated September 21, 2017

On September 21, 2017, the Town issued \$27,310,000 in general obligation bonds to fund the Capital Improvements Plan. A schedule of the amounts due for this issue follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	5.000	\$ 788,319	\$ 780,000	\$ 1,568,319
2027	4.000	749,319	815,000	1,564,319
2028	4.000	716,719	850,000	1,566,719
2029	2.125	682,719	885,000	1,567,719
2030	3.000	663,913	905,000	1,568,913
2031 – 2035	various	2,896,713	4,930,000	7,826,713
2036 – 2040	various	2,109,994	5,720,000	7,829,994
2041 – 2045	various	1,150,988	6,685,000	7,835,988
2046 and 2047	3.250	146,250	2,985,000	3,131,250
		<u>\$ 9,904,934</u>	<u>\$ 24,555,000</u>	<u>\$ 34,459,934</u>

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

\$5,000,000 General Obligation Bonds Dated May 8, 2019

On May 8, 2019, the Town issued \$5,000,000 in general obligation bonds with an average interest rate of 3.40% to provide for the Capital Improvements Plan of 2019 and 2020. A schedule of the amounts due for this issue follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	5.000	\$ 136,650	\$ 215,000	\$ 351,650
2027	5.000	125,900	225,000	350,900
2028	5.000	114,650	240,000	354,650
2029	5.000	102,650	250,000	352,650
2030	3.000	90,150	260,000	350,150
2031 – 2035	3.000	328,200	1,435,000	1,763,200
2036 – 2039	3.000	99,450	1,310,000	1,409,450
		<u>\$ 997,650</u>	<u>\$ 3,935,000</u>	<u>\$ 4,932,650</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$5,830,000 General Obligation Bonds

On December 3, 2020, the Town issued \$5,830,000 in general obligation bonds with a net interest rate of 0.6142% to advance refund \$6,665,000 general obligation bonds Series dated August 3, 2011. The net proceeds of \$6,975,085 including \$1,145,000 in premiums (after payment of \$194,823 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for a current refunding. These general obligation bonds were refunded to reduce total debt service by \$721,624 over the life of the bonds and to obtain a present value economic gain of \$705,853. A schedule for the amounts due for this refunded issue is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	5.000	\$ 142,600	\$ 740,000	\$ 882,600
2027	5.000	105,600	780,000	885,600
2028	4.000	66,600	815,000	881,600
2029	4.000	34,000	850,000	884,000
		<u>\$ 348,800</u>	<u>\$ 3,185,000</u>	<u>\$ 3,533,800</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

General Obligation Bonds (Continued)

\$6,285,000 General Obligation Bonds

On December 3, 2020, the Town issued \$6,285,000 in general obligation taxable bonds (Series 2020B) with a net interest rate of 1.647% to advance refund \$5,585,000 general obligation bonds (Series 2013A) dated June 18, 2013. The net proceeds of \$6,327,890 (after payment of \$210,808 in issuance costs) were used to purchase United States government securities placed in an irrevocable trust for an advanced refunding. These general obligation bonds were refunded to reduce total debt service by \$472,376 over the life of the bonds and to obtain a present value economic gain of \$425,404.

The Series 2013A Bonds included \$4 million of bonds applicable to the debt limit and \$5 million in referendum bonds. The Town changed its accounting treatment of the repayment of the Series 2013A and Series 2020B bonds so the bonds applicable to the debt limit are paid first, followed by payment of the referendum bonds. As of the fiscal year ended June 30, 2025, the portion of the Series 2013A and Series 2020B bonds applicable to the debt limit have been fully paid, and only the referendum portion of the Series 2020B bonds remain outstanding.

A schedule of the amounts due for this refunded issue is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	0.950	\$ 79,308	\$ 480,000	\$ 559,308
2027	1.100	74,748	485,000	559,748
2028	1.200	69,413	490,000	559,413
2029	1.400	63,533	500,000	563,533
2030	1.650	56,533	500,000	556,533
2031 – 2035	various	154,248	2,645,000	2,799,248
		<u>\$ 497,783</u>	<u>\$ 5,100,000</u>	<u>\$ 5,597,783</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Special Obligation Bonds

\$30,075,000 Special Obligation Bonds (Beach Preservation Fees) Dated September 28, 2017

On September 28, 2017, the Town issued \$30,075,000 special obligation bonds (beach preservation fee) to finance beach renourishment projects. A schedule of the amounts due for this issue follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	5.000	\$ 461,750	\$ 3,480,000	\$ 3,941,750
2027	5.000	283,375	3,655,000	3,938,375
2028	5.000	96,000	3,840,000	3,936,000
		<u>\$ 841,125</u>	<u>\$ 10,975,000</u>	<u>\$ 11,816,125</u>

Beach preservation fees are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

\$28,530,000 Special Obligation Bonds – Tax Increment Financing (“TIF”) Dated July 27, 2017

On July 27, 2017, the Town issued \$28,530,000 in special obligation bonds (tax increment financing) to fund TIF projects within the Capital Improvement Plans. TIF revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds. These bonds were paid off during the year ended June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Special Obligation Bonds (Continued)

\$16,520,000 Special Obligation Bonds (Hospitality) Dated October 29, 2019

On October 29, 2019, the Town issued \$16,520,000 in special obligation refunding bonds (hospitality) with a net interest rate of 2.84% to advance refund the remaining portion of the Town's outstanding Series 2011A and Series 2011B Special Obligation Bonds. The net proceeds of \$16,006,603 (net of issuance costs of \$513,397), along with \$1,635,176 released from the Series 2011 Bond debt service reserve funds, were used to purchase United States government securities placed in an irrevocable trust for in-substance defeasance. These special obligation bonds were refunded to reduce total debt service over the life of the bonds by \$2,524,469 and to obtain a net present value economic gain of \$433,665. A schedule of the amounts due for this refunding is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	2.450	\$ 276,368	\$ 1,165,000	\$ 1,441,368
2027	2.550	247,825	1,195,000	1,442,825
2028	2.600	217,353	1,225,000	1,442,353
2029	2.700	185,503	700,000	885,503
2030	2.840	166,603	720,000	886,603
2031 – 2035	various	506,320	3,925,000	4,431,320
2036	3.200	27,358	855,000	882,358
		<u>\$ 1,627,330</u>	<u>\$ 9,785,000</u>	<u>\$ 11,412,330</u>

Hospitality revenues are transferred to the Debt Service Fund in amounts sufficient to repay these special obligation bonds.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Business-Type Activities - Bonds

\$3,200,000 Stormwater Bonds Dated January 31, 2018

On January 31, 2018, the Town issued \$3,200,000 in revenue bonds to fund Stormwater projects. A schedule of the amounts due for this issue follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2026	2.710	\$ 28,049	\$ 335,000	\$ 363,049
2027	2.710	18,970	345,000	363,970
2028	2.710	9,621	355,000	364,621
		<u>\$ 56,640</u>	<u>\$ 1,035,000</u>	<u>\$ 1,091,640</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.

\$5,630,000 Stormwater Bonds

On January 14, 2021, the Town issued \$5,630,000 in special obligation refunding bonds (Stormwater) with a net interest rate of 0.83% to advance refund the remaining portion of the Town's outstanding Series 2010 Special Obligation Bonds (Stormwater). The net proceeds (net of issuance costs of \$144,000), along with \$870,555 contribution from Stormwater funds, were used to current refund the Series 2010 Bonds. These special obligation bonds were refunded to reduce total debt service over the life of the bonds by \$1,022,207 and to obtain a net present value economic gain of \$156,124. A schedule of the amounts due for this refunding is as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Business-Type Activities		
		Interest	Principal	Total
2026	0.830	\$ 7,802	\$ 940,000	\$ 947,802
		<u>\$ 7,802</u>	<u>\$ 940,000</u>	<u>\$ 947,802</u>

Payments on these special revenue bonds will be funded with Stormwater revenues.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Financed Purchases

On June 24, 2025, the Town entered into a financed purchase agreement for the purchase of pumper fire trucks in the amount of \$7,584,000, with an interest rate of 3.62%. Payments are due annually on June 1 beginning in 2026 with the final payment being in 2035. A schedule of the amounts due for this agreement are as follows:

For the Year Ending June 30,	Interest Rate by Year (%)	Governmental Activities		
		Interest	Principal	Total
2026	3.620	\$ 257,001	\$ 658,000	\$ 915,001
2027	3.620	250,721	665,000	915,721
2028	3.620	226,648	689,000	915,648
2029	3.620	201,706	714,000	915,706
2030	3.620	175,860	739,000	914,860
2031 – 2035	3.620	457,930	4,119,000	4,576,930
		<u>\$ 1,569,866</u>	<u>\$ 7,584,000</u>	<u>\$ 9,153,866</u>

SBITAs

The Town implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements ("SBITAs")*, as of July 1, 2022. As such, the Town has recognized a liability for all significant SBITAs. These arrangements have terms that range from three through five years and the Town utilized its incremental borrowing rate of 3.5% to compute the net present value of the SBITAs. A schedule of the amounts due for these arrangements is as follows:

For the Year Ending June 30,	Governmental Activities		
	Interest	Principal	Total
2026	\$ 16,561	\$ 352,297	\$ 368,858
2027	5,750	263,351	269,101
2028	314	20,859	21,173
	<u>\$ 22,625</u>	<u>\$ 636,507</u>	<u>\$ 659,132</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town's governmental activities for the year ended June 30, 2025:

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
GOB - September 2009 (\$5.005M)	\$ 480,000	\$ -	\$ 480,000	\$ -	\$ -
GOB - September 2016 (\$13.08M)	840,000	-	840,000	-	-
GOB - September 2016 (\$9.035M)	5,705,000	-	665,000	5,040,000	465,000
GOB - September 2017 (\$27.31M)	25,495,000	-	940,000	24,555,000	780,000
GOB - May 2019 (\$5.0M)	4,140,000	-	205,000	3,935,000	215,000
GOB - December 2020 (\$5.83M)	3,890,000	-	705,000	3,185,000	740,000
GOB - December 2020 (\$6.285M)	5,575,000	-	475,000	5,100,000	480,000
Total General Obligation Bonds	46,125,000	-	4,310,000	41,815,000	2,680,000
Special Obligation Bonds					
SOB - September 2017 (\$30.075M)	14,290,000	-	3,315,000	10,975,000	3,480,000
SOB - October 2019 (\$16.520M)	10,925,000	-	1,140,000	9,785,000	1,165,000
Total Special Obligation Bonds	25,215,000	-	4,455,000	20,760,000	4,645,000
Tax Increment Financing Bonds:					
TIFB - July 2017 (\$28.53M)	3,860,000	-	3,860,000	-	-
Total Tax Increment Financing Bonds	3,860,000	-	3,860,000	-	-
Financed Purchases:					
Pumper Fire Trucks, 2025 (\$7.584M)	-	7,584,000	-	7,584,000	658,000
Total Financed Purchases	-	7,584,000	-	7,584,000	658,000
SBITAs	1,036,521	-	400,014	636,507	352,297
Subtotal	76,236,521	7,584,000	13,025,014	70,795,507	8,335,297
Premiums on Bonds	836,245	2,097,732	220,047	2,713,930	-
Total Debt	77,072,766	9,681,732	13,245,061	73,509,437	8,335,297
Compensated Absences	2,407,205	125,130	-	2,532,335	1,266,168
Total Long-Term Obligations	\$ 79,479,971	\$ 9,806,862	\$ 13,245,061	\$ 76,041,772	\$ 9,601,465

The beginning balance of compensated absences has been restated in accordance with GASB Statement No. 101.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Presented below is a summary of changes in long-term obligations for the Town's business-type activities for the year ended June 30, 2025:

Business-type

Long-Term Obligations	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Debt:					
Revenue Bonds:					
January 2018 (\$3.2M)	\$ 1,365,000	\$ -	\$ 330,000	\$ 1,035,000	\$ 335,000
January 2021 (\$5.63M)	1,870,000	-	930,000	940,000	940,000
Total Revenue Bonds	3,235,000	-	1,260,000	1,975,000	1,275,000
Total Long-Term Obligations	<u>\$ 3,235,000</u>	<u>\$ -</u>	<u>\$ 1,260,000</u>	<u>\$ 1,975,000</u>	<u>\$ 1,275,000</u>

Presented below is a summary of debt service requirements to maturity by year for the Town's governmental and business-type activities as of June 30, 2025:

For the Year Ended June 30,	Governmental Activities			Business-Type Activities		
	Interest	Principal	Total	Interest	Principal	Total
2026	\$ 2,258,234	\$ 7,983,000	\$ 10,241,234	\$ 35,851	\$ 1,275,000	\$ 1,310,851
2027	1,935,126	8,285,000	10,220,126	18,970	345,000	363,970
2028	1,595,721	8,619,000	10,214,721	9,621	355,000	364,621
2029	1,349,049	4,384,000	5,733,049	-	-	-
2030	1,222,297	3,619,000	4,841,297	-	-	-
2031 – 2035	4,530,436	19,714,000	24,244,436	-	-	-
2036 – 2040	2,236,802	7,885,000	10,121,802	-	-	-
2041 – 2045	1,150,988	6,685,000	7,835,988	-	-	-
2046 and 2047	146,250	2,985,000	3,131,250	-	-	-
Total	<u>\$ 16,424,903</u>	<u>\$ 70,159,000</u>	<u>\$ 86,583,903</u>	<u>\$ 64,442</u>	<u>\$ 1,975,000</u>	<u>\$ 2,039,442</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

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 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 Fourteen (14); and
- c. Such general obligation debt shall be issued within five years of the date of such referendum and shall mature within 40 years from the time such indebtedness shall be incurred.

In addition, Hilton Head Island's Council imposes an 80% cap on the debt limit or a minimum of \$20,000,000. Below is the calculation of the legal debt limit as of June 30, 2025:

Assessed Value		\$ 1,327,265,610
Debt Limit - 8% of Assessed Value, without voter's approval		<u>106,181,249</u>
Council Imposed 80% Cap or Minimum of \$20,000,000		84,944,999
Amount of Debt Applicable to Debt Limit:		
General Obligation Bonds 2017A	(24,555,000)	
General Obligation Bonds 2019	<u>(3,935,000)</u>	
Total Amount Applicable to Debt Limit		<u>(28,490,000)</u>
Legal Debt Margin without a Referendum		<u>\$ 56,454,999</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS AND ACTIVITIES (CONTINUED)

H. Long-Term Obligations (Continued)

Debt from Direct Placement/Borrowing

The Town's outstanding Series 2018 Stormwater Revenue Bonds and Series 2021 Stormwater Revenue Bonds are direct placements/direct borrowings. Direct placements/borrowings generally contain provisions that in an event of default, outstanding amounts can become immediately due if the Town is unable to make payment, and they may contain collateral provisions.

NOTE 4. OTHER INFORMATION

A. Contingencies

Arbitrage – State and local bonds issued after 1984 are subject to arbitrage restrictions as enacted by the Federal government. To retain the bond's tax-exempt status, local governments must meet the regulations as adopted by the U.S. Treasury Department. The proceeds from the bond issue must not be invested, for more than a temporary period, in obligations producing a materially higher yield than the bond issue. To maintain tax exempt status, the yield earned at the materially higher rate over the bond cost must be remitted to the U.S. Treasury every five years. Exceptions to the regulations include the requirement that the local government expend all the bond proceeds within designated periods which could be up to three years. The Town has recorded a Bond Yield Restriction Liability of \$5,332 to limit yield to the Federal law maximum allowed.

Risk Management and Litigation – The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town participates in the State of South Carolina insurance fund and also purchases commercial insurance as its primary defense against losses arising from the above. The fund provides beneficial insurance rates with regular insurance coverage. The fund is not considered a risk pool. The amount of settlements has not exceeded insurance coverage over the past three fiscal years.

The Town has also designated a portion of its fund balance to defray the extraordinary costs it anticipates it would incur during a natural disaster. These anticipated costs are for employee overtime, disaster aid and the like. All risk management activities are accounted for in the General Fund.

Expenditures and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. No amount for claims has been accrued at June 30, 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

A. Contingencies (Continued)

Lawsuits – The Town has been named in several lawsuits concerning zoning enforcement of Town ordinances and use of local accommodations tax proceeds. One of these suits includes claims seeking damages against individual Town employees, which are insured claims covered through the South Carolina Insurance Reserve Fund.

The Town has been named in several lawsuits concerning other matters asserting monetary damages. There are cases alleging personal injuries which are insured claims, but one claim seeks a refund of road maintenance fees paid to the Town, which is not an insured claim. These cases are in preliminary stages and the possible outcome or damages are unknown at this time. The Town carries liability insurance, and these lawsuits, with the exception of the lawsuit seeking a refund of road maintenance fees, are covered. The financial statement impact of the road maintenance fees claim cannot be determined at this time.

Beaufort County Sheriff's Fees – The Town has accrued \$2,000,000 per year for fiscal years ended June 30, 2021, 2022, 2023, 2024, and 2025 for Sheriff's services provided by Beaufort County. In prior fiscal years, the Town paid over \$3,000,000 per year to Beaufort County for Sheriff's services.

After completing a study of the services provided by the Sheriff's office, the Town determined that the Sheriff's services provided by Beaufort County (the "County") were consistent with the Sheriff's services provided to other areas of Beaufort County. Therefore, the Town's position was the Sheriff's services provided should be covered by the property taxes paid by Town property owners to the County, and no additional fees should be paid by the Town to Beaufort County.

Negotiations between the Town and Beaufort County failed in July 2020, when the Town proposed to pay \$2,000,000 per year for Sheriff's services and for the Town to take on some additional financial responsibilities from the County.

The Town has estimated that \$10,000,000 is the appropriate liability for Sheriff's services provided by Beaufort County for the fiscal years ended June 30, 2021, 2022, 2023, 2024, and 2025 and has properly accrued a liability equal to that amount. The Town has stopped this accrual and will no longer accrue for this expense going forward. This liability is included in Due to Other Governments on the financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans

Great-West Life and Annuity Retirement Plan (the "Plan")

The Town established a defined contribution 401(a) money purchase plan on February 15, 1984, effective for the fiscal year beginning July 1, 1984, for all full-time employees. That Plan was effective through December 31, 1996, at which time the funds were rolled over to a 401(k) plan effective January 1, 1997. The Plan is administered by, and the funds are held by, the Great-West Life and Annuity Company, a retirement plan administrator. All full-time and part-time employees are covered by the Plan except those covered by the South Carolina Police Officers' Retirement System ("PORS") Plan and are fully vested after five years of service. The Plan calls for employer contributions to include a 6% automatic contribution, 100% match of the employee's first 4% contribution and 50% match of the next 4% contributed. All Plan amendments must be approved by the Town manager or his/her designee.

For the years ended June 30, 2025, 2024, and 2023, employer contributions were based on a total payroll of approximately \$13,683,000, \$12,945,000, and \$11,388,000, respectively. The amount contributed by the employer for the year ended June 30, 2025 was approximately \$1,580,000, or 11.5%, of covered payroll. During the years ended June 30, 2024 and 2023, approximately \$1,502,000 and \$1,305,000 were contributed to the Plan by the employer, respectively. Employee contributions to the Plan were approximately \$1,226,000, or 9.0%, of covered payroll for the year ended June 30, 2025.

State Retirement Plan

The Town participates in the State of South Carolina's retirement plans. The South Carolina Public Employee Benefit Authority ("PEBA"), created on July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the State of South Carolina, including the State Optional Retirement Program and the S.C. Deferred Compensation Program, as well as the state's employee insurance programs. As such, PEBA is responsible for administering the South Carolina Retirement Systems' ("Systems") five defined benefit plans. PEBA has an 11-member Board of Directors ("PEBA Board"), appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission ("Commission" as the governing body, "RSIC" as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an eight-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority ("SFAA"), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the Plan. Investments are reported at fair value.

The PEBA issues an Annual Comprehensive Financial Report ("ACFR") containing financial statements and Required Supplementary Information for the Systems' Pension Trust Funds. The ACFR is publicly available through the PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to:

PEBA
202 Arbor Lake Drive
Columbia, SC 29223

The PEBA is considered a division of the primary government of the State of South Carolina and, therefore, retirement trust fund financial information is also included in the ACFR of the state.

Plan Description

The South Carolina PORS, a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firefighters of the state and its political subdivisions. PORS also covers peace officers, coroners, probate judges, and magistrates.

Plan Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the System is presented below.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Plan Membership (Continued)

PORS – To be eligible for PORS membership, an employee must be required by the terms of his/her employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in the PORS. Magistrates are required to participate in the PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the System with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the System with an effective date of membership on or after July 1, 2012, is a Class Three member.

Plan Benefits

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation/current annual salary. A brief summary of benefit terms for the System is presented below.

PORS – A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Plan Contributions

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability ("UAAL") over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for PORS by two percentage points and further scheduled employer contribution rates to increase by a minimum of one percentage point each year in accordance with state statute. However, the General Assembly postponed the 1% increase in the PORS employer contribution rates that was scheduled to go into effect beginning July 1, 2020. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA Board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of PORS is scheduled to be reduced over a ten-year schedule from 30 years beginning fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA Board is prohibited from decreasing the PORS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of System assets to the actuarial accrued liability of the System (the funded ratio) that is equal to or greater than 85%, then the PEBA Board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the System shows a funded ratio of less than 85%, then effective on the following July 1, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the System shows a funded ratio that is equal to or greater than 85%.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Plan Contributions (Continued)

As noted earlier, both employees and the Town are required to contribute to the Plans at rates established and as amended by the PEBA. The Town's contributions are actuarially determined but are communicated to and paid by the Town as a percentage of the employees' annual eligible compensation. Required employer and employee contribution rates for the year ended June 30, 2025 are as follows:

	<u>PORS Rates</u> <u>2025</u>
Employer Contribution Rate:^	
Retirement	20.84%
Incidental Death Benefit	0.20%
Accidental Death Contributions	0.20%
	<u>21.24%</u>
Employee Contribution Rate^	<u>9.75%</u>

^ Calculated on earnable compensation as defined in Title 9 of the South Carolina Code of Laws

The actual and required contributions to the PORS were approximately \$2,600,000 for the year ended June 30, 2025 and include the non-employer contributions noted below.

Non-employer Contributions

In an effort to help offset a portion of the burden of the increased contribution requirement for employers, the State General Assembly ("State") funded 1% of the PORS contribution increases for the year ended June 30, 2025. The State's budget appropriated these funds directly to the PEBA for the Police Officers' Retirement System Trust Fund. The amount of funds appropriated by the State (non-employer contributing entity) for the year ended June 30, 2025 were approximately \$81,000 for the PORS. These contributions (on-behalf benefits) from the State were recognized as intergovernmental revenues and pension expenditures in the Town's governmental fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Actuarial Assumptions and Methods

Actuarial valuations of the Plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued for the reporting period ended June 30, 2019.

The June 30, 2024 total pension liability ("TPL"), net pension liability ("NPL"), and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith and Company, and are based on an actuarial valuation performed as of July 1, 2023. The TPL was rolled-forward from the valuation date to the Plans' fiscal year-end, June 30, 2024, using generally accepted actuarial principles. There was no legislation enacted during the 2025 legislative session that had a material change in the benefit provisions for any of the Systems. In fiscal year 2024, the PEBA Board adopted updated demographic assumptions. Also, the General Assembly permitted the investment return assumption at July 1, 2021 to decrease from 7.25% to 7.00%, as provided by Section 9-16-335 in South Carolina State Code.

The following table provides a summary of the actuarial assumptions and methods used to calculate the TPL as of June 30, 2024 (measurement date) for the PORS.

	PORS
Actuarial cost method	Entry Age Normal
Actuarial assumptions:	
Investment rate of return*	7.00%
Projected salary increases*	3.5% to 10.5% (varies by service)
Benefit adjustments	Lesser of 1% or \$500 annually

* Includes inflation at 2.25%.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Actuarial Assumptions and Methods (Continued)

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2020 Public Retirees of South Carolina Mortality Table ("2020 PRSC"), were developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using 80% of Scale UMP projected from the year 2020.

Former Job Class	Males	Females
Educators	2020 PRSC Males multiplied by 95%	2020 PRSC Females multiplied by 94%
General Employees and Members of the General Assembly	2020 PRSC Males multiplied by 97%	2020 PRSC Females multiplied by 107%
Public Safety and Firefighters	2020 PRSC Males multiplied by 127%	2020 PRSC Females multiplied by 107%

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Long-Term Expected Rate of Return (Continued)

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2024 fiscal year. The long-term expected rate of return is calculated by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.00% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long-Term Expected Portfolio Real Rate of Return
Public Equity	46.0%	6.23%	2.86%
Bonds	26.0%	2.60%	0.68%
Private Equity	9.0%	9.60%	0.86%
Private Debt	7.0%	6.90%	0.48%
Real Assets	12.0%		
Real estate	9.0%	4.30%	0.39%
Infrastructure	3.0%	7.30%	0.22%
	100.0%		
		Total expected real return	5.49%
		Inflation for actuarial purposes	2.25%
		Total expected nominal return	7.74%

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The NPL is calculated separately for each System and represents that particular System's TPL determined in accordance with GASB No. 67 less that System's fiduciary net position. NPL totals, as of the June 30, 2024 measurement date, for the PORs, are presented in the following table:

System	Total Pension Liability	Plan Fiduciary Net Position	Employer's Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PORS	\$10,177,904,231	\$ 7,178,118,865	\$ 2,999,785,366	70.5%

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The TPL is calculated by the Systems' actuary, and each Plans' fiduciary net position is reported in the Systems' financial statements. The NPL is disclosed in accordance with the requirements of GASB No. 67 in the Systems' notes to the financial statements and Required Supplementary Information. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the Plans' funding requirements.

At June 30, 2025, the Town reported a liability of approximately \$17,902,000 for its proportionate share of the NPL for the PORS. The NPL was measured as of June 30, 2024, and the TPL for the Plans used to calculate the NPL were measured based on the most recent actuarial valuation report of July 1, 2023, that was projected forward to the measurement date. The Town's proportion of the NPL was based on a projection of the Town's long-term share of contributions to the Plans relative to the projected contributions of all participating South Carolina state and local governmental employers, actuarially determined. At the June 30, 2024 measurement date, the Town's PORS proportion was 0.596762%, which was a decrease of 0.028028% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Town recognized pension expense of approximately \$2,403,000 PORS. At June 30, 2025, the Town reported deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
PORS		
Differences between expected and actual experience	\$ 1,681,191	\$ 102,633
Assumption changes	389,749	-
Net difference between projected and actual earnings on pension plan investments	-	1,003,634
Changes in proportion and differences between employer contributions and proportionate share of contributions	383,799	714,426
Employer contributions subsequent to the measurement date	2,596,472	-
Total PORS	<u>\$ 5,051,211</u>	<u>\$ 1,820,693</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

Approximately \$2,596,000 that was reported as deferred outflows of resources related to the Town's contributions subsequent to the measurement date to the PORS, will be recognized as a reduction of the NPL in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources (deferred pension charges) and deferred inflows of resources (deferred pension credits) related to the PORS will increase (decrease) pension expense as follows:

Measurement Period	Fiscal Year	PORS
Ending June 30,	Ending June 30,	
2025	2026	\$ (187,721)
2026	2027	1,111,037
2027	2028	(23,908)
2028	2029	(265,362)
	Total	<u>\$ 634,046</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in the PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

State Retirement Plan (Continued)

Sensitivity Analysis

The following table presents the sensitivity of the Town's proportionate share of the NPL of the Plans to changes in the discount rate, calculated using the discount rate of 7.00%, as well as what it would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease	Current	1% Increase
	(6.00%)	Discount Rate	(8.00%)
		(7.00%)	
Town's proportionate share of the net pension liability of the PORS	\$ 25,935,971	\$ 17,901,586	\$ 11,321,010

Plan Fiduciary Net Position

Detailed information regarding the fiduciary net position of the Plans administered by PEBA is available in the separately issued ACFR containing financial statements and Required Supplementary Information for PORS. The ACFR of the Pension Trust Funds is publicly available on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to:

PEBA
202 Arbor Lake Drive
Columbia, South Carolina 29223

Payable to Plan

The Town reported a payable of approximately \$630,000 to the PEBA as of June 30, 2025, representing required employer and employee contributions for the months of May and June 2025 for the PORS. This amount is included in Accounts Payable on the financial statements and was paid in July 2025.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

C. Health Plans

The Town has an integrated health reimbursement account ("HRA") plan available to full-time and part-time employees who work a minimum of 20 hours per week and who are enrolled in a group health plan that provides minimum essential coverage ("MEC") and offers minimum value ("MV"). This plan provides a reimbursement of medical and dental expenses incurred by an employee or a qualified dependent as described in Internal Revenue Service ("IRS") Section 213 guidelines.

This plan is administered by Aviben, and the annual contribution is \$1,150 per eligible employee. The health reimbursement accounts were fully funded, therefore, there is no liability under this plan as of June 30, 2025.

D. Contract Commitments

Commitments

At June 30, 2025, the Town had remaining construction commitments of approximately \$14,330,000 related to ongoing capital activities, including infrastructure improvements, enhancements to Town-owned facilities, fleet enhancements, software upgrades, park construction and improvements, beach and beach park improvements, and roadway and pathway construction and improvements.

E. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are solely the property and rights of the employee.

The plan is administered by and the funds are held by Great-West, a retirement plan administrator.

Investments are managed by the plan's trustee under a range of investment options. The choice of the investment option(s) is made by the participants.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions

Retirement Health Savings Plan

Plan Description

In February 2002, the Town instituted a defined contribution plan, the Town of Hilton Head Island Retirement Health Savings Plan ("Plan"), whereby the Town contributes funds to each eligible employee's Health Reimbursement Account ("HRA"). The Town has established a Retirement Plan Advisory Committee consisting of members of the Town's Executive Steering Committee and Senior Staff, which have the authority to establish and amend the benefit terms and contributions rates of the Plan. The Plan is administered through a qualified trust managed by Educators Benefit Consultants, LLC.

Plan Benefits

The Town contributes 100% of forfeited sick leave (hours in excess of the maximum allowed to be accrued as of the end of the calendar year) on an annual basis while actively employed by the Town and 100% of any remaining MedFlex (Town-sponsored HRA) balance no later than 60 days after retirement or after the date that the employee is deemed totally or permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier). The Town also contributes 100% of the employee's accumulated sick leave balance upon: 1) retirement, 2) the date that the participant is deemed totally or permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier), or 3) death if retirement eligible. The surviving spouse and/or surviving eligible dependents of the deceased participant are immediately eligible to maintain the account and utilize it to fund eligible medical benefits. If the participant's account balance has not been fully utilized upon the death of the eligible spouse, the account balance may continue to be utilized to pay benefits to eligible dependents. Upon death of all eligible dependents, the account balance is forfeited. If there is no living spouse or dependents at the time of death of the participant, the account balance is forfeited. Participants who are eligible to retire but who are: 1) involuntarily terminated and not offered the option to retire in lieu of termination, 2) involuntarily terminated after declining the option to retire in lieu of termination, or 3) retirement eligible but die while actively employed by the Town are not eligible to receive employer contributions and the balance in their account is forfeited. Forfeitures revert back to the employer for use to offset future employer contributions or other purposes permitted by law.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions (Continued)

Retirement Health Savings Plan (Continued)

Plan Benefits (Continued)

Participants are 100% vested upon the death, disability or retirement from the Town as follows: 1) upon death of the participant, benefits are payable to the surviving spouse and dependents as described previously; 2) a participant who becomes totally and permanently disabled (as defined by PORS or the Town's long-term disability insurance carrier) is eligible to receive plan benefits; and 3) a participant retires after meeting qualifications as follows: (i) to qualify for retirement under PORS, Class Two members must have 25 years of service credit or be at least age 55 with five years of earned service credit. Class Three members must have 27 years of service credit or be at least age 55 with eight years of earned service credit; (ii) to qualify for retirement under the Town's retirement plan, an employee must have 25 years of service with the Town or be at least age 55 with five years of service with the Town.

Plan Contributions

The Town contributed approximately \$246,000, including both the retirement and annual contributions, to the trust during the year ended June 30, 2025. The Town has a liability of approximately \$18,000 related to the defined contribution plan as of June 30, 2025. No contributions other than employer contributions are required or accepted.

Retiree Health Care Plan

Plan Description

In February 2002, the Town instituted a single employer defined benefit other post-employment benefit plan, the Town of Hilton Head Island Retiree Health Care Plan ("OPEB Plan"). Employees hired prior to April 7, 2009 are eligible to retire and continue medical coverage if they retire with benefits under the Town's Retirement Plan either: 1) upon reaching at least age 62 with ten years of service, 2) as a disability retirement (at least age 50 with ten years of service and permanent and total disability), or 3) with unreduced benefits commencing on or after age 55 until the rule of 80. Retiree coverage is provided for the lifetime of the participant. Upon death of an eligible retiree with a covered dependent, the surviving dependent may extend coverage for up to 36 months at the COBRA rate. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 and a separate report was not issued for the OPEB Plan.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions (Continued)

Retiree Health Care Plan (Continued)

Contributions

The General Fund pays the total monthly cost of the post-retirement coverage. The single coverage rates in effect at June 30, 2025, were \$625 per month for health. The insurance premiums are paid by the Town on a pay-as-you-go basis. The cost to the Town for the health insurance premiums for the year ended June 30, 2025, was \$305,184.

Plan Membership

Membership in the OPEB Plan as of the most recent actuarial valuation date of June 30, 2024 is as follows:

Active members	284
Retired members	37
Total	<u>321</u>

Total OPEB Liability of the Town

The Town's total OPEB liability was measured as of June 30, 2025, and was determined by an actuarial valuation as of June 30, 2024, with the actuary using standard techniques to roll forward the liability to the measurement date.

Actuarial Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continued revision as results are compared to the past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions (Continued)

Retiree Health Care Plan (Continued)

Actuarial Assumptions (Continued)

The assumptions used in the June 30, 2024 actuarial valuation are as follows:

Discount rate	4.21%
Healthcare cost trend rate	4.50% - 8.00%
Inflation rate	3.00% non PORS and 3.50% PORS employees
Participation rate	20.00%

Total OPEB Liability of the Town

Changes in the total OPEB liability of the Town for the year ended June 30, 2025 was as follows:

	Total OPEB Liability
Beginning balance	\$ 3,720,399
Service cost	115,590
Interest	153,825
Changes in assumptions	277,470
Differences between expected and actual experience	(8,359)
Benefit payments	(225,101)
Net change	313,425
Ending balance	<u>\$ 4,033,824</u>

The required schedule of changes in the Town's total OPEB liability and related ratios immediately following the notes to the financial statements presents multi-year trend information about the total OPEB liability.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.21%) or 1-percentage-point higher (5.21%) than the current discount rate:

	1% Decrease (3.21%)	Current Rate (4.21%)	1% Increase (5.21%)
Total OPEB liability	\$ 4,389,824	\$ 4,033,824	\$ 3,714,980

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions (Continued)

Retiree Health Care Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the Town, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	\$ 3,638,370	\$ 4,033,824	\$ 4,495,754

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revisions as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of June 30, 2025, and the current sharing pattern of costs between employer and inactive employees.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2025, the Town recognized OPEB expense of \$518,225. At June 30, 2025, the Town reported deferred outflows of resources related to OPEB from the following source:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 722,071	\$ 7,314
Changes in assumptions	748,663	241,092
Contributions subsequent to the measurement date	243,385	-
Total PORS	<u>\$ 1,714,119</u>	<u>\$ 248,406</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

F. Post-employment Benefits Other than Pensions (Continued)

Retiree Health Care Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Contributions subsequent to the measurement date in the amount of \$243,385 will be recognized as a deferred outflow of resources in the year ending June 30, 2026. The remaining amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30,</u>	
2026	\$ 257,930
2027	255,650
2028	219,661
2029	201,651
2030	107,705
Thereafter	179,731
Total	<u>\$ 1,222,328</u>

G. Proprietary Fund Infrastructure Agreements

The Town has entered into a series of agreements with a number of Public Utility Districts ("PUDs") and Homeowner Associations ("HOAs"). The Town is granted easements to the stormwater infrastructure in certain areas of the Town, and the Town takes responsibility for future maintenance. The Town is recording assets when it incurs costs that meet the capitalization criteria, which there were none in the fiscal year ended June 30, 2025.

H. Road Usage Fee

Effective October 1, 2021, the Town suspended collection of the Road Usage Fee of \$25.00 that was imposed on vehicles registered to an address within the boundaries of the Town. The fee was adopted by the Town in 2016. However, in June 2021, the South Carolina Supreme Court ruled in the Burns, et al. v. Greenville County Council, et al. case that a "service or user fee" – including "uniform service charges" — is a charge required to be paid in return for a particular government service or program made available to the payer of that fee that benefits the payer in some manner different from the members of the general public not paying the fee.

Due to the ruling of the Burns, et al. v. Greenville County Council, et al. case, the Council believes it is appropriate to suspend the collection of its Road Usage Fee while it evaluates its options relative to ensuring compliance with the legal criteria outlined in the Burns opinion. The Town continues to follow the case through appeals and evaluates future options.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. OTHER INFORMATION (CONTINUED)

I. Subsequent Events

In July 2025, the Town paid off the \$10,975,000 in Special Obligation Bonds – Beach Preservation Fee that were originally scheduled for retirement in August 2027.

On December 3, 2025, the Town issued \$19 million in Special Obligation Bonds – Beach Preservation Fee to support the Beach Renourishment project, which is expected to be completed within the fiscal year ending June 30, 2026.

NOTE 5. CHANGE IN ACCOUNTING PRINCIPLE

The Town implemented the provisions of GASB Statement No. 101, *Compensated Absences* (“GASB 101”), effective July 1, 2024. GASB 101 establishes a unified recognition and measurement model for compensated absences, superseding the previous guidance in GASB Statement No. 16. The principal impact of the adoption is the required recognition of a liability for sick leave that is more likely than not to be used for time off or otherwise paid/settled, which was not previously required for non-vesting sick leave. In accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*, the Town applied the new standard retroactively by restating the beginning net position of the earliest period presented.

Net position of governmental activities, as of July 1, 2024, as previously reported	\$ 419,595,645
To record implementation of GASB Statement No. 101	<u>3,043,173</u>
Net position of governmental activities, as of July 1, 2024, as restated	<u>\$ 422,638,818</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	
	Original	Final	Amounts	Variance
Revenues				
Real and Personal Property Taxes	\$ 18,076,000	\$ 18,076,000	\$ 19,190,794	\$ 1,114,794
Accommodations Tax	6,880,890	6,880,890	8,841,406	1,960,516
Business License and Franchise Fees	13,530,924	13,530,924	18,647,405	5,116,481
Permits	1,800,000	1,800,000	2,461,684	661,684
State Shared Funds	973,093	973,093	981,781	8,688
EMS Revenue	2,036,000	2,036,000	2,627,171	591,171
Public Safety Revenue	-	-	1,770	1,770
Miscellaneous Revenue	530,936	530,936	908,988	378,052
Investment Income	1,500,000	1,500,000	2,502,871	1,002,871
Total Revenues	45,327,843	45,327,843	56,163,870	10,836,027
Expenditures				
Current:				
General Government	1,734,903	1,849,186	1,836,708	12,478
Management Services	10,536,165	10,479,596	9,549,647	929,949
Community Services	15,720,601	16,304,296	14,110,787	2,193,509
Public Safety	23,907,796	23,907,796	22,261,138	1,646,658
Non-Departmental	9,024,916	10,006,053	9,655,436	350,617
Debt service:				
Principal	-	-	335,213	(335,213)
Interest	-	-	26,901	(26,901)
Total Expenditures	60,924,381	62,546,927	57,775,830	4,771,097
Deficiency of Revenues Under Expenditures	(15,596,538)	(17,219,084)	(1,611,960)	15,607,124
Other Financing Sources (Uses)				
Transfers In	14,357,026	14,357,026	14,357,026	-
Proceeds From Sale of Capital Assets	-	-	88,628	88,628
Total Other Financing Sources (Uses)	14,357,026	14,357,026	14,445,654	88,628
Net Change in Fund Balances	(1,239,512)	(2,862,058)	12,833,694	15,695,752
Fund Balances, Beginning of Year	39,536,669	39,536,669	39,536,669	-
Fund Balances, End of Year	\$ 38,297,157	\$ 36,674,611	\$ 52,370,363	\$ 15,695,752

Notes to Schedule:

The notes to the budgetary comparison schedule are an integral part of this schedule.

This schedule has been presented on the modified accrual basis of accounting, which is consistent with GAAP.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GAAP BASIS – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1. BASIS OF ACCOUNTING

The budgetary comparison schedule has been presented on the modified accrual basis of accounting, which is consistent with GAAP.

NOTE 2. BUDGETARY INFORMATION

The Town's procedures in establishing the budgetary data reflected in the budgetary comparison schedule are as follows:

- A. The Town Manager submits to Council a proposed operating budget for the General Fund, Capital Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCDC") Fund for the year which includes proposed expenditures and the means of financing them.
- B. Public hearings are held for taxpayers' comments for the General Fund, Capital Improvements Program Fund, Debt Service Fund, Stormwater Utility Fund, Housing Fund, and the GGHNCDC Fund budgets.
- C. The budgets are legally enacted and adopted by Council.
- D. The Town Manager has budgetary transfer authority that individually addresses the appropriate levels that are needed to effectively administer a particular Fund.
 - I. General Fund: The General Fund budgetary authority is to be adopted at the departmental level with the exception that the Town Manager, or designee, shall have the authority to transfer funds across departmental accounts to implement staff reorganizations and salary adjustments. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
 - II. Capital Improvements Program Fund: The Capital Improvements Program Fund is to be adopted at the program level. The Town Manager, or designee, shall have the authority to transfer appropriated funds between projects within each program category identified in the Capital Improvement Program Fund if the project(s) fall under the same functional program category. The appropriated projects under the Capital Improvement Program Fund are on a multi-year project basis and are effective as of July 1, each fiscal year and shall be reappropriated each new fiscal year until the project is complete but said appropriations are subject to cancellation or amendment by the Council as may be in the best interest of the Town.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
GAAP BASIS – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 2. BUDGETARY INFORMATION (CONTINUED)

- III. Debt Service Fund: The Debt Service Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
- IV. Stormwater Utility Fund: The Stormwater Utility Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.
- V. Housing Fund: The Housing Fund is to be adopted at the Fund level and does not contain additional provisions for the transfers of budgeted funds within this Fund.
- VI. Gullah Geechee Historic Neighborhoods Community Development Corporation ("GGHNCD") Fund: The GGHNCD Fund is to be adopted at the Fund level. Additionally, the Town Manager, or designee, shall have the authority to transfer up to \$100,000 within this Fund as may be necessary to achieve the goals of the budget; larger transfers will require Council approval.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY SOUTH CAROLINA POLICE OFFICERS' RETIREMENT SYSTEM LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,			
	2016	2017	2018	2019
Town's Proportion of the Net Pension Liability	0.55035%	0.62151%	0.64589%	0.59288%
Town's Proportionate Share of the Net Pension Liability	\$ 11,994,845	\$ 15,764,333	\$ 17,694,659	\$ 16,799,396
Town's Covered Payroll	\$ 7,762,118	\$ 8,204,054	\$ 8,698,094	\$ 8,206,297
Town's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	154.53%	192.15%	203.43%	204.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.57%	60.44%	60.94%	61.73%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

The discount rate was lowered from 7.50% to 7.25% for the year ended June 30, 2018 and from 7.25% to 7.00% for the year ended June 30, 2022.

There are no assets accumulated in a trust to pay related benefits for the pension plan.

Fiscal Year Ended June 30,					
2020	2021	2022	2023	2024	2025
0.58238%	0.57427%	0.61783%	0.59927%	0.62479%	0.59676%
\$ 16,690,570	\$ 19,044,080	\$ 15,896,250	\$ 17,971,849	\$ 19,019,198	\$ 17,901,586
\$ 8,447,139	\$ 8,675,225	\$ 9,252,397	\$ 9,483,951	\$ 10,943,394	\$ 11,770,997
197.59%	219.52%	171.81%	189.50%	173.80%	152.08%
62.69%	58.79%	70.37%	66.45%	67.79%	70.53%

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - PENSION SCHEDULES
 SCHEDULE OF CONTRIBUTIONS
 SOUTH CAROLINA POLICE OFFICERS' RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,			
	2016	2017	2018	2019
Contractually Required Contributions	\$ 1,127,237	\$ 1,238,850	\$ 1,332,703	\$ 1,456,287
Contributions in Relation to the Contractually Required Contributions				
Contributions from the Town	1,127,237	1,238,850	1,251,705	1,375,289
Contributions from the State	-	-	80,998	80,998
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Town's Covered Payroll	\$ 8,204,054	\$ 8,698,094	\$ 8,206,297	\$ 8,447,139
Contributions as a Percentage of Covered Payroll	13.74%	14.24%	16.24%	17.24%

Fiscal Year Ended June 30,						
2020	2021	2022	2023	2024	2025	
\$ 1,582,361	\$ 1,687,637	\$ 1,824,712	\$ 2,214,943	\$ 2,500,160	\$ 2,646,308	
1,501,363	1,606,639	1,743,714	2,133,945	2,419,162	2,565,310	
80,998	80,998	80,998	80,998	80,998	80,998	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 8,675,225	\$ 9,252,397	\$ 9,483,951	\$ 10,943,394	\$ 11,770,997	\$ 12,459,076	
18.24%	18.24%	19.24%	20.24%	21.24%	21.24%	

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB SCHEDULES SCHEDULE OF CHANGES IN THE TOWN'S TOTAL OPEB LIABILITY AND RELATED RATIOS LAST EIGHT FISCAL YEARS

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Total OPEB liability, beginning of year	\$ 1,822,293	\$ 1,757,062	\$ 1,798,603	\$ 2,117,516
Service cost	73,513	68,086	80,814	90,120
Interest	52,862	61,924	64,531	65,566
Changes in assumptions	(94,212)	(8,455)	110,906	114,192
Differences between expected and actual experience	-	23,313	175,428	36,034
Benefit payments	(97,394)	(103,327)	(112,766)	(135,638)
Net change in total OPEB liability	(65,231)	41,541	318,913	170,274
Total OPEB liability, end of year	\$ 1,757,062	\$ 1,798,603	\$ 2,117,516	\$ 2,287,790
Covered employee payroll	\$ 17,450,775	\$ 17,318,365	\$ 17,509,882	\$ 18,223,142
Total OPEB liability as a percentage of covered payroll	10.1%	10.4%	12.1%	12.6%

Notes to Schedule:

This schedule will present ten years of information once it is accumulated.
The amounts presented for each fiscal year were determined as of the preceding fiscal year.
There are no assets accumulated in a trust to pay related benefits for the OPEB plan.

Fiscal Year Ended June 30,			
2022	2023	2024	2025
\$ 2,287,790	\$ 3,099,152	\$ 2,790,523	\$ 3,720,399
91,744	167,262	89,286	115,590
55,475	59,354	103,297	153,825
627,990	(386,435)	161,104	277,470
174,885	34,079	738,521	(8,359)
(138,732)	(182,889)	(162,332)	(225,101)
811,362	(308,629)	929,876	313,425
\$ 3,099,152	\$ 2,790,523	\$ 3,720,399	\$ 4,033,824
\$ 19,014,727	\$ 19,157,292	\$ 21,656,902	\$ 22,785,270
16.3%	14.6%	17.2%	17.7%

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

REQUIRED SUPPLEMENTARY INFORMATION - OPEB SCHEDULES SCHEDULE OF CONTRIBUTIONS - OPEB PLAN LAST EIGHT FISCAL YEARS

	Fiscal Year Ended June 30,			
	2018	2019	2020	2021
Contractually Required Contributions	\$ 103,327	\$ 112,766	\$ 135,638	\$ 138,732
Contributions in Relation to the Contractually Required Contributions	103,327	112,766	135,638	138,732
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's Covered Payroll	\$ 17,318,365	\$ 17,509,882	\$ 18,223,142	\$ 19,014,727
Contributions as a Percentage of Covered Payroll	0.60%	0.64%	0.74%	0.73%

Note to Schedule:

This schedule will present ten years of information once it is accumulated.

Fiscal Year Ended June 30,				
2022	2023	2024	2025	
\$ 182,889	\$ 162,332	\$ 225,101	\$ 243,385	
182,889	162,332	225,101	243,385	
\$ -	\$ -	\$ -	\$ -	
\$ 19,157,292	\$ 21,656,902	\$ 22,785,270	\$ 26,142,121	
0.95%	0.75%	0.99%	0.93%	

SUPPLEMENTAL FINANCIAL INFORMATION



**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2025

		Special Revenue Funds				
		Palmetto Electric Franchise Fees	Operating Grants	HOME Grant	Fire Truck Lease Proceeds	Road Usage Fee
ASSETS						
Cash and Cash Equivalents		\$ 984,052	\$ -	\$ -	\$ 2,402,132	\$ -
Interfund Receivables		289,505	326,190	82,534	-	2,268,106
Due from other Governments		-	12,046	-	-	-
Total assets		<u>\$ 1,273,557</u>	<u>\$ 338,236</u>	<u>\$ 82,534</u>	<u>\$ 2,402,132</u>	<u>\$ 2,268,106</u>
TOTAL LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable		\$ -	\$ 17,115	\$ -	\$ -	\$ -
Interfund Payables		-	-	-	2,400,365	-
Unearned Revenue		-	-	70,407	-	-
Total liabilities		<u>-</u>	<u>17,115</u>	<u>70,407</u>	<u>2,400,365</u>	<u>-</u>
FUND BALANCES						
Restricted:						
Underground Electrical Service		1,273,557	-	-	-	-
Federal and Operating Grants		-	321,121	-	-	-
HOME Grant Program		-	-	12,127	-	-
Fire Truck Lease		-	-	-	1,767	-
Road Improvements		-	-	-	-	2,268,106
Short-Term Rentals		-	-	-	-	-
Community Development		-	-	-	-	-
One Percent		-	-	-	-	-
Total fund balances		<u>1,273,557</u>	<u>321,121</u>	<u>12,127</u>	<u>1,767</u>	<u>2,268,106</u>
Total liabilities and fund balances		<u>\$ 1,273,557</u>	<u>\$ 338,236</u>	<u>\$ 82,534</u>	<u>\$ 2,402,132</u>	<u>\$ 2,268,106</u>

Special Revenue Funds				
Short-Term Rental Fee Fund	Housing Fund	GGHNCDC Fund	Firemen's Fund	Total Nonmajor Governmental Funds
\$ 10,263	\$ -	\$ 5,580,419	\$ 82,024	\$ 9,058,890
314,132	2,871,433	-	-	6,151,900
-	-	-	-	12,046
<u>\$ 324,395</u>	<u>\$ 2,871,433</u>	<u>\$ 5,580,419</u>	<u>\$ 82,024</u>	<u>\$ 15,222,836</u>

\$ -	\$ 3,243	\$ 297	\$ 7,519	\$ 28,174
-	-	15,847	16,530	2,432,742
-	-	-	-	70,407
<u>-</u>	<u>3,243</u>	<u>16,144</u>	<u>24,049</u>	<u>2,531,323</u>

-	-	-	-	1,273,557
-	-	-	-	321,121
-	-	-	-	12,127
-	-	-	-	1,767
-	-	-	-	2,268,106
324,395	-	-	-	324,395
-	2,868,190	5,564,275	-	8,432,465
-	-	-	57,975	57,975
<u>324,395</u>	<u>2,868,190</u>	<u>5,564,275</u>	<u>57,975</u>	<u>12,691,513</u>
<u>\$ 324,395</u>	<u>\$ 2,871,433</u>	<u>\$ 5,580,419</u>	<u>\$ 82,024</u>	<u>\$ 15,222,836</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Special Revenue Funds					
	Palmetto Electric Franchise Fees	Operating Grants	HOME Grant	Fire Truck Lease Proceeds	Road Usage Fee
Revenues					
Short-Term Rental Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Electric Franchise Fees	3,258,395	-	-	-	-
Grants	-	286,756	-	-	-
Road Usage Fees	-	-	-	-	950
One Percent Revenue	-	-	-	-	-
Interest Income	314,076	-	-	1,767	7,568
Total Revenues	3,572,471	286,756	-	1,767	8,518
Expenditures					
Current:					
General Government	-	-	-	-	-
Community Services	-	115	-	-	-
Public Safety	-	400,734	-	-	-
Total Expenditures	-	400,849	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,572,471	(114,093)	-	1,767	8,518
Other Financing Sources (Uses)					
Transfers In	-	-	-	-	-
Transfers Out	(9,038,451)	-	-	-	(481,323)
Total Other Financing Sources (Uses)	(9,038,451)	-	-	-	(481,323)
Net Change in Fund Balances	(5,465,980)	(114,093)	-	1,767	(472,805)
Fund Balances, Beginning of Year	6,739,537	435,214	12,127	-	2,740,911
Fund Balances, End of Year	\$ 1,273,557	\$ 321,121	\$ 12,127	\$ 1,767	\$ 2,268,106

Special Revenue Funds				
Short-Term Rental Fee Fund	Housing Fund	GGHNCDC Fund	Firemen's Fund	Total Nonmajor Governmental Funds
\$ 1,883,995	\$ -	\$ -	\$ -	\$ 1,883,995
-	-	-	-	3,258,395
-	-	-	-	286,756
-	-	-	-	950
-	-	-	1,125,933	1,125,933
86	-	279,404	60	602,961
1,884,081	-	279,404	1,125,993	7,158,990
-	-	277,025	-	277,025
-	280,287	-	-	280,402
-	-	-	1,142,683	1,543,417
-	280,287	277,025	1,142,683	2,100,844
1,884,081	(280,287)	2,379	(16,690)	5,058,146
-	1,000,000	-	-	1,000,000
(1,825,000)	-	-	-	(11,344,774)
(1,825,000)	1,000,000	-	-	(10,344,774)
59,081	719,713	2,379	(16,690)	(5,286,628)
265,314	2,148,477	5,561,896	74,665	17,978,141
\$ 324,395	\$ 2,868,190	\$ 5,564,275	\$ 57,975	\$ 12,691,513

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Real and Personal Property Taxes	\$ 18,076,000	\$ 18,076,000	\$ 19,190,794	\$ 1,114,794
Accommodations Tax - Local 1%	6,880,890	6,880,890	8,841,406	1,960,516
Business License and Franchise Fees:				
Business License - Town	8,396,593	8,396,593	9,268,139	871,546
Business License - MASC	4,294,331	4,294,331	8,317,463	4,023,132
Cable Television Franchise Fee	785,000	785,000	953,289	168,289
Beach Franchise Fee	55,000	55,000	108,514	53,514
Total Business License and Franchise Fees	13,530,924	13,530,924	18,647,405	5,116,481
Permits:				
Construction	724,336	724,336	1,198,596	474,260
Development	8,500	8,500	13,596	5,096
Other	1,067,164	1,067,164	1,249,492	182,328
Total Permits	1,800,000	1,800,000	2,461,684	661,684
State Shared Funds	973,093	973,093	981,781	8,688
Public Safety:				
EMS Revenue	2,036,000	2,036,000	2,627,171	591,171
County D/T Revenue	-	-	1,770	1,770
Total Public Safety	2,036,000	2,036,000	2,628,941	592,941
Miscellaneous Revenue:				
Beach Services	236,232	236,232	520,770	284,538
Other	294,704	294,704	388,218	93,514
Total Miscellaneous Revenue	530,936	530,936	908,988	378,052
Investment Income	1,500,000	1,500,000	2,502,871	1,002,871
TOTAL REVENUES	45,327,843	45,327,843	56,163,870	10,836,027
EXPENDITURES				
Current:				
General Government:				
Council:				
Salaries and Benefits	182,464	182,464	171,636	10,828
Operating	287,600	353,100	363,633	(10,533)
Total Council	470,064	535,564	535,269	295
Town Manager:				
Salaries and Benefits	1,167,439	1,211,222	1,220,870	(9,648)
Operating	97,400	102,400	80,569	21,831
Total Town Manager	1,264,839	1,313,622	1,301,439	12,183
Total General Government	1,734,903	1,849,186	1,836,708	12,478
Management Services:				
Finance - Administration:				
Salaries and Benefits	2,759,983	2,955,545	2,699,548	255,997
Operating	286,358	287,608	260,186	27,422
Total Finance - Administration	3,046,341	3,243,153	2,959,734	283,419
Human Resources:				
Salaries and Benefits	664,787	672,014	699,624	(27,610)
Operating	197,656	197,656	127,499	70,157
Total Human Resources	862,443	869,670	827,123	42,547
Administration - Legal:				
Salaries and Benefits	540,896	352,896	320,982	31,914
Operating	17,865	17,865	14,010	3,855
Total Administration - Legal	558,761	370,761	334,992	35,769
Community Engagement:				
Salaries and Benefits	317,875	243,965	244,648	(683)
Operating	22,902	22,902	15,434	7,468
Total Community Engagement	340,777	266,867	260,082	6,785
Administrative Services - Office of Cultural Affairs:				
Salaries and Benefits	237,072	238,374	240,509	(2,135)
Operating	149,950	149,950	147,814	2,136
Total Administrative Services - Office of Cultural Affairs	387,022	388,324	388,323	1

(Continued)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
EXPENDITURES (CONTINUED)				
Current (Continued):				
Management Services (Continued):				
Administrative Services - Information Technology:				
Salaries and Benefits	\$ 1,893,998	\$ 2,041,169	\$ 2,035,471	\$ 5,698
Operating	2,553,415	2,562,150	2,074,768	487,382
Total Administrative Services - Information Technology	4,447,413	4,603,319	4,110,239	493,080
Communications:				
Salaries and Benefits	814,908	667,737	621,773	45,964
Operating	78,500	69,765	47,381	22,384
Total Communications	893,408	737,502	669,154	68,348
Subtotal Administrative Services	6,627,381	6,366,773	5,762,790	603,983
Total Management Services	10,536,165	10,479,596	9,549,647	929,949
Community Services:				
Planning - Operations				
Salaries and Benefits	-	241,593	228,611	12,982
Operating	-	2,500	694	1,806
Total Planning - Operations	-	244,093	229,305	14,788
Planning - Administration				
Salaries and Benefits	-	346,645	318,462	28,183
Operating	-	106,284	57,120	49,164
Total Planning - Administration	-	452,929	375,582	77,347
Subtotal Planning	-	697,022	604,887	92,135
Community Development - Administration:				
Salaries and Benefits	1,612,061	-	-	-
Operating	146,343	-	-	-
Total Community Development - Administration	1,758,404	-	-	-
Community Development - CD Services:				
Salaries and Benefits	593,047	987,119	895,936	91,183
Operating	5,984	5,984	3,327	2,657
Total Community Development - CD Services	599,031	993,103	899,263	93,840
Community Development - Inspection/Compliance:				
Salaries and Benefits	1,318,581	1,079,586	915,169	164,417
Operating	105,195	105,195	141,593	(36,398)
Total Community Development - Inspection/Compliance	1,423,776	1,184,781	1,056,762	128,019
Community Development - Development, Review, Zoning:				
Salaries and Benefits	614,151	614,151	618,529	(4,378)
Operating	23,682	23,682	3,026	20,656
Total Community Development - Development, Review, Zoning	637,833	637,833	621,555	16,278
Community Development - Comprehensive Planning:				
Salaries and Benefits	673,106	568,106	440,582	127,524
Operating	503,153	906,749	222,377	684,372
Total Community Development - Comprehensive Planning	1,176,259	1,474,855	662,959	811,896
Subtotal Community Development	5,595,303	4,290,572	3,240,539	1,050,033
Public Facilities - Administration:				
Salaries and Benefits	-	205,797	186,754	19,043
Operating	-	24,109	22,613	1,496
Total Public Facilities - Administration	-	229,906	209,367	20,539
Public Facilities - Engineering and Projects:				
Salaries and Benefits	-	508,403	487,107	21,296
Total Public Facilities - Engineering and Projects	-	508,403	487,107	21,296
Public Facilities - Engineering:				
Salaries and Benefits	530,537	530,537	382,707	147,830
Operating	88,785	88,785	45,607	43,178
Total Public Facilities - Engineering	619,322	619,322	428,314	191,008
(Continued)				

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
EXPENDITURES (CONTINUED)				
Current (Continued):				
Community Services (Continued):				
Public Facilities - Facilities Management:				
Salaries and Benefits	\$ 763,589	\$ 527,782	\$ 505,231	\$ 22,551
Operating	834,191	933,903	764,900	169,003
Capital	1,631,622	1,655,860	1,670,809	(14,949)
Total Public Facilities - Facilities Management	3,229,402	3,117,545	2,940,940	176,605
Public Facilities - Capital Projects:				
Salaries and Benefits	1,176,089	593,519	576,461	17,058
Operating	674,250	11,800	2,483	9,317
Total Public Facilities - Capital Projects	1,850,339	605,319	578,944	26,375
Subtotal Public Facilities	5,699,063	5,080,495	4,644,672	435,823
Public Services - Workforce Housing:				
Salaries and Benefits	194,311	194,311	163,660	30,651
Operating	5,696	5,696	3,284	2,412
Total Public Services - Workforce Housing	200,007	200,007	166,944	33,063
Public Services - Beach Operations:				
Salaries and Benefits	-	393,526	305,849	87,677
Operating	-	706,034	793,711	(87,677)
Total Public Services - Beach Operations	-	1,099,560	1,099,560	-
Public Services - General:				
Salaries and Benefits	360,825	382,846	243,664	139,182
Operating	3,865,403	3,865,403	3,498,597	366,806
Total Public Services - General	4,226,228	4,248,249	3,742,261	505,988
Public Services - Facilities Admin:				
Salaries and Benefits	-	684,941	609,942	74,999
Operating	-	3,450	1,982	1,468
Total Public Services - Facilities Admin	-	688,391	611,924	76,467
Subtotal Public Services	4,426,235	6,236,207	5,620,689	615,518
Total Community Services	15,720,601	16,304,296	14,110,787	2,193,509
Public Safety:				
Fire Rescue - Executive:				
Salaries and Benefits	1,246,230	1,246,230	1,168,414	77,816
Operating	767,751	1,609,933	682,023	927,910
Capital	842,182	-	-	-
Total Fire Rescue - Executive	2,856,163	2,856,163	1,850,437	1,005,726
Fire Rescue - Operations:				
Salaries and Benefits	16,479,032	16,479,032	16,072,181	406,851
Operating	350,270	350,270	357,210	(6,940)
Total Fire Rescue - Operations	16,829,302	16,829,302	16,429,391	399,911
Fire Rescue - Support Services:				
Salaries and Benefits	3,109,254	3,109,254	2,927,225	182,029
Operating	213,440	213,440	182,549	30,891
Total Fire Rescue - Support Services	3,322,694	3,322,694	3,109,774	212,920
Subtotal Fire Rescue:				
Salaries and Benefits	20,834,516	20,834,516	20,167,820	666,696
Operating	1,331,461	2,173,643	1,221,782	951,861
Capital	842,182	-	-	-
Subtotal Fire Rescue	23,008,159	23,008,159	21,389,602	1,618,557
Sheriff/Other Public Safety:				
Office of Public Safety - Salaries and Benefits	823,432	823,432	789,992	33,440
Office of Public Safety - Operating	20,205	20,205	7,677	12,528
Police Services/Contract	56,000	56,000	73,867	(17,867)
Total Sheriff/Other Public Safety	899,637	899,637	871,536	28,101
Total Public Safety	23,907,796	23,907,796	22,261,138	1,646,658

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GENERAL FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL		
EXPENDITURES (CONTINUED)				
Non-Departmental - Town-Wide Expenditures:				
Non-Grant Expenditures:				
Personnel	\$ 402,817	\$ 402,817	\$ 421,501	\$ (18,684)
Operating	5,422,596	5,303,733	5,074,115	229,618
Community Events	648,862	648,862	550,881	97,981
Total Non-Departmental - Town-Wide Expenditures	6,474,275	6,355,412	6,046,497	308,915
Operating Grants:				
Recreation Center - Operating Grant	1,167,366	1,167,366	1,167,366	-
Coastal Discovery Grant - Operating Grant	107,700	107,700	107,700	-
Coastal Discovery Grant - Mitchellville Grant	105,000	105,000	105,000	-
Event Management and Hospitality Training	235,000	235,000	193,298	41,702
LTRA Grant	253,595	253,595	253,595	-
Multidisciplinary Court	50,000	50,000	50,000	-
Solicitor Career Criminal Program	118,500	118,500	118,500	-
Heritage Classic Foundation	400,000	400,000	400,000	-
Beaufort County EDC	40,000	40,000	40,000	-
Habitat	-	500,000	500,000	-
Sea Turtle	73,480	73,480	73,480	-
CCDC	-	600,000	600,000	-
Subtotal Non-Departmental - Town-Wide Operating Grants	2,550,641	3,650,641	3,608,939	41,702
Total Non-Departmental - Town-Wide Expenditures	9,024,916	10,006,053	9,655,436	350,617
Debt Service	-	-	362,114	(362,114)
TOTAL EXPENDITURES	60,924,381	62,546,927	57,775,830	4,771,097
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(15,596,538)	(17,219,084)	(1,611,960)	15,607,124
OTHER FINANCING SOURCES				
Transfers in:				
Beach Preservation Fee Fund	1,983,508	1,983,508	1,983,508	-
Hospitality Tax Fund	6,257,894	6,257,894	6,257,894	-
Tax Increment Financing Fund	110,000	110,000	110,000	-
State Accommodations Tax Fund	3,515,021	3,515,021	3,515,021	-
Electricity Franchise Fee Fund	540,603	540,603	540,603	-
Short-Term Rental Fund	1,825,000	1,825,000	1,825,000	-
Stormwater Utility Fund	125,000	125,000	125,000	-
Proceeds From Sale of Capital Assets	-	-	88,628	88,628
TOTAL OTHER FINANCING SOURCES	14,357,026	14,357,026	14,445,654	88,628
NET CHANGE IN FUND BALANCES	(1,239,512)	(2,862,058)	12,833,694	15,695,752
FUND BALANCES - Beginning of Year	39,536,669	39,536,669	39,536,669	-
FUND BALANCES - End of Year	\$ 38,297,157	\$ 36,674,611	\$ 52,370,363	\$ 15,695,752

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS
HOUSING FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
REVENUES				
Other Income	\$ 3,000,000	\$ 3,000,000	\$ -	\$ (3,000,000)
TOTAL REVENUES	3,000,000	3,000,000	-	(3,000,000)
EXPENDITURES				
Operating	89,206	89,206	86,559	2,647
Capital	3,910,794	3,910,794	193,728	3,717,066
TOTAL EXPENDITURES	4,000,000	4,000,000	280,287	3,719,713
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,000,000)	(1,000,000)	(280,287)	719,713
OTHER FINANCING SOURCES				
Transfers in	1,000,000	1,000,000	1,000,000	-
TOTAL OTHER FINANCING SOURCES	1,000,000	1,000,000	1,000,000	-
NET CHANGES IN FUND BALANCES	-	-	719,713	719,713
FUND BALANCES - Beginning of Year	2,148,477	2,148,477	2,148,477	-
FUND BALANCES - End of Year	\$ 2,148,477	\$ 2,148,477	\$ 2,868,190	\$ 719,713

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS GULLAH GEECHEE HISTORIC NEIGHBORHOODS COMMUNITY DEVELOPMENT CORPORATIONS FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
REVENUES				
Grants	\$ 5,216,434	\$ 5,216,434	\$ -	\$ (5,216,434)
Interest Income	125,000	125,000	279,404	154,404
TOTAL REVENUES	5,341,434	5,341,434	279,404	(5,062,030)
EXPENDITURES				
Salaries and Benefits	200,376	200,376	201,588	(1,212)
Operating	1,955,125	1,955,125	75,437	1,879,688
Capital	1,250,000	1,250,000	-	1,250,000
TOTAL EXPENDITURES	3,405,501	3,405,501	277,025	3,128,476
EXCESS OF REVENUES OVER EXPENDITURES	1,935,933	1,935,933	2,379	(1,933,554)
NET CHANGES IN FUND BALANCES	1,935,933	1,935,933	2,379	(1,933,554)
FUND BALANCES - Beginning of Year	5,561,896	5,561,896	5,561,896	-
FUND BALANCES - End of Year	\$ 7,497,829	\$ 7,497,829	\$ 5,564,275	\$ (1,933,554)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS DEBT SERVICE FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
REVENUES				
Real and Personal Property Taxes	\$ 5,843,144	\$ 5,843,144	\$ 6,619,129	\$ 775,985
Investment Income	338,365	338,365	635,822	297,457
TOTAL REVENUES	6,181,509	6,181,509	7,254,951	1,073,442
EXPENDITURES				
Administrative	71,032	71,032	15,026	56,006
Debt service:				
New Debt	1,600,000	1,600,000	2,500	1,597,500
Principal	12,625,000	12,625,000	12,625,000	-
Interest	2,403,968	2,403,968	2,403,967	1
TOTAL EXPENDITURES	16,700,000	16,700,000	15,046,493	1,653,507
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(10,518,491)	(10,518,491)	(7,791,542)	2,726,949
OTHER FINANCING SOURCES				
Transfers in:				
Beach Preservation Fees	4,346,625	4,346,625	3,946,626	(399,999)
Hospitality Tax	1,843,158	1,843,158	1,443,158	(400,000)
TIF Taxes	3,928,708	3,928,708	2,928,708	(1,000,000)
Real Estate Transfer Fees	400,000	400,000	-	(400,000)
TOTAL OTHER FINANCING SOURCES	10,518,491	10,518,491	8,318,492	(2,199,999)
NET CHANGES IN FUND BALANCES	-	-	526,950	526,950
FUND BALANCES - Beginning of Year	13,716,563	13,716,563	13,716,563	-
FUND BALANCES - End of Year	\$ 13,716,563	\$ 13,716,563	\$ 14,243,513	\$ 526,950

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS CAPITAL IMPROVEMENTS PROGRAM FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
REVENUES				
Grants	\$ 500,000	\$ 500,000	\$ 430,640	\$ (69,360)
Sunday Permit Fees	1,455,811	1,455,811	316,500	(1,139,311)
Impact Fees	947,601	947,601	148,347	(799,254)
Other Revenue	554,702	554,702	62,120	(492,582)
Investment Income	-	-	525,252	525,252
TOTAL REVENUES	3,458,114	3,458,114	1,482,859	(1,975,255)
EXPENDITURES				
Park Development:				
Public Art Program	35,375	35,375	35,372	3
Chaplin Linear Park and Boardwalk	350,000	350,000	-	350,000
Crossing Park	5,000,000	5,000,000	848,730	4,151,270
Chaplin Community Park	1,907,797	1,907,797	665,025	1,242,772
Mid-Island Track	2,500,000	2,500,000	619,815	1,880,185
Patterson Family Property Park	2,740,583	2,752,103	188,564	2,563,539
Island Recreation CIP	520,000	520,000	510,992	9,008
Shelter Cover Parking Expansion	500,000	500,000	211,138	288,862
Park Upgrades	500,000	500,000	437,320	62,680
Taylor Family Property Park	2,911,416	2,920,670	287,735	2,632,935
Barker Field	1,500,000	1,500,000	169,753	1,330,247
Ford Shell Ring	50,102	50,102	33,226	16,876
Greens Shell Park Enhancements	250,000	250,000	65,726	184,274
Old Schoolhouse Park Enhancements	350,000	350,000	73,453	276,547
Park Project	100,000	79,226	3,530	75,696
Coligny Circle Quadrant Pocket Park	500,000	500,000	42,822	457,178
Jarvis Creek Park Enhancements	100,000	100,000	88,136	11,864
Total Park Development	19,815,273	19,815,273	4,281,337	15,533,936
Land Acquisition:				
Miscellaneous	250,000	9,142,904	9,049,966	92,938
Total Land Acquisition	250,000	9,142,904	9,049,966	92,938
Beach Maintenance:				
Island-wide Beach Renourishment	16,800,000	16,700,000	664,114	16,035,886
Beach Wheelchair Storage	99,000	99,000	38,661	60,339
Islanders Beach Park Improvements	3,750,000	3,850,000	205,646	3,644,354
Beach Park Maintenance and Improvement	350,000	350,000	341,385	8,615
Harbour Town Dredge	600,000	600,000	600,000	-
Total Beach Maintenance	21,599,000	21,599,000	1,849,806	19,749,194
Facilities Improvements:				
Town Hall Renovations	1,745,589	1,745,589	281,922	1,463,667
Honey Horn Improvements	628,500	632,508	632,507	1
Computer Software Equipment	1,582,000	1,544,822	1,390,761	154,061
Fire/Medical Systems and Equipment	493,000	493,000	207,789	285,211
Security Cameras - Shelter Cove	266,500	266,500	215,438	51,062
Fire Hydrant Expansion	50,000	50,000	-	50,000
BCSO Renovations	50,000	45,992	-	45,992
Historic Mitchelville Freedom Park	1,054,702	1,054,702	146,384	908,318
Toll Plaza Building Demolition	-	-	(4,935)	4,935
Facilities and Equipment Contingency	100,000	65,300	-	65,300
Wild Wing Café Demo	500,000	500,000	454,448	45,552
Tree Planting/Forest Management	500,000	500,000	461,220	38,780
Fire Station Replacements	1,127,000	1,138,650	976,123	162,527
Fire Training Center Replacements	10,000	10,000	10,000	-
Fire Rescue HQ Replacements	85,000	85,000	78,592	6,408
EOC Replacements	35,000	35,000	29,973	5,027
Security Access Upgrades	175,000	175,584	129,813	45,771
Fire Apparatus, Vehicle Replacement and Shed	7,031,677	11,484,707	4,517,048	6,967,659
Town Vehicle Replacements	266,000	325,644	280,942	44,702
Total Facilities Improvements	15,699,968	20,152,998	9,808,025	10,344,973

(Continued)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS CAPITAL IMPROVEMENTS PROGRAM FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
EXPENDITURES (CONTINUED)				
Roadway Improvements:				
Dirt Road Acquisition and Paving Program	\$ 2,723,500	\$ 2,723,500	\$ 141,546	\$ 2,581,954
William Hilton Parkway Enhancements	1,900,000	2,750,000	2,278,308	471,692
Pope Avenue, Palmetto Bay Road, Arrow Road and New Orleans Road Streetscape Enhancements	1,133,718	1,133,718	343,832	789,886
Main Street Enhancements	2,000,000	1,350,000	61,634	1,288,366
Other Roadway Enhancements	2,560,000	2,360,000	1,630,083	729,917
Total Roadway Improvements	10,317,218	10,317,218	4,455,403	5,861,815
Stormwater Projects:				
Wexford	500,000	1,332,220	578,305	753,915
Sea Pines	-	198,710	198,710	-
Palmetto Hall	100,000	80,000	-	80,000
Non-PUD	600,000	582,380	79,612	502,768
Total Stormwater Projects	1,200,000	2,193,310	856,627	1,336,683
Pathway Improvements:				
Pathway Improvements	5,500,000	5,500,000	697,207	4,802,793
Total Pathway Improvements	5,500,000	5,500,000	697,207	4,802,793
Total Capital Outlay	74,381,459	88,720,703	30,998,371	57,722,332
Debt service	-	-	67,740	(67,740)
TOTAL EXPENDITURES	74,381,459	88,720,703	31,066,111	57,654,592
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(70,923,345)	(85,262,589)	(29,583,252)	55,679,337
OTHER FINANCING SOURCES (USES)				
Sale of Land	1,283,020	1,283,020	9,075	(1,273,945)
Transfers in:				
Beach Preservation Fees	21,275,174	21,275,174	1,015,716	(20,259,458)
State Accommodations Tax	3,200,000	3,200,000	1,255,106	(1,944,894)
Hospitality Tax	25,532,803	29,985,833	9,572,566	(20,413,267)
Tax Increment Financing	8,285,717	14,160,717	6,133,067	(8,027,650)
Road Usage Fee	762,871	762,871	481,323	(281,548)
Electric Franchise Fee	8,497,848	8,497,848	8,497,848	-
Real Estate Transfer Fee	885,912	3,903,816	3,336,557	(567,259)
Stormwater Utility Fee	1,200,000	2,193,310	1,182,552	(1,010,758)
TOTAL OTHER FINANCING SOURCES (USES)	70,923,345	85,262,589	31,483,810	(53,778,779)
NET CHANGE IN FUND BALANCES	-	-	1,900,558	1,900,558
FUND BALANCES - Beginning of Year	7,675,346	7,675,346	7,675,346	-
FUND BALANCES - End of Year	\$ 7,675,346	\$ 7,675,346	\$ 9,575,904	\$ 1,900,558

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GAAP BASIS STORMWATER UTILITY FUND FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	BUDGETED AMOUNTS		ACTUAL	
	ORIGINAL	FINAL	AMOUNTS	VARIANCE
OPERATING REVENUES				
Stormwater Utility Fees	\$ 5,067,000	\$ 5,067,000	\$ 5,384,264	\$ 317,264
Permit Fees	112,420	112,420	208,720	96,300
TOTAL OPERATING REVENUES	5,179,420	5,179,420	5,592,984	413,564
OPERATING EXPENSES				
Planned Unit Developments:				
Hilton Head Plantation	-	-	122,684	(122,684)
Palmetto Dunes	-	-	89,988	(89,988)
Palmetto Hall Plantation	-	17,253	14,317	2,936
Shipyards Plantation	-	-	93,244	(93,244)
Sea Pines Plantation	-	55,770	515,886	(460,116)
Spanish Wells Plantation	-	403,000	234,921	168,079
Wexford Plantation	-	492,175	470,059	22,116
Total Planned Unit Developments	-	968,198	1,541,099	(572,901)
Non-Planned Unit Developments:				
Stormwater Maintenance	559,000	977,652	528,285	449,367
Inventory and Modeling	670,000	676,742	201,493	475,249
Pump Station	-	116,022	188,076	(72,054)
Total Non-Planned Unit Developments	1,229,000	1,770,416	917,854	852,562
Other Non-Classified Expenses:				
Contingency - PUD	1,177,000	1,177,000	-	1,177,000
Contingency - Maintenance	500,000	500,000	-	500,000
Contingency - Non-PUD	680,000	680,000	201,545	478,455
Contingency - Pump Stations	390,000	390,000	-	390,000
Total Other Non-Classified Expenses	2,747,000	2,747,000	201,545	2,545,455
Other Operating Expenses:				
Administrative Salaries/Benefits	842,381	842,381	770,240	72,141
Administrative Operating	205,570	205,570	188,291	17,279
Depreciation	1,100,000	1,100,000	998,206	101,794
Total Other Operating Expenses	2,147,951	2,147,951	1,956,737	191,214
TOTAL OPERATING EXPENSES	6,123,951	7,633,565	4,617,235	3,016,330
OPERATING INCOME (EXPENSE)	(944,531)	(2,454,145)	975,749	3,429,894
NON-OPERATING INCOME (EXPENSES):				
Investment Income	150,000	150,000	351,131	201,131
Loss on Refunding	(89,061)	(89,061)	(89,061)	-
Interest Expense	(52,513)	(52,513)	(48,347)	4,166
TOTAL NON-OPERATING INCOME (EXPENSES)	8,426	8,426	213,723	205,297
INCOME BEFORE TRANSFERS	(936,105)	(2,445,719)	1,189,472	3,635,191
Transfers Out - General Fund	(125,000)	(125,000)	(125,000)	-
Transfers Out - CIP	(1,135,000)	(1,182,553)	(1,182,553)	-
Total Transfers	(1,260,000)	(1,307,553)	(1,307,553)	-
NET CHANGE IN FUND NET POSITION	(2,196,105)	(3,753,272)	(118,081)	3,635,191
NET POSITION - Beginning of Year	13,754,708	13,754,708	13,754,708	-
NET POSITION - End of Year	\$ 11,558,603	\$ 10,001,436	\$ 13,636,627	\$ 3,635,191



STATISTICAL SECTION

Town of Hilton Head Island, South Carolina



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

STATISTICAL SECTION (UNAUDITED)

This part of the Town of Hilton Head Island, South Carolina (the "Town") Annual Comprehensive Financial Report ("ACFR") represents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Town's overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends	130 – 135
<i>These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.</i>	
Revenue Capacity	136 – 141
<i>These schedules contain information to help the reader assess the factors affecting the Town's ability to generate its property and sales taxes.</i>	
Debt Capacity	142 – 146
<i>These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's abilities to issue additional debt in the future.</i>	
Demographic and Economic Information	147 and 148
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.</i>	
Operating Information	149 – 151
<i>These schedules contain information about the Town's operations and resources to help the reader understand how the Town's financial information relates to the services the Town provides and activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the Annual Financial Statements audit reports for the relevant year.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 1 NET POSITION BY COMPONENT LAST TEN FISCAL YEARS *(accrual basis of accounting)*

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Governmental activities										
Net investment in capital assets	\$ 169,753,952	\$ 135,840,935	\$ 123,118,927	\$ 125,075,197	\$ 144,351,204	\$ 160,928,772	\$ 171,793,112	\$ 193,206,220	\$ 226,540,130	\$ 238,218,393
Restricted	31,347,375	49,430,348	73,002,476	90,782,943	90,551,046	110,004,264	142,438,709	152,740,166	161,752,478	172,256,516
Unrestricted	13,639,863	(1,278,494)	12,993,432	7,012,374	7,245,410	10,094,542	13,350,215	25,214,064	34,346,210	50,079,290
Total Governmental activities net position	<u>\$ 214,741,190</u>	<u>\$ 183,992,789</u>	<u>\$ 209,114,835</u>	<u>\$ 222,870,514</u>	<u>\$ 242,147,660</u>	<u>\$ 281,027,578</u>	<u>\$ 327,582,036</u>	<u>\$ 371,160,450</u>	<u>\$ 422,638,818</u>	<u>\$ 460,554,199</u>
Business-Type activities										
Net investment in capital assets	\$ 4,759,203	\$ 4,478,605	\$ 4,911,086	\$ 4,660,533	\$ 4,896,777	\$ 6,847,044	\$ 7,003,964	\$ 7,141,697	\$ 7,294,431	\$ 7,455,046
Unrestricted	2,395,261	2,308,143	3,402,531	4,739,679	4,982,778	3,191,779	3,536,776	6,036,913	6,460,277	6,181,581
Total Business-Type activities net position	<u>\$ 7,154,464</u>	<u>\$ 6,786,748</u>	<u>\$ 8,313,617</u>	<u>\$ 9,400,212</u>	<u>\$ 9,879,555</u>	<u>\$ 10,038,823</u>	<u>\$ 10,540,740</u>	<u>\$ 13,178,610</u>	<u>\$ 13,754,708</u>	<u>\$ 13,636,627</u>
Total	<u>\$ 221,895,654</u>	<u>\$ 190,779,537</u>	<u>\$ 217,428,452</u>	<u>\$ 232,270,726</u>	<u>\$ 252,027,215</u>	<u>\$ 291,066,401</u>	<u>\$ 338,122,776</u>	<u>\$ 384,339,060</u>	<u>\$ 436,393,526</u>	<u>\$ 474,190,826</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 2 CHANGES IN NET POSITION LAST TEN FISCAL YEARS *(accrual basis of accounting)*

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Expenses										
Governmental Activities:										
General Government	\$ 6,119,293	\$ 9,177,681	\$ 5,182,132	\$ 6,041,666	\$ 2,543,044	\$ 487,594	\$ 7,125,075	\$ 7,975,006	\$ 7,580,451	\$ 15,856,113
Management Services	5,240,408	5,030,374	5,682,232	5,410,617	5,575,062	6,087,358	7,227,923	8,020,828	9,509,361	10,139,102
Community Services	18,658,764	28,419,138	38,440,753	24,884,430	21,948,681	25,648,683	19,554,577	22,647,879	21,936,453	22,135,310
Public Safety	19,802,724	63,979,026	25,913,844	21,377,534	20,793,073	18,983,033	21,344,565	24,258,123	25,142,426	33,260,109
Culture and Recreation	2,652,668	2,583,815	2,729,719	2,984,245	3,344,738	2,144,683	4,451,959	3,996,869	4,789,146	3,521,165
Visitor's and Convention Bureau	1,709,995	1,831,924	1,888,500	2,056,508	1,939,622	3,047,544	4,063,286	3,995,971	3,829,597	3,942,797
Administration	212,356	517,130	34,635	33,801	35,540	71,279	69,575	49,756	48,831	52,297
Interest on debt	3,042,722	2,312,765	6,725,441	4,796,359	4,751,574	3,321,054	3,056,276	2,621,386	3,053,568	4,824,675
Total Governmental Activities expenses	57,438,930	113,851,853	86,597,256	67,585,160	60,931,334	59,791,228	66,893,236	73,565,818	75,889,833	93,731,568
Business-Type Activities:										
Stormwater	2,755,139	2,856,923	3,143,464	3,759,466	4,410,846	4,768,127	2,429,938	2,963,497	4,165,209	4,754,643
Total Business-Type Activities expenses	2,755,139	2,856,923	3,143,464	3,759,466	4,410,846	4,768,127	2,429,938	2,963,497	4,165,209	4,754,643
Total Primary Governmental Expenses	\$ 60,194,069	\$ 116,708,776	\$ 89,740,720	\$ 71,344,626	\$ 65,342,180	\$ 64,559,355	\$ 69,323,174	\$ 76,529,315	\$ 80,055,042	\$ 98,486,211
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 3,168,940	\$ 1,943,264	\$ 2,045,077	\$ 1,586,816	\$ 1,619,639	\$ 2,125,382	\$ 2,001,045	\$ 1,570,126	\$ 2,315,139	\$ 2,461,684
Management Services	8,224,310	9,289,682	11,196,245	10,692,146	9,695,618	11,265,459	15,246,918	13,531,475	15,821,918	18,795,752
Community Services	10,016,676	10,806,905	11,385,333	11,696,013	11,114,700	15,332,256	17,385,766	18,372,448	18,799,267	22,412,122
Public Safety	1,486,087	1,480,903	1,731,897	1,769,028	1,491,532	1,778,174	2,019,553	2,253,124	2,253,987	2,628,941
Administration	2,887,147	2,780,312	3,463,489	3,380,107	3,552,965	7,127,885	6,957,245	4,975,631	4,883,205	5,228,355
Operating Grants and Contributions	838,915	12,923,774	32,450,642	73,867	820,896	2,985,776	2,568,077	8,645,141	2,499,359	3,851,053
Capital Grants and Contributions	19,956	1,330,261	194,510	111,000	890,000	151,926	193,187	213,166	3,692,991	430,640
Total Governmental Activities Program Revenues	26,642,031	40,555,101	62,467,193	29,308,977	29,185,350	40,766,858	46,371,791	49,561,111	50,265,866	55,808,547
Business-Type Activities:										
Charges for Services:										
Stormwater	3,551,400	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598	5,397,615	5,592,984
Operating Grants and Contributions	44,272	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	3,595,672	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598	5,397,615	5,592,984
Total Primary Governmental Program Revenues	30,237,703	44,138,106	67,242,830	34,204,778	34,113,973	45,810,025	51,452,866	54,627,709	55,663,481	61,401,531
Total Governmental Activities Net (Expense) Revenue	(30,796,899)	(73,296,752)	(24,130,063)	(38,276,183)	(31,745,984)	(19,024,370)	(20,521,445)	(24,004,707)	(25,623,967)	(37,923,021)
Total Business-Type Activities Net (Expense) Revenue	840,533	726,082	1,632,173	1,136,335	517,777	275,040	2,651,137	2,103,101	1,232,406	838,341
Total Primary Government Net (Expense) Revenue	\$ (29,956,366)	\$ (72,570,670)	\$ (22,497,890)	\$ (37,139,848)	\$ (31,228,207)	\$ (18,749,330)	\$ (17,870,308)	\$ (21,901,606)	\$ (24,391,561)	\$ (37,084,680)

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 2 (CONTINUED) CHANGES IN NET POSITION LAST TEN FISCAL YEARS *(accrual basis of accounting)*

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General revenues and other changes in Net position										
Governmental Activities:										
Taxes:										
Property Taxes	\$ 22,576,837	\$ 23,111,039	\$ 29,312,409	\$ 29,772,468	\$ 30,556,573	\$ 31,500,198	\$ 32,604,260	\$ 29,539,637	\$ 32,431,390	\$ 29,060,955
Other taxes	15,447,140	16,223,664	16,731,696	18,165,865	16,316,483	23,796,636	30,502,844	30,693,713	30,309,233	32,568,730
Intergovernmental Revenue	1,131,882	1,185,671	1,128,623	1,181,437	1,133,664	1,185,499	939,654	1,204,689	1,210,055	1,298,281
Investment Earnings	48,922	57,785	763,029	2,090,240	2,038,353	206,983	213,524	5,643,495	10,370,776	10,534,072
Miscellaneous Revenue	1,206,601	875,192	1,191,352	696,852	853,057	1,037,378	657,007	865,587	820,993	1,068,811
Transfers	-	1,095,000	125,000	125,000	125,000	125,000	2,159,614	(365,000)	985,000	1,307,553
Total Governmental Activities General Revenues	<u>40,411,382</u>	<u>42,548,351</u>	<u>49,252,109</u>	<u>52,031,862</u>	<u>51,023,130</u>	<u>57,851,694</u>	<u>67,076,903</u>	<u>67,582,121</u>	<u>76,127,447</u>	<u>75,838,402</u>
Business-Type Activities:										
Investment earnings	443	1,202	19,696	75,260	86,566	9,228	10,394	169,769	328,692	351,131
Transfers	(94,258)	(1,095,000)	(125,000)	(125,000)	(125,000)	(125,000)	(2,159,614)	365,000	(985,000)	(1,307,553)
Total Business-Type Activities General Revenues	<u>(93,815)</u>	<u>(1,093,798)</u>	<u>(105,304)</u>	<u>(49,740)</u>	<u>(38,434)</u>	<u>(115,772)</u>	<u>(2,149,220)</u>	<u>534,769</u>	<u>(656,308)</u>	<u>(956,422)</u>
Total Primary Government General Revenues	<u>40,317,567</u>	<u>41,454,553</u>	<u>49,146,805</u>	<u>51,982,122</u>	<u>50,984,696</u>	<u>57,735,922</u>	<u>64,927,683</u>	<u>68,116,890</u>	<u>75,471,139</u>	<u>74,881,980</u>
Change in Net Position										
Governmental Activities	9,614,483	(30,748,401)	25,122,046	13,755,679	19,277,146	38,827,324	46,555,458	43,577,414	50,503,480	37,915,381
Business-Type Activities	746,718	(367,716)	1,526,869	1,086,595	479,343	159,268	501,917	2,637,870	576,098	(118,081)
Cumulative Change in Accounting Principle	-	-	-	-	-	52,594	-	-	-	-
Total Primary Government	<u>\$ 10,361,201</u>	<u>\$ (31,116,117)</u>	<u>\$ 26,648,915</u>	<u>\$ 14,842,274</u>	<u>\$ 19,756,489</u>	<u>\$ 39,039,186</u>	<u>\$ 47,057,375</u>	<u>\$ 46,215,284</u>	<u>\$ 51,079,578</u>	<u>\$ 37,797,300</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 3 PROGRAM REVENUES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

(accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 3,168,940	\$ 1,943,264	\$ 2,045,077	\$ 1,586,816	\$ 1,619,639	\$ 2,125,382	\$ 2,001,045	\$ 1,570,126	\$ 2,315,139	\$ 2,461,684
Management Services	8,224,310	9,289,682	11,196,245	10,692,146	9,695,618	11,265,459	15,246,918	13,531,475	15,821,918	18,795,752
Community Services	10,016,676	10,806,905	11,385,333	11,696,013	11,114,700	15,332,256	17,385,766	18,372,448	18,799,267	22,412,122
Public Safety	1,486,087	1,480,903	1,731,897	1,769,028	1,491,532	1,778,174	2,019,553	2,253,124	2,253,987	2,628,941
Administration	2,887,147	2,780,312	3,463,489	3,380,107	3,552,965	7,127,885	6,957,245	4,975,631	4,883,205	5,228,355
Operating Grants and Contributions	838,915	12,923,774	32,450,642	73,867	820,896	2,985,776	2,568,077	8,645,141	2,499,359	3,851,053
Capital Grants and Contributions	19,956	1,330,261	194,510	111,000	890,000	151,926	193,187	213,166	3,692,991	430,640
Total Governmental Activities Program Revenues	<u>26,642,031</u>	<u>40,555,101</u>	<u>62,467,193</u>	<u>29,308,977</u>	<u>29,185,350</u>	<u>40,766,858</u>	<u>46,371,791</u>	<u>49,561,111</u>	<u>50,265,866</u>	<u>55,808,547</u>
Business-Type Activities:										
Charges for Services:										
Stormwater	3,551,400	3,583,005	4,775,637	4,895,801	4,928,623	5,043,167	5,081,075	5,066,598	5,397,615	5,592,984
Operating Grants and Contributions	44,272	-	-	-	-	-	-	-	-	-
Total Business-Type Activities Program Revenues	<u>3,595,672</u>	<u>3,583,005</u>	<u>4,775,637</u>	<u>4,895,801</u>	<u>4,928,623</u>	<u>5,043,167</u>	<u>5,081,075</u>	<u>5,066,598</u>	<u>5,397,615</u>	<u>5,592,984</u>
Total Primary Governmental Program Revenues	<u>\$ 30,237,703</u>	<u>\$ 44,138,106</u>	<u>\$ 67,242,830</u>	<u>\$ 34,204,778</u>	<u>\$ 34,113,973</u>	<u>\$ 45,810,025</u>	<u>\$ 51,452,866</u>	<u>\$ 54,627,709</u>	<u>\$ 55,663,481</u>	<u>\$ 61,401,531</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 4 FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS (modified accrual basis of accounting)

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Fund:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,475	\$ 28,585	\$ 89,206
Restricted	66,025	66,025	66,129	66,593	-	-	-	-	-	-
Committed	15,171,715	11,515,420	13,278,518	17,939,891	18,750,207	17,593,863	26,741,992	23,192,000	24,370,000	24,370,000
Assigned	2,013,643	821,728	2,144,266	1,023,117	930,589	424,261	-	-	-	-
Unassigned	3,700,049	3,700,049	3,352,382	2,071,086	2,430,688	7,657,894	2,320,873	10,292,333	15,138,084	27,911,157
Total General Fund	<u>\$ 20,951,432</u>	<u>\$ 16,103,222</u>	<u>\$ 18,841,295</u>	<u>\$ 21,100,687</u>	<u>\$ 22,111,484</u>	<u>\$ 25,676,018</u>	<u>\$ 29,062,865</u>	<u>\$ 33,502,808</u>	<u>\$ 39,536,669</u>	<u>\$ 52,370,363</u>
All Other Governmental Funds:										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ 50,000
Restricted	31,282,350	49,364,323	109,296,730	116,113,844	102,963,099	114,907,038	144,935,948	152,740,166	164,430,089	175,517,734
Committed	12,000,000	5,080,403	11,873,362	5,080,403	5,080,403	5,080,403	5,080,403	12,000,000	12,000,000	12,000,000
Assigned	2,273,000	-	-	-	-	-	-	-	-	-
Unassigned	6,677	-	-	-	-	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 45,562,027</u>	<u>\$ 54,444,726</u>	<u>\$ 121,170,092</u>	<u>\$ 121,194,247</u>	<u>\$ 108,043,502</u>	<u>\$ 119,987,441</u>	<u>\$ 150,016,351</u>	<u>\$ 164,740,166</u>	<u>\$ 176,480,089</u>	<u>\$ 187,567,734</u>

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 5 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS LAST TEN FISCAL YEARS *(modified accrual basis of accounting)*

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenues										
Taxes (see Schedule 6) ^a	\$ 38,023,977	\$ 39,334,703	\$ 45,826,550	\$ 47,989,888	\$ 46,825,220	\$ 55,308,751	\$ 63,192,901	\$ 60,377,328	\$ 62,736,335	\$ 61,637,512
Licenses, Fees and Permits	23,738,338	24,465,801	28,015,121	27,181,697	25,989,119	36,189,732	41,286,600	38,603,676	41,817,805	48,896,963
Fines and Penalties	210,243	245,826	164,849	73,665	-	-	-	-	-	-
Charges for Services	1,556,125	1,536,927	1,786,657	1,790,359	1,531,033	1,819,579	2,374,603	2,261,679	2,254,271	2,628,121
Intergovernmental	1,295,538	15,492,218	29,157,777	5,485,057	3,034,774	4,325,031	3,992,829	10,065,186	7,403,845	5,581,744
Investment Earnings	48,922	57,783	763,029	2,090,240	2,038,356	206,984	213,524	5,643,495	10,370,776	10,534,072
Other Revenues	1,242,066	858,358	993,434	720,238	735,477	655,395	603,420	663,485	882,501	971,108
Total Revenues	<u>\$ 66,115,209</u>	<u>\$ 81,991,616</u>	<u>\$ 106,707,417</u>	<u>\$ 85,331,144</u>	<u>\$ 80,153,979</u>	<u>\$ 98,505,472</u>	<u>\$ 111,663,877</u>	<u>\$ 117,614,849</u>	<u>\$ 125,465,533</u>	<u>\$ 130,249,520</u>
Expenditures										
General Government	\$ 1,203,788	\$ 4,419,410	\$ 1,348,800	\$ 1,619,103	\$ 1,909,225	\$ 1,923,342	\$ 1,726,570	\$ 2,203,343	\$ 2,477,777	\$ 2,113,733
Management Services	4,947,486	4,990,115	5,604,443	5,218,339	5,411,725	5,779,364	7,080,011	7,778,093	9,020,898	9,549,647
Community Services	7,804,951	8,730,949	9,553,266	10,323,707	10,754,044	9,942,318	11,408,989	13,178,837	14,236,270	15,550,338
Public Safety	17,926,916	62,181,211	23,450,584	19,714,618	20,153,939	21,362,118	20,147,211	22,812,861	23,772,914	24,286,458
Non-departmental	4,350,151	4,358,634	3,827,008	3,790,863	4,063,621	4,925,733	4,665,487	5,012,848	7,608,629	9,693,786
Accommodations Tax Grants	2,652,668	2,583,815	2,729,719	2,984,245	3,344,738	2,144,683	4,451,959	3,996,869	4,789,146	3,521,165
Visitor's and Convention Bureau	1,709,995	1,831,924	1,888,500	2,056,508	1,939,622	3,047,544	4,063,286	3,995,971	3,829,597	3,942,797
Administration	28,871	27,817	34,635	33,801	35,540	71,279	69,575	49,756	48,831	52,297
Capital outlay	13,839,880	25,222,144	34,458,285	21,722,195	23,720,347	14,204,129	7,554,151	20,574,360	26,950,600	30,998,369
Debt service:										
Principal	7,420,000	8,040,000	56,830,000	15,830,000	15,335,000	15,655,000	15,545,000	16,358,114	13,458,420	13,025,014
Interest	3,278,425	2,432,746	5,109,591	5,109,046	4,436,262	4,138,637	3,769,566	3,333,296	2,854,804	2,433,807
Fiscal charges	11,025	17,125	14,175	243,869	519,267	408,206	16,100	18,850	15,852	150,026
Issuance costs	-	472,186	2,086,419	-	-	-	-	-	-	-
Total expenditures	<u>\$ 65,174,156</u>	<u>\$ 125,308,076</u>	<u>\$ 146,935,425</u>	<u>\$ 88,646,294</u>	<u>\$ 91,623,330</u>	<u>\$ 83,602,353</u>	<u>\$ 80,497,905</u>	<u>\$ 99,313,198</u>	<u>\$ 109,063,738</u>	<u>\$ 115,317,437</u>
Excess (deficiency) of revenues over (under) expenditures	\$ 941,053	\$ (43,316,460)	\$ (40,228,008)	\$ (3,315,150)	\$ (11,469,351)	\$ 14,903,119	\$ 31,165,972	\$ 18,301,651	\$ 16,401,795	\$ 14,932,083
Other financing sources (uses)										
Transfers In	\$ 24,374,977	37,140,890	19,020,874	25,724,979	26,088,860	28,876,843	24,460,585	35,257,575	53,774,149	55,150,251
Transfers Out	(24,280,719)	(36,045,890)	(18,895,874)	(25,599,979)	(25,963,860)	(28,751,843)	(22,300,971)	(35,622,575)	(52,789,149)	(53,842,698)
Sale of Capital Assets	1,078,410	-	11,001	3,691	326,182	19,160	90,171	38,656	36,048	97,703
Financed Purchases	-	-	-	-	-	-	-	-	-	7,584,000
SBITAs	-	-	-	-	-	-	-	1,188,451	350,941	-
Bonds Issued	-	45,000,000	103,915,000	5,000,000	-	-	-	-	-	-
Refunding Bonds Issued	-	27,885,000	-	-	16,520,000	12,115,000	-	-	-	-
Premium on Bonds Issued	-	2,337,101	5,640,446	470,006	-	1,187,976	-	-	-	-
Payments to Escrow Agent	-	(28,966,152)	-	-	(17,641,779)	(12,894,375)	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,172,668</u>	<u>47,350,949</u>	<u>109,691,447</u>	<u>5,598,697</u>	<u>(670,597)</u>	<u>552,761</u>	<u>2,249,785</u>	<u>862,107</u>	<u>1,371,989</u>	<u>8,989,256</u>
Net Change in Fund Balance	<u>\$ 2,113,721</u>	<u>\$ 4,034,489</u>	<u>\$ 69,463,439</u>	<u>\$ 2,283,547</u>	<u>\$ (12,139,948)</u>	<u>\$ 15,455,880</u>	<u>\$ 33,415,757</u>	<u>\$ 19,163,758</u>	<u>\$ 17,773,784</u>	<u>\$ 23,921,339</u>
Capitalized Capital Outlay Expenditures	\$ 4,602,059	\$ 7,876,100	\$ 11,904,432	\$ 10,506,785	\$ 20,395,803	\$ 12,836,863	\$ 3,965,048	\$ 15,046,169	\$ 25,354,477	\$ 18,510,779
Debt Service as a Percentage of										
Non-Capital Expenditures ^b	17.7%	8.9%	45.9%	26.8%	27.8%	28.0%	25.2%	23.4%	19.5%	16.0%

Notes:

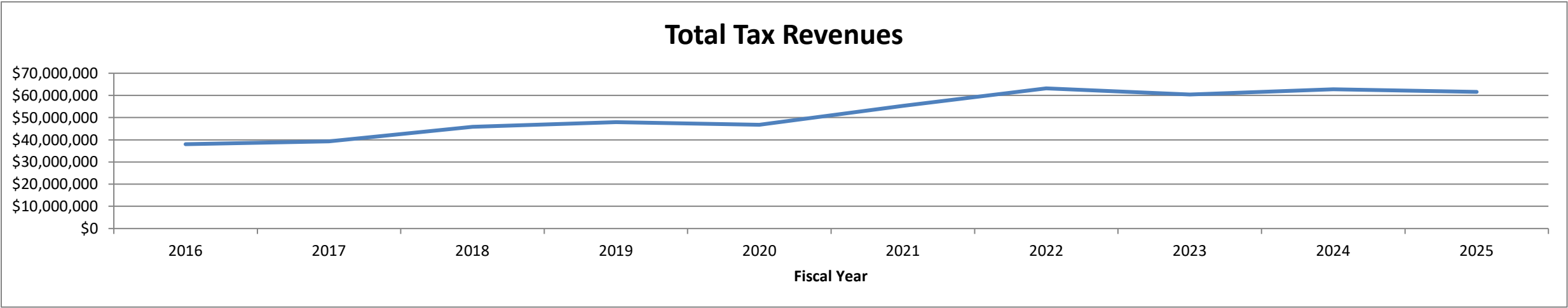
^aProperty Tax Reassessments performed in 2018.

^bRatio calculated by dividing total debt service expenditures (principal and interest) by total noncapital expenditures (the difference between total expenditures and capitalized capital outlay expenditures).

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 6
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Fiscal Year Ended June 30,	Property Tax	Accommodations Tax	Hospitality Tax	Total
2016	\$ 22,576,837	\$ 8,940,834	\$ 6,506,306	\$ 38,023,977
2017	23,111,039	9,561,791	6,661,873	39,334,703
2018	29,094,854	9,863,909	6,867,787	45,826,550
2019	29,824,023	10,620,098	7,545,767	47,989,888
2020	30,508,737	10,032,022	6,284,461	46,825,220
2021	31,512,116	15,745,379	8,051,256	55,308,751
2022	32,690,057	20,595,819	9,907,025	63,192,901
2023	29,683,615	20,293,368	10,400,345	60,377,328
2024	32,427,102	19,734,854	10,574,379	62,736,335
2025	29,068,782	22,009,068	10,559,662	61,637,512
Change 2016 – 2025	28.75%	146.16%	62.30%	62.10%



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 7 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS UNAUDITED

Fiscal Year Ended June 30,	Tax Year	Real and Personal Property		Motor Vehicles		Total Taxable		Total Direct Tax Rate	Taxable Assessed Value as a Percentage of Estimated Actual Taxable Value
		Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		
2016	2015	\$ 881,046,120	\$ 16,740,310,118	\$ 37,685,410	\$ 582,386,500	\$ 918,731,530	\$ 17,322,696,618	22.18	5.30%
2017	2016	886,106,320	16,836,456,410	40,547,190	626,612,158	926,653,510	17,463,068,568	22.18	5.31%
2018	2017	896,643,630	17,036,670,488	41,785,600	645,750,420	938,429,230	17,682,420,908	28.36	5.31%
2019	2018	935,086,850	17,767,110,598	35,960,940	555,736,716	971,047,790	18,322,847,314	27.72	5.30%
2020	2019	947,450,110	18,002,018,626	34,141,720	527,622,675	981,591,830	18,529,641,301	28.10	5.30%
2021	2020	964,993,530	18,335,352,245	36,759,110	568,071,554	1,001,752,640	18,903,423,799	28.10	5.30%
2022	2021	985,104,810	18,717,476,468	39,360,000	608,265,444	1,024,464,810	19,325,741,912	28.10	5.30%
2023	2022	1,040,073,090	19,761,900,855	40,914,980	632,295,947	1,080,988,070	20,394,196,802	23.10	5.30%
2024	2023	1,186,389,670	22,541,987,923	44,297,680	684,571,849	1,230,687,350	23,226,559,772	21.40	5.30%
2025	2024	1,282,996,970	24,377,574,194	44,268,640	684,123,068	1,327,265,610	25,061,697,262	21.40	5.30%

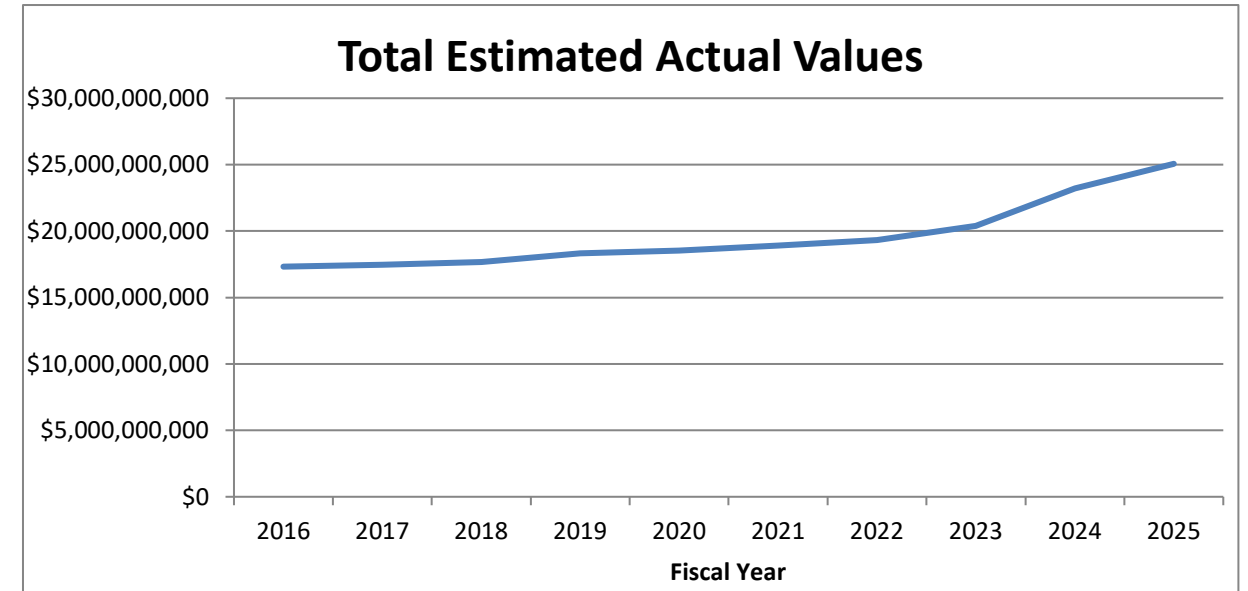
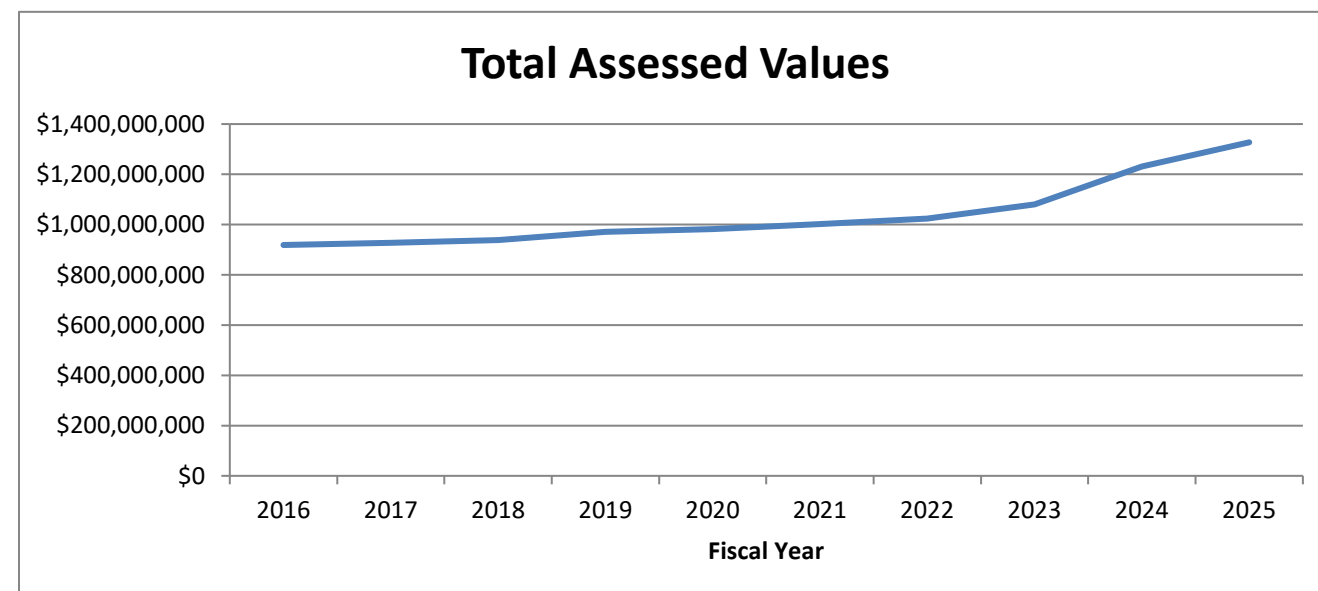
Source:

Beaufort County Assessor's Office and Town Finance Department Extrapolations.

Notes:

Property in Beaufort County is reassessed once every five years on average. The County assesses property at 6% and 4% of actual value for real property, 10.5% for personal property, and 6% for motor vehicles.

Tax rates are per \$1,000 of assessed value.



TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 8 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS LAST TEN FISCAL YEARS UNAUDITED

Fiscal Year	Town of Hilton Head Island					Overlapping Rates ^a			Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Capital Improvements Program Millage	Natural Disasters Millage	Total Town Millage	Total County Millage	Total School Millage	Total Public Service Districts Millage ¹	
2016	15.20	6.14	0.84	-	22.18	59.15	135.21	8.75	225.29
2017	15.20	6.14	0.84	-	22.18	61.27	143.21	8.66	235.32
2018	16.38	6.14	0.84	5.00	28.36	63.39	145.21	8.70	245.66
2019	15.93	5.97	0.82	5.00	27.72	62.78	136.31	8.53	235.34
2020	17.13	5.97	-	5.00	28.10	65.30	145.70	8.55	247.65
2021	17.20	5.90	-	5.00	28.10	64.20	150.30	8.60	251.20
2022	17.20	5.90	-	5.00	28.10	64.80	157.90	8.60	259.40
2023	17.20	5.90	-	-	23.10	64.80	161.90	8.55	258.35
2024	15.90	5.50	-	-	21.40	59.50	158.10	8.55	247.55
2025	15.90	5.50	-	-	21.40	59.50	158.10	8.55	247.55

Notes:

The Town's basic property tax rate may be increased only by a majority vote of Council after sufficient public notice of the referendum has been provided to the citizens.

Rates for debt service are set based on each year's requirements. The South Carolina legislature has also created laws that limit the millage rate increase for general operating purposes for Jan. - Dec. of the prior year average CPI for the region plus estimated population growth.

Fiscal year Town direct rates are the approved millage rates by Council.

^aOverlapping rates are those of local and county governments that apply to property owners within the Town in addition to those imposed directly by the Town itself.

¹Water and sewage services are provided to the Town by Public Service Districts. The rates reported represent an average of the millage charges from various providers. Service is on a fee-for-usage basis. The providers and districts served are:

- Hilton Head Number 1 Public Service District
- Broad Creek Public Service District
- South Island Public Service District

The County public schools rates are for non-owner occupied residents. Beginning with Tax Year 2006, a 1% state-wide sales tax was used to pay the operating expenses that would otherwise have been paid by owner occupied residents as a part of their millage rate. Prior to tax year 2006, the owner occupied and non-owner occupied rates were the same.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 9 PRINCIPAL PROPERTY TAXPAYERS CURRENT YEAR AND NINE YEARS AGO UNAUDITED

Taxpayer	Fiscal Year 2025 Tax Year 2024			Fiscal Year 2016 Tax Year 2015		
	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Town Taxable Assessed Value
Marriott Ownership Resorts, Inc	\$ 18,555,900	1	1.40%	\$ 19,149,210	1	2.08%
Palmetto Electric Co-op, Inc	5,986,040	2	0.45%	5,723,900	2	0.62%
Columbia Properties Hilton Head, LLC	5,720,240	3	0.43%	4,764,090	3	0.52%
Sea Pines Resort, LLC	5,487,670	4	0.41%	4,603,270	4	0.50%
SCG Hilton Head Property, LLC	4,458,110	5	0.34%	4,260,000	5	0.46%
Summitt Title Agency	3,832,670	6	0.29%	-		0.00%
Shelter Cove II, LLC	3,458,360	7	0.26%	-		0.00%
Shelter Cove III, LLC	3,101,900	8	0.23%	-		0.00%
AB PR QOZB II Property LLC	2,980,190	9	0.22%	-		0.00%
Beach House Resort Owner, LLC	2,618,800	10	0.20%	-		0.00%
Hargray Telephone Company Inc	-		0.00%	2,976,910	6	0.32%
Shelter Cove Towne Center, LLC	-		0.00%	2,060,260	7	0.22%
HPT IHG-2 Properties Trust	-		0.00%	1,440,000	8	0.16%
Hilton Head Health System LP	-		0.00%	1,423,500	9	0.15%
Publix Super Market INC	-		0.00%	1,244,060	10	0.14%
Total	\$ 56,199,880		4.23%	\$ 47,645,200		5.19%

Source:
Beaufort County

Note:
These figures represent property solely within the Town limits of the Town of Hilton Head Island.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 10 PROPERTY TAX LEVIES AND COLLECTIONS LAST TEN FISCAL YEARS UNAUDITED

Fiscal Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	\$ 23,311,081	\$ 22,201,474	95.24%	\$ 375,364	\$ 22,576,838	96.85%
2017	23,599,662	22,490,478	95.30%	620,561	23,111,039	97.93%
2018	29,255,089	28,529,563	97.52%	565,291	29,094,854	99.45%
2019	30,266,050	29,134,100	96.26%	689,923	29,824,023	98.54%
2020	31,006,308	29,939,691	96.56%	569,047	30,508,738	98.40%
2021	31,886,408	31,239,114	97.97%	273,002	31,512,116	98.83%
2022	32,751,483	31,804,965	97.11%	885,091	32,690,056	99.81%
2023	29,947,625	29,213,909	97.55%	469,707	29,683,616	99.12%
2024	33,090,050	32,256,181	97.48%	170,921	32,427,102	98.00%
2025	29,701,889	28,703,906	96.64%	364,877	29,068,783	97.87%

Source:
Beaufort County and the Town of Hilton Head Island Finance Department

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 11
DIRECT AND OVERLAPPING SALES TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Town Direct Rate</u>	<u>Beaufort County</u>	<u>South Carolina</u>
2016	0%	0%	6%
2017	0%	0%	6%
2018	0%	0%	6%
2019	0%	1%	6%
2020	0%	1%	6%
2021	0%	1%	6%
2022	0%	0%	6%
2023	0%	1%	6%
2024	0%	1%	6%
2025	0%	0%	6%

Notes:
All sales tax goes to the State for distribution.

Beaufort County voters approved a 1% sales tax increase for transportation projects effective May 1, 2019 and ended December 31, 2021.

Beaufort County voters approved a 1% Green Space sales tax increase effective May 1, 2023 and ended February 28, 2025.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 12 RATIOS OF OUTSTANDING DEBT BY TYPE LAST TEN FISCAL YEARS UNAUDITED

Fiscal Year	Governmental Activities							Business-Type Activities	Total Primary Government	Percentage of Personal Income ¹	Per Capita ¹
	General Obligation Bonds	Special Obligation/TIF Bonds	Bond Anticipation Notes	Bond Premium	Financed Purchases	SBITAs	Total	Revenue Bonds			
2016	\$ 51,680,000	\$ 26,795,000	\$ -	\$ 1,655,008	\$ -	\$ -	\$ 80,130,008	\$ 9,910,000	\$ 90,040,008	4.95%	\$ 2,223
2017	46,345,000	23,535,000	45,000,000	3,104,407	-	-	117,984,407	9,035,000	127,019,407	6.61%	3,136
2018	86,080,000	75,885,000	-	7,350,264	-	-	169,315,264	11,290,000	180,605,264	9.50%	4,509
2019	83,515,000	67,620,000	-	7,135,387	-	-	158,270,387	10,090,000	168,360,387	8.45%	4,247
2020	75,625,000	59,960,000	-	6,237,438	-	-	141,822,438	8,855,000	150,677,438	7.30%	3,780
2021	67,235,000	52,560,000	-	6,090,172	-	-	125,885,172	6,905,000	132,790,172	5.85%	3,331
2022	59,290,000	44,960,000	-	5,304,939	-	-	109,554,939	5,700,000	115,254,939	4.96%	3,027
2023	51,060,000	37,135,000	-	4,519,702	-	1,149,000	93,863,702	4,475,000	98,338,702	4.18%	2,583
2024	46,125,000	29,075,000	-	836,245	-	1,036,521	77,072,766	3,235,000	80,307,766	3.17%	2,108
2025	41,815,000	20,760,000	-	2,713,930	7,584,000	636,507	73,509,437	1,975,000	75,484,437	2.76%	1,978

¹See the Schedule of Demographic and Economic Statistics for personal income and population data.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 13 RATIOS OF GENERAL BONDED DEBT OUTSTANDING LAST TEN FISCAL YEARS UNAUDITED

Fiscal Year	General Obligation Bonds	Restricted Net Position for Debt Service	Net Bonded Debt	Percentage of Actual Taxable Value ¹ of Property	Per Capita ²
2016	\$ 51,606,596	\$ -	\$ 51,606,596	0.30%	\$ 1,274
2017	92,457,411	-	92,457,411	0.52%	2,283
2018	87,741,233	-	87,741,233	0.48%	2,191
2019	86,497,396	-	86,497,396	0.47%	2,182
2020	78,364,596	-	78,364,596	0.41%	1,966
2021	70,264,563	-	70,264,563	0.36%	1,763
2022	61,971,559	-	61,971,559	0.30%	1,628
2023	52,168,524	-	52,168,524	0.26%	1,370
2024	46,961,244	13,716,563	33,244,681	0.14%	873
2025	44,528,930	14,243,513	30,285,417	0.12%	794

Note 1:

Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Note 2:

Net bonded debt used for calculation beginning in fiscal year 2025 instead of total bonded debt.

¹See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property (Schedule 7) for property value data.

²See the Schedule of Demographic and Economic Statistics (Schedule 17) for population data. These ratios are calculated using data from the prior calendar year.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 14
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
OUTSTANDING AT YEAR END
UNAUDITED

Government Unit	Debt Outstanding	Estimated Percentage Applicable ¹	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Beaufort County School District	\$ 520,046,600	43.37%	\$ 225,519,279
Beaufort County	180,025,000	43.37%	78,068,212
Broad Creek Public Service District	8,171,290	100.00%	8,171,290
Hilton Head No. 1 Public Service District	26,188,795	96.00%	25,141,243
Subtotal, overlapping debt	734,431,685		336,900,024
Town of Hilton Head Island direct debt	73,509,437	100.00%	73,509,437
Total direct and overlapping debt	\$ 807,941,122		\$ 410,409,461

Sources:

Assessed value data used to estimate applicable percentages provided by the Beaufort County Assessor's Office.

Debt outstanding provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the Town. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the Town of Hilton Head Island. This process recognizes that, when considering the Town's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and, therefore, responsible for repaying the debt of each overlapping government.

¹The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the government's boundaries and dividing it by the County's total taxable assessed value.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 15
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(dollars in thousands)
UNAUDITED

	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Debt limit	\$ 73,499	\$ 74,132	\$ 75,074	\$ 77,684	\$ 78,527	\$ 80,140	\$ 81,957	\$ 86,479	\$ 98,455	\$ 106,181
Total net debt applicable to limit	7,268	51,767	50,216	51,483	47,538	44,442	39,601	34,727	30,115	28,490
Legal debt margin	\$ 66,231	\$ 22,365	\$ 24,858	\$ 26,201	\$ 30,989	\$ 35,698	\$ 42,356	\$ 51,752	\$ 68,340	\$ 77,691
Total net debt applicable to the limit as a percentage of debt limit	9.89%	69.83%	66.89%	66.27%	60.54%	55.46%	48.32%	40.16%	30.59%	26.83%
Legal Debt Margin Calculation										
Assessed value										\$ 1,327,266
Debt Limit (8% of total assessed value)										106,181
Council-imposed limit for disasters (20%) - minimum \$20 million										(21,236)
Total Debt Limit										84,945
Debt applicable to limit:										
General Obligation Bonds:										
2017A										24,555
2019										3,935
Total Net Debt Applicable to Limit										28,490
Legal Debt Margin										\$ 56,455

Note:
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 8% limit only when approved by a majority vote of the qualified electors of the political subdivisions 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 Fourteen (14); and
- c. Such general obligation debt shall be issued within five years of the date of such referendum and shall mature within 40 years from the time such indebtedness shall be incurred.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 16 PLEDGED REVENUE COVERAGE LAST TEN FISCAL YEARS UNAUDITED

Fiscal Year	Hospitality Tax Bonds					Tax Increment Financing ("TIF") Bonds				
	Collections	Debt Service		Total	Coverage	Collections	Debt Service		Total	Coverage
		Principal	Interest				Principal	Interest		
2016	\$ 6,506,306	\$ 850,000	\$ 778,113	\$ 1,628,113	4.00	\$ 4,090,780	\$ -	\$ -	\$ -	-
2017	6,661,873	865,000	762,113	1,627,113	4.09	4,194,830	-	-	-	-
2018	6,867,787	895,000	739,350	1,634,350	4.20	4,624,900	2,890,000	428,838	3,318,838	1.39
2019	7,545,767	920,000	715,200	1,635,200	4.61	4,687,575	3,470,000	456,392	3,926,392	1.19
2020	6,284,461	1,265,000	243,637	1,508,637	4.17	5,031,311	3,535,000	394,626	3,929,626	1.28
2021	8,051,256	1,050,000	391,776	1,441,776	5.58	5,361,090	3,595,000	331,703	3,926,703	1.37
2022	9,907,025	1,075,000	371,406	1,446,406	6.85	5,792,527	3,660,000	267,712	3,927,712	1.47
2023	10,400,345	1,095,000	349,691	1,444,691	7.20	6,443,778	3,725,000	202,564	3,927,564	1.64
2024	10,574,379	1,110,000	327,134	1,437,134	7.36	7,844,686	3,795,000	136,259	3,931,259	2.00
2025	10,559,662	1,140,000	303,158	1,443,158	7.32	3,258,859	3,860,000	68,708	3,928,708	0.83

Fiscal Year	Stormwater Revenue Bonds					Beach Preservation Fee Revenue Bonds				
	Collections	Debt Service		Total	Coverage	Collections	Debt Service		Total	Coverage
		Principal	Interest				Principal	Interest		
2016	\$ 3,551,400	\$ 850,000	\$ 299,128	\$ 1,149,128	3.09	\$ 6,431,700	\$ 2,305,000	\$ 223,938	\$ 2,528,938	2.54
2017	3,583,005	875,000	275,498	1,150,498	3.11	6,860,758	2,395,000	141,913	2,536,913	2.70
2018	4,775,636	945,000	265,867	1,210,867	3.94	7,087,820	2,470,000	567,325	3,037,325	2.33
2019	4,895,801	1,200,000	311,654	1,511,654	3.24	7,480,143	3,875,000	1,430,444	5,305,444	1.41
2020	4,928,623	1,235,000	278,489	1,513,489	3.26	7,083,230	2,645,000	1,328,850	3,973,850	1.78
2021	5,043,167	1,315,000	252,534	1,567,534	3.22	11,123,801	2,755,000	1,220,850	3,975,850	2.80
2022	5,081,075	1,205,000	100,458	1,305,458	3.89	14,053,062	2,865,000	1,094,125	3,959,125	3.55
2023	5,066,598	1,225,000	84,817	1,309,817	3.87	13,896,931	3,005,000	947,375	3,952,375	3.52
2024	5,275,035	1,240,000	68,821	1,308,821	4.03	13,889,049	3,155,000	793,375	3,948,375	3.52
2025	5,384,264	1,260,000	52,513	1,312,513	4.10	17,268,782	3,315,000	631,625	3,946,625	4.38

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 17 DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TEN CALENDAR YEARS UNAUDITED

Calendar Year	Population ¹	Personal Income (in thousands)	Per Capita Personal Income ²	Annual Unemployment Rate ³
2016	40,512	\$ 1,817,733	\$ 44,869	5.0%
2017	40,500	1,921,887	47,454	3.6%
2018	40,055	1,900,770	47,454	3.2%
2019	39,639	1,993,406	50,289	2.7%
2020	39,861	2,063,724	51,773	4.5%
2021	39,861	2,269,765	56,942	3.9%
2022	38,076	2,322,179	60,988	3.1%
2023	38,069	2,350,837	61,752	3.0%
2024	38,097	2,533,679	66,506	3.1%
2025	38,158	2,739,287	71,788	4.0%

Source:

¹Provided by the U.S. Census Bureau, Quick Facts.

²Provided by the U.S. Census Bureau.

³Provided by the U.S. Census Bureau of Labor Statistics.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 18 PRINCIPAL EMPLOYERS CURRENT YEAR AND NINE YEARS AGO

Employer	2025		2016	
	Number of Employees	Rank	Number of Employees	Rank
SERG Group Restaurants	841	1	822	1
Coastal Restaurants and Bars	715	2	N/A	N/A
Sea Pines Resort	687	3	693	2
Hilton Head Medical Ctr and Clinics	533	4	546	3
Marriott Vacation Club Intl	514	5	500	4
Beaufort County School District	444	6	500	5
Greenwood Communities & Resorts (Palmetto Dunes)	415	7	N/A	N/A
Cypress of Hilton Head	339	8	340	8
Publix Super Markets	328	9	N/A	N/A
Town of Hilton Head Island	300	10	242	N/A
TOTAL	5,116		3,643	

Source:

Employment head counts were verified via telephone calls or emails to the above companies.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 19 FULL-TIME EQUIVALENT TOWN GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS UNAUDITED

Function	Full-Time Equivalent Employees as of June 30,									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Town Council	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Town Manager	4.0	4.0	4.0	5.0	5.0	7.0	8.0	8.0	7.0	8.0
Management Services										
Finance	15.6	17.6	20.3	20.7	19.7	19.2	19.2	21.2	24.0	26.6
Administration	21.0	22.1	23.3	20.7	20.7	24.2	23.2	28.2	35.2	33.6
Human Resources	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.8	4.8
Community Services										
Community Development	25.0	27.7	30.1	30.5	33.0	29.1	29.1	34.1	36.9	33.7
Public Projects and Facilities	22.0	23.0	23.0	25.0	26.0	29.0	29.0	29.0	35.6	33.8
Public Safety										
Fire and Rescue	143.7	140.9	144.3	141.3	142.5	142.5	142.5	146.8	153.6	152.8
Total	242.3	246.3	256.0	254.2	257.9	262.0	262.0	278.3	304.1	300.3

Source:
Town of Hilton Head Island Human Resources Department

Notes:
A full-time equivalent is a measurement equal to one person working a full-time schedule for one year. A full-time employee of the Town is normally scheduled to work 1,950 hours per year (including vacation and sick leave). The primary exception would be Fire and Rescue shift personnel normally scheduled to work 2,923 hours per year (including vacation and sick leave).

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 20 OPERATING INDICATORS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Management Services										
Business license accounts issued	5,908	6,507	6,944	6,689	6,529	7,177	12,574	16,310	13,720	14,148
Business license inspections	293	391	521	503	199	194	370	359	282	52
Business license audits	66	28	82	349	359	411	733	862	424	105
Hospitality tax accounts	461	380	374	379	377	368	396	405	438	440
Bed tax accounts	1,399	1,472	1,461	1,504	1,519	1,262	1,126	1,277	1,490	1,495
Beach passes issued	2,850	3,287	3,110	3,170	4,304	4,417	4,288	6,029	7,440	7,220
Number of court cases docketed ¹	3,862	4,886	3,858	-	-	-	-	-	-	-
Number of court cases disposed ¹	3,860	5,004	3,858	-	-	-	-	-	-	-
Number of search warrants issued ¹	6	5	7	-	-	-	-	-	-	-
Number of arrest warrants issued ¹	307	284	199	-	-	-	-	-	-	-
Number of bench warrants issued ¹	312	390	117	-	-	-	-	-	-	-
Community Services										
Community Development										
Building inspections conducted	15,647	16,957	21,124	21,063	20,470	18,942	21,410	26,069	20,329	21,861
Building permits issued	144	206	257	200	220	307	236	103	106	166
Miscellaneous permits issued	5,015	5,641	5,316	5,091	4,625	5,337	5,089	4,443	4,352	4,816
Public Projects and Facilities										
# of capital improvement projects to manage	22	34	41	35	31	35	87	67	85	87
# of beach access/parks to maintain	8	7	7	7	7	7	7	7	7	7
Miles of pathways to maintain	64	64	64	64	65	65	65	65	65	69
Maintenance work orders	5,100	5,000	5,000	5,000	5,502	6,404	5,952	12,426	10,015	9,877
Public Safety										
Fire and Rescue service calls	7,119	7,576	7,498	7,520	7,551	8,213	9,282	9,608	9,812	10,161
Actual fires extinguished	105	146	119	97	17	37	43	93	53	71
Inspections	3,196	1,960	2,594	2,636	3,042	3,874	2,031	2,843	3,091	5,095
Telephone requests	49,842	52,981	48,064	55,496	58,375	75,520	70,307	75,260	66,978	55,633
Public training programs	418	352	500	420	304	196	113	148	191	163

Source:

Various Town departments

Notes:

¹The Town closed the municipal court in fiscal year 2019.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE 21 CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Town-owned parcels	224	221	145	146	146	147	147	152	159	159
Town-owned property acreage	1,307	1,307	1,307	1,303	1,293	1,295	1,294	1,315	1,349	1,349
Town-owned development rights	8	8	8	8	8	8	8	8	8	8
Town-owned easements	51	51	65	53	60	60	60	60	60	65
Management Services										
Town vehicles	38	38	40	43	42	42	42	50	55	57
Public Safety										
Emergency Apparatus Vehicles	28	29	29	30	30	28	30	30	30	42
General Vehicles	19	20	20	21	21	22	23	24	30	17
Fire Stations	7	7	7	7	7	7	7	7	7	7
Public Projects and Facilities*										
Traffic signals	23	23	23	23	29	29	26	26	26	27
Pathways (miles)	64	64	64	64	65	65	65	65	65	65
Beach access/parks	8	7	7	7	7	7	7	7	7	7

Sources:

Various Town departments and asset database.

Notes:

No capital asset indicators are available for the Planning/Building and Fire Codes function.

*All Town Roads are deeded to Beaufort County.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

**The Honorable Mayor and Members
of the Town Council
Town of Hilton Head Island, South Carolina
Hilton Head Island, South Carolina**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **Town of Hilton Head Island, South Carolina** (the "Town") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated December 4, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hilton Head Island, South Carolina's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Savannah, Georgia
December 4, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Honorable Mayor and Members
of the Town Council
Town of Hilton Head Island, South Carolina
Hilton Head Island, South Carolina

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the **Town of Hilton Head Island, South Carolina's** (the "Town") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended June 30, 2025. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Town's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Town's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Town's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Town's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Town's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Town's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mauldin & Jenkins, LLC

Savannah, Georgia
December 4, 2025

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

Federal Grantor/Pass-through Grantor/Program Title	Federal AL Number	Grant Identification Number	Expenditures	Passed Through to Subrecipients
<u>U.S. Department of Housing and Urban Development</u>				
Direct Awards:				
Community Development Block Grant	14.218	B-20-MW-45-0014	\$ 188,564	\$ -
Community Development Block Grant	14.218	B-20-MW-45-0014	287,735	-
Community Development Block Grant	14.218	B-23-MC-45-0014	33,226	-
Total U.S. Department of Housing and Urban Development			509,525	-
<u>U.S. Department of Transportation</u>				
Passed Through - South Carolina Department of Transportation				
Emergency Planning	20.703	N/A	57,549	-
Hazardous Materials Training and Planning	20.703	23SHSP17	28,643	-
Total U.S. Department of Transportation			86,192	-
<u>U.S. Department of Treasury</u>				
Direct Awards:				
Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	1,159,149	-
Total U.S. Department of Treasury			1,159,149	-
<u>U.S. Department of Homeland Security</u>				
Direct Awards:				
Assistance to Firefighters Grant - FD1014	97.025	22SHSP33	100	-
Assistance to Firefighters Grant - FD1014	97.025	23SHSP33	5,118	-
Assistance to Firefighters Grant	97.025	EMW-2021-FG-01767	137,612	-
BRIC Grant	97.047	EMA-2021-BR-158-0005	56,250	-
Passed through - SC Emergency Management Division				
Disaster Grants - Public Assistance - Hurricane Debby	97.036	4835	312,569	-
Disaster Grants - Public Assistance - Hurricane	97.036	4829	133,120	-
Total U.S. Department of Homeland Security			644,769	-
Total Expenditures of Federal Awards			\$ 2,399,635	\$ -

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("SEFA") includes the federal award activity of the Town of Hilton Head, South Carolina (the "Town") under programs of the federal government for the year ended June 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the SEFA presents only a selected portion of the operations of the Town, it is not intended to and does not present the net position, changes in net position, or cash flows of the Town.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The Town has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4. NON-CASH ASSISTANCE

No federal awards were expended in the form of non-cash assistance during the fiscal year ended June 30, 2025.

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP.

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

___ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

___ Yes X No

Noncompliance material to financial statements noted?

___ Yes X No

Federal Awards

Internal control over financial reporting:
Material weaknesses identified?

___ Yes X No

Significant deficiencies identified not considered to be material weaknesses?

___ Yes X None reported

Type of auditor's report issued

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

___ Yes X No

Identification of major programs:

AL Number

21.027

Name of Federal Program or Cluster

U.S. Department of Treasury:
Coronavirus State and Local Fiscal
Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs?

\$750,000

Auditee qualified as a low-risk auditee?

___ Yes X No

TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

None reported.

SECTION III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV PRIOR YEAR FINDINGS AND RESPONSES

2024-001 Error Correction – GASB 75 Compliance

Criteria: Governmental Accounting Standards Board (“GASB”) Statement No. 75 requires entities with Other Post-Employment Benefit (“OPEB”) plans to record the actuarially determined deferred outflows of resources, deferred inflows of resources, and total OPEB liability in their financial statements.

Condition/Cause: The Town failed to report their OPEB plan in the prior year financial statements in accordance with GASB Statement No. 75.

Auditee Response/Status: Resolved.



TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Zac Gordon, AICP, Planning Director
CC: Marc Orlando, Town Manager, ICMA-CM
Shawn Gillen, Assistant Town Manager
DATE: January 13, 2026
SUBJECT: Consideration of First Reading of an Ordinance of the Town of Hilton Head Island to Amend Title 16 of the Municipal Code, the Land Management Ordinance (LMO), to Amend Sections 16-3-105.H, 16-4-102.A.6, 16-4-105, and 16-4-102.B.1 to allow the construction of workforce housing within the Medical (MED) District, and to Provide for Severability and an Effective Date.

BACKGROUND:

A partnership between Abode Development, Novant Health, and the Coastal Community Development Corporation (CCDC) is proposing to construct workforce housing on previously developed land adjacent to Hilton Head Medical Center. The housing would serve healthcare staff, first responders, and other essential workers on Hilton Head Island.

The site consists of three parcels totaling 12.66 acres along Bethea Drive, owned by Hilton Head Medical Center LLC. The property includes approximately 24,000 square feet of vacant office space, which previously housed outpatient rehabilitation services.

The subject properties are zoned MED District (**see Attachment 3 – Zoning Map**). The 12.66-acre site is also located within a Planned Development Overlay District (PD-2) as part of the Palmetto Headlands and Hilton Head Hospital Master Plan. While the MED District allows workforce housing through the conversion of existing commercial buildings, it does not allow such housing in the absence of a commercial conversion. In addition, the PD-2 Master Plan does not currently permit residential use on these parcels. Therefore, to allow the construction of new workforce housing, the text of the MED District and the PD-2 Master Plan must also be amended.

On July 16, 2025, Abode Development requested that the Planning Commission consider amending the text of the MED District to allow for the redevelopment of the site with workforce housing at a proposed density of 10 units per acre. Pursuant to LMO Section

16-2-103.B.2.a., the Planning Commission voted unanimously to initiate the text amendment process.

Abode Development is also proposing a corresponding PD-2 Master Plan Amendment. As noted above, the three subject parcels are located within the area of the Palmetto Headlands and Hilton Head Hospital Master Plan, and do not currently permit residential uses. As a result, Abode Development has also submitted a concurrent Zoning Map Amendment to permit workforce housing on two of the parcels, which are developed and approved for medical-related uses. The third parcel is designated as a wetland and will remain a wetland.

This amendment and the associated rezoning were first presented to the Planning Commission on August 20, 2025. The applicant requested to postpone the public hearing and rezoning to allow for additional updates to the application materials. On November 19, 2025, after reviewing the updated application, the Planning Commission voted unanimously to recommend approval of the text amendment to the Town Council.

The Community Development and Public Services Committee held a public hearing on December 15, 2025, and voted unanimously to recommend that Town Council approve the text amendment.

SUMMARY OF AMENDMENT:

The proposed text amendment would allow the construction of new workforce housing in the MED District that is not limited to the conversion of existing commercial buildings, establish a maximum density of 10 units per acre, restrict such development to specific properties identified in a PD-2 Master Plan adopted by Town Council, and require that at least 30% of the units comply with the Town's Workforce Housing Program, including income eligibility, employment on Hilton Head Island, the prohibition of short-term rentals and long-term affordability.

ANALYSIS:

Proposed Text Amendment

The proposed text amendment would:

1. Amend the MED District to permit workforce housing outside of commercial conversion, provided the development is consistent with the PD-2 Master Plan adopted by Town Council.
2. Amend the Workforce Housing Program in the MED District to require that at least 30% of the units meet the workforce housing program standards, including income limits not exceeding 80% of the area median income, at least one household

member working on Hilton Head Island, prohibition of short-term rentals, and a minimum 30-year affordability term.

PD-2 Overlay Considerations

All properties zoned MED District also have a PD-2 Overlay. If these text amendments are adopted, any new multifamily workforce housing proposal would require a PD-2 Master Plan amendment. This process is completed through a Zoning Map Amendment application, requiring review by the Planning Commission and final approval by Town Council.

Nonconformities

The text amendment would apply only to new development and would not create nonconformities.

Text Amendment Review Standards

Section 16-2-103.B.3. of the LMO includes the following standards for the review of Text Amendments:

"In determining whether to recommend that Town Council adopt or deny a proposed amendment, the Planning Commission may weigh the relevance of and consider whether and the extent to which the proposed text amendment:

1. Is in accordance with the Comprehensive Plan;
2. Is required by changed conditions;
3. Addresses a demonstrated community need;
4. Is consistent with the purpose and intent of the zoning districts, or would improve compatibility among uses and ensure efficient development within the Town;
5. Would result in a logical and orderly development pattern; and
6. Would not result in significantly adverse impacts on the natural environment, including but not limited to water, air, noise, stormwater management, wildlife, vegetation, wetlands, and the natural functioning of the environment;

The proposed text amendments align with the review criteria, as they:

1. Support the economic growth and housing goals of the Comprehensive Plan.
2. Respond to changing conditions by aligning development requirements with strategic objectives.
3. Address a demonstrated community need for workforce housing.
4. Uphold the intent of zoning regulations by allowing reasonable, limited increases in residential density when consistent with Town goals.
5. Ensure workforce housing development in the MED District is located in appropriate and compatible locations.

TOWN COUNCIL ACTION:

The Town Council shall review the application, staff report, and recommendations from the Planning Commission and Community Development and Public Services Committee and make a final decision on the application.

The Town Council's decision shall be one of the following:

1. Adopt an ordinance approving the Text Amendment; or
2. Adopt a resolution denying the Text Amendment.

If the applicant proposes a change or departure from the text amendment that is different from what was reviewed by the Planning Commission, the application shall be remanded to the Planning Commission for review, and a recommendation on the proposed changes and departures. The Planning Commission shall deliver its recommendation on the proposed changes and departures to the Town Council within 30 days after the remand; if the Planning Commission fails to do so, it is deemed to have recommended approval of the proposed changes and departures.

RECOMMENDATION:

Town staff recommends Town Council review and consider a First Reading of an Ordinance to Amend Title 16 of the Municipal Code, the LMO, to Amend Sections 16-3-105.H, 16-4-102.A.6, 16-4-105, and 16-4-102.B.1 to allow the construction of workforce housing within the MED District, and to Provide for Severability and an Effective Date.

The Community Development and Public Services Committee reviewed the request on December 15, 2025 and voted unanimously (2-0) to recommend approval to Town Council.

The Planning Commission held a public hearing on November 19, 2025, and, after consideration of the criteria set forth in the Land Management Ordinance (LMO) Section 16-2-103, voted unanimously to recommend that Town Council approve the proposed text amendment.

ATTACHMENTS:

1. Ordinance
2. Text Amendment
3. Zoning Map

**AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA**

ORDINANCE NO.: 2025-_____

**AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND TO AMEND
TITLE 16 OF THE MUNICIPAL CODE, THE LAND MANAGEMENT ORDINANCE
SECTIONS 16-3-105.H, 16-4-102.A.6, 16-4-105, 16-4-102.B.1 TO ALLOW
RESIDENTIAL WORKFORCE HOUSING WITHIN THE MEDICAL
(MED) DISTRICT AND TO PROVIDE FOR SEVERABILITY AND EFFECTIVE
DATE.**

**BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL FOR THE TOWN OF
HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS HEREBY ORDERED AND
ORDAINED UNDER THE AUTHORITY OF THE TOWN COUNCIL AS
FOLLOWS:**

Section 1. Findings and Determinations:

1. The Town Council for the Town of Hilton Head Island, South Carolina (herein, the “Town Council”), has identified a continued need for the adoption of Amendments to the Land Management Ordinance to address needs and issues in the Town as such are identified.
2. The Town Council finds that there is a shortage of suitable housing in the Town that is affordable for individuals employed in the medical field as nurses, laboratory technicians, office staff, physician’s assistants, maintenance and facilities staff, first responders and other similar positions (herein “Workforce Housing”).
3. The Town Council finds that property is available in the vicinity of Hilton Head Hospital for the development of Workforce Housing provided that certain conditions are met, including a condition that the property is a Commercial Conversion including Workforce Housing, or the property is within a PD-2 Overlay that allows Workforce Housing under Section 16-4-105.
4. The Town Council finds that an amendment to the Land Management Ordinance for the purpose of allowing Residential, Multifamily and Workforce Housing as Conditional Uses in the MED District, and providing a Workforce Housing Density for parcels in a PD-2 Overlay in the MED District, will aid in meeting the need for Workforce Housing in the Town.
5. On November 19, 2025, the Planning Commission held a Public Hearing to consider the proposed amendments to permit Workforce Housing as a conditional use in the Medical (MED) District in qualifying locations and provide for a Workforce Housing density, a copy of which is attached hereto as Exhibit “A” (herein, the “Proposed Amendments”).
6. At the Planning Commission’s November 19, 2025, Public Hearing, the public had an opportunity to comment on the Proposed Amendments, and the Planning Commission voted

unanimously to recommend that Town Council approve the Proposed Amendments.

6. On December 15, 2025, the Community Development & Public Services Committee considered the Proposed Amendments and heard presentations from Town Staff and comments from the public. The Community Development & Public Services Committee then voted unanimously to recommend that Town Council approve the Proposed Amendments.

7. The Town Council finds it is in the best interest of the Town and the health, safety, and welfare of its citizens, residents, and visitors to amend the Land Management Ordinance by amending the Land Management Ordinance to include the Proposed Amendments.

WHEREAS, the Town Council finds it is in the best interest of the Town and the health, safety, and welfare of its citizens, residents, and visitors to amend the Land Management Ordinance by amending these provisions.

Section 2. Amendment That the Land Management Ordinance is amended as shown on Exhibit “A” to this Ordinance. Newly added language is illustrated with double underline, and deleted language is illustrated with a ~~striketrough~~.

Section 3. Severability If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 4. Effective Date This Ordinance shall be effective upon its adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE
TOWN OF HILTON HEAD ISLAND ON THIS ____ DAY OF _____, 2025.**

THE TOWN OF HILTON HEAD ISLAND, SOUTH
CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

First Reading:

Second Reading:

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

Introduced by Council Member: _____

Sec.16-3-105. Mixed-Use and Business Districts

H. Medical (MED) District

MED

Medical District

1. Purpose

The purpose of the Medical (MED) District is to provide **lands** for **development** directly related to the provision of medical services—including **hospitals**, medical clinics and doctors' offices, **nursing homes**, and other health services.

2. Allowable Principal Uses

USE CLASSIFICATION/TYPE		USE-SPECIFIC CONDITIONS	MINIMUM NUMBER OF OFF-STREET PARKING SPACES	
Residential Uses				
Group Living	P		1 per 3 rooms	
Mixed-Use ^{2,2} <u>Use^{1,2}</u>	PC	Sec. 16-4-102.B.1.a	Residential	1.125 per du
			Nonresidential	1 per 650 GFA
Multifamily ² <u>Multifamily^{1,2}</u>	PC	Sec. 16-4-102.B.1.b	1 bedroom	1.4 per du
			2 bedrooms	1.7 per du
			3 or more bedrooms	2.0 per du
Workforce Housing ^{1,2}	PC	Sec. 16-4-102.B.1.d	See Sec. 16-5-107.D.2	
Public, Civic, Institutional, and Educational Uses				
Community Service Uses	P		1 per 400 GFA	
Education Uses	P		Colleges and High Schools	10 per classroom
			Elementary and Junior High Schools	4 per classroom
			Other Education Uses	See Sec. 16-5-107.D.2
Government Uses	P		Fire Stations	4 per bay + 1 per 200 GFA of office area
			Other	1 per 200 GFA of office area
Major Utilities	SE		1 per 1,500 GFA	
Minor Utilities	P		n/a	
Public Parks	P		See Sec. 16-5-107.D.2	
Religious Institutions	P		1 per 3 seats in main assembly area	
Telecommunication Antenna, Collocated or Building Mounted	PC	Sec. 16-4-102.B.2.e	n/a	
Telecommunication Towers, Monopole	PC	Sec. 16-4-102.B.2.e	1	
Health Services				
Hospitals	P		2 per bed + 1 per 200 GFA of office area	
Nursing Homes	P		1 per 3 beds	

Other Health Services		P	1 per 225 GFA	
Office Uses				
Other Office Uses		P	1 per 350 GFA	
Commercial Services				
Other Commercial Services		P	See Sec. 16-5-107.D.2	
3. Development Form Standards				
MAX. DENSITY (PERNET ACRE)			LOT COVERAGE	
Residential ¹	<u>10 du</u>			
Nonresidential	10,000 GFA		Max. <i>Impervious Cover</i>	60%
MAX. BUILDING HEIGHT				
All <i>Development</i>	45 ft			
USE AND OTHER DEVELOPMENT STANDARDS				
See Chapter 16-4: Use Standards, Chapter 16-5: Development and Design Standards, and Chapter 16-6: Natural Resource Protection.				
TABLE NOTES:				
P = Permitted by Right; PC = Permitted Subject to Use-Specific Conditions; SE = Allowed as a Special Exception; du = <i>dwelling units</i> ; sf = square feet; GFA = <i>gross floor area</i> in square feet; ft = feet; n/a = not applicable				
1. For development that converts nonresidential square footage to residential use refer to Sec. 16-10-102.B.1.				
2. The minimum number of off-street parking spaces for mixed-use or multifamily development that contains workforce housing shall be calculated based on Section 16-5-107.D.2.				

(Revised 4-18-2017 - Ordinance 2017-05; revised 11-4-2020 - Ordinance 2020-26; revised 3-7-2023 - Ordinance 2023-04)

Chapter 16-4: Use Standards

Sec.16-4-102. Principal Uses

A. Principal Use Table

6. Principal Use Table

TABLE 16-4-102.A.6: PRINCIPAL USE TABLE																						
P = Permitted by Right PC = Permitted Subject to Use-Specific Conditions																						
SE = Allowed as a Special Exception Blank Cell = Prohibited																						
USE CLASSIFI CATION/ USE TYPE	SPECI AL DISTR ICTS		RESIDENTIAL DISTRICTS						MIXED-USE AND BUSINESS DISTRICTS												USE- SPECI FIC COND ITION S	
	CON	PR	RSF-3	RSF-5	RSF-6	RM-4	RM-8	RM-12	CR	SPC	CC	MS	WMU	S	MF	MV	NC	LC	RD	MED		IL
RESIDENTIAL USES																						
Family Compound						P C	P C	P C				P C	P C	P C	P C	P C	P C	P C	P C			Sec. 16-4- 102.B .1.e
Family Subdivision						P C	P C	P C				P C	P C	P C	P C	P C	P C	P C	P C			Sec. 16-4- 102.B .1.f
Group Living						P	P	P				P						P		P		
Mixed-Use									P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C		Sec. 16-4- 102.B .1.a
Multifamily						P	P	P	P C	P	P C	P	P	P	P	P	P	P	P	P C		Sec. 16-4- 102.B .1.b

Recreational Vehicle						P C	P C	P C					P C	P C	P C	P C	P C				
Recreation Vehicle (RV) Parks																	P				Sec. 16-4-102.B .1.c
Single-Family			P	P	P	P	P	P					P	P	P	P	P	P			
Workforce Housing						P C		P C		P C	P C	P C	P C	P C		P C		P C			Sec 16-4-102.B .1.d
Islander Mixed-Use										P C											Sec. 16-4-102.B .1.g
PUBLIC, CIVIC, INSTITUTIONAL, AND EDUCATIONAL USES																					
Aviation and Surface Transportation Uses																			P C		Sec. 16-4-102.B .2.a
Aviation Services Uses																			P C		Sec. 16-4-102.B .2.b
Cemeteries		P				P							P			P	P				
Community Service Uses		P				P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	Sec. 16-4-102.B .2.c
Education Uses						P			P	P	P	P					P		P		
Government Uses		P C	P C	P C	P C	P C	P C	P C	P	P	P	P		P	P		P	P	P	P	Sec. 16-4-102.B .2.d
Major Utilities		S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	S E	P	

Minor Utilities		P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Public Parks		P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P		
Religious Institutions		P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	
Telecommunication Antenna, Collocated or Building Mounted		P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	Sec. 16-4-102.B .2.e
Telecommunication Towers, Monopole		P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	P C	Sec. 16-4-102.B .2.e
HEALTH SERVICES																						
Hospitals																				P		
Nursing Homes																				P		
Other Health Services										P	P	P					P	P		P		
RESORT ACCOMMODATIONS																						
Bed and Breakfasts						P C			P C			P C	P C	P C	P C	P C			P C			Sec. 16-4-102.B .4.a
Hotels									P C			P	P	P C		P		P	P			Sec. 16-4-102.B .4.b
Interval Occupancy									P				P			P			P			
COMMERCIAL RECREATION USES																						

Other Commercial Services Uses						P C	P C		P	P	P	P	P	P	P	P	P	P	P	P	P	Sec. 16-4-102.B.7.l
VEHICLE SALES AND SERVICES																						
Auto Rentals									P C	P C	P		P C		P	P C		P C		P		Sec. 16-4-102.B.8.a
Auto Repairs											P C						P C			P C		Sec. 16-4-102.B.8.b
Auto Sales											P						P			P		
Car Washes										P	P		P C	P			P			P		Sec. 16-4-102.B.8.c
Commercial Parking Lot									P C	P C	P C		P C					P C				Sec. 16-4-102.B.8.d
Gas Sales									P C	P C	P C			P C	P C		P C	P C		P C		Sec. 16-4-102.B.8.d
Taxicab Services											P			P			P			P		
Towing Services or Truck or Trailer Rentals																				P		

TABLE 16-4-102.A.6: PRINCIPAL USE TABLE

P = Permitted by Right PC = Permitted Subject to Use-Specific Conditions

SE = Allowed as a Special Exception Blank Cell = Prohibited

USE CLASSIFICATION/ USE TYPE	SPECIAL DISTRICTS		RESIDENTIAL DISTRICTS						MIXED-USE AND BUSINESS DISTRICTS														USE-SPECIFIC CONDITIONS
	CON	PR	RSF-3	RSF-5	RSF-6	RM-4	RM-8	RM-12	CR	SPC	CC	MS	WMU	S	MF	MV	NC	LC	RD	MED	IL		
Watercraft Sales, Rentals, or Services													P C	P		P C		P C				P	Sec. 16-4-102.B. 8.e
INDUSTRIAL USES																							
Grinding																					S E	Sec. 16-4-102.B. 9.a	
Light Industrial, Manufacturing, and Warehouse Uses																		P C				P	Sec. 16-4-102.B. 9.a
Seafood Processing Facilities													P C	P C		P C							Sec. 16-4-102.B. 9.b
Self-Service Storage										P C								P C				P C	Sec. 16-4-102.B. 9.c
Waste-Related Services Other than Waste Treatment																						P	

ent Plants																						
Waste Treatm ent Plants																	S E					
Wholes ale Sales																	P			P		
OTHER USES																						
Agricult ure Uses		P	P	P	P	P	P	P						P	P	P	P	P	P			
Boat Ramps, Docking Facilitie s, and Marinas	P C	P	P C	P C		P C	P C							P			P					Sec. 16-4- 102.B. 10.a

Sec.16-4-102. Principal Uses

B. Use-Specific Conditions for Principal Uses

1. Residential Uses

a. Mixed-Use

- i. **Mixed-use development** shall designate separate parking spaces for **use** by the residential units. The parking spaces designated for residential **use** shall not be included as part of a **shared parking** plan.
- ii. In the CR District, there shall be no **dwelling units** located on the first floor of any **mixed-use development** unless there are **commercial services uses** located between the street and the proposed **dwelling units**.
- iii. The density for the redevelopment/conversion of an existing nonresidential structure to mixed-use shall be based on the existing gross floor area and minimum unit sizes as described in Sec. 16-10-102.B.1.
- iv. **Mixed-use development** in the MED District shall only be permitted either as part of a commercial conversion that includes WFH per Section 16-10-102.B.1 or as part of the PD-2 District Overlay that includes WFH per Section 16-4-105.
- v. Mixed-use development that includes workforce housing shall comply with the Workforce Housing Program as outlined in Sec. 16-4-105.
(Revised 5-17-2016 - Ordinance 2016-07; revised 11-4-2020 - Ordinance 2020-26)

b. Multifamily

- i. In the CR District, there shall be no **dwelling units** located on the first floor of any **multifamily development** unless there are **commercial services** uses located between the street and the proposed **dwelling units**.
- ii. Multifamily use in the CC and MED Districts shall only be permitted as part of a commercial conversion that includes WFH per Sec. 16-10-102.B.1.
- iii. Multifamily use in the MED Districts shall only be permitted either as part of a commercial conversion that includes WFH per Section 16-10-102.B.1 or as part of the PD-2 District Overlay that includes WFH per Section 16-4-105.
- iiiiv. Multifamily development that includes workforce housing shall comply with the Workforce Housing Program as outlined in Sec. 16-4-105.
(Revised 5-17-2016 - Ordinance 2016-07; revised 11-4-2020 - Ordinance 2020-26)

d. Workforce Housing

- i. Any development that includes workforce housing shall comply with the Workforce Housing Program as outlined in Sec. 16-4-105.
- ii. Workforce housing may be permitted in the PD-1 District through a Zoning Map Amendment in accordance with Sec. 16-2-103.C.
- iii. In the MS District, properties developed for WFH shall not be permitted on properties currently utilized as a school or fire station.

-
- iv. In the S District, properties developed for WFH shall not have vehicular access to U.S. Route 278 (William Hilton Parkway).
 - v. In the WMU District, properties developed for WFH shall not have vehicular access to Marshland Road.
 - vi. In the LC District, properties developed for WFH shall not have vehicular access to U.S. Route 278 (William Hilton Parkway) between Wexford Drive and Singleton Beach Road.
 - vii. In the RM-4 District, properties developed for Group Living use are not be eligible to participate in the WFH Program.
 - viii. In the RM-4 District, existing mobile home parks, located on property that is a minimum of 3 acres, shall be eligible to participate in the WFH Program.
 - ix. Except for paragraph viii above, workforce housing use in the RM-4 District shall comply with the following conditions:
 - a. The property shall be a single parcel that is a minimum of 3 acres.
 - b. The property shall not have frontage on Jarvis Creek, Broad Creek, or Old House Creek.
 - c. The site of the WFH use shall not be located within 750 linear feet of the Hilton Head Island Airport property. This distance shall be measured as the length of an imaginary straight line between the two closest points of the perimeter boundary of the property on which any WFH use is located, and the perimeter boundary of the Hilton Head Island Airport.
 - d. The site of the WFH use shall be located within 3,500 linear feet of a minor arterial in accordance with Sec. 16-5-105.B, Street Hierarchy. This distance shall be measured from the centerline of the closest vehicular access on the property where the WFH is located, and shall be measured along the centerline of the travel lane of the street providing the shortest route to the minor arterial.
 - e. Lots within an existing legally platted and developed single family subdivision, including open space are not eligible to participate in the WFH Program.
 - f. Properties developed with a non-single family residential use that is permanent in nature are not eligible to participate in the WFH Program.
 - x. Workforce housing use in the RM-12 District shall comply with the following conditions:
 - a. The property shall be a minimum of 5 acres.
 - b. The property shall be located on a major arterial in accordance with Sec. 16-5-105.B Street Hierarchy.
 - xi. In the MED District, properties developed for WFH shall only be permitted either as part of a commercial conversion that includes WFH per Section 16-10-102.B.1 or as part of a PD-2 District Overlay that includes WFH per 16-4-105.

(Revised 11-4-2020 - Ordinance 2020-26; revised 2-16-2021 - Ordinance 2021-02)

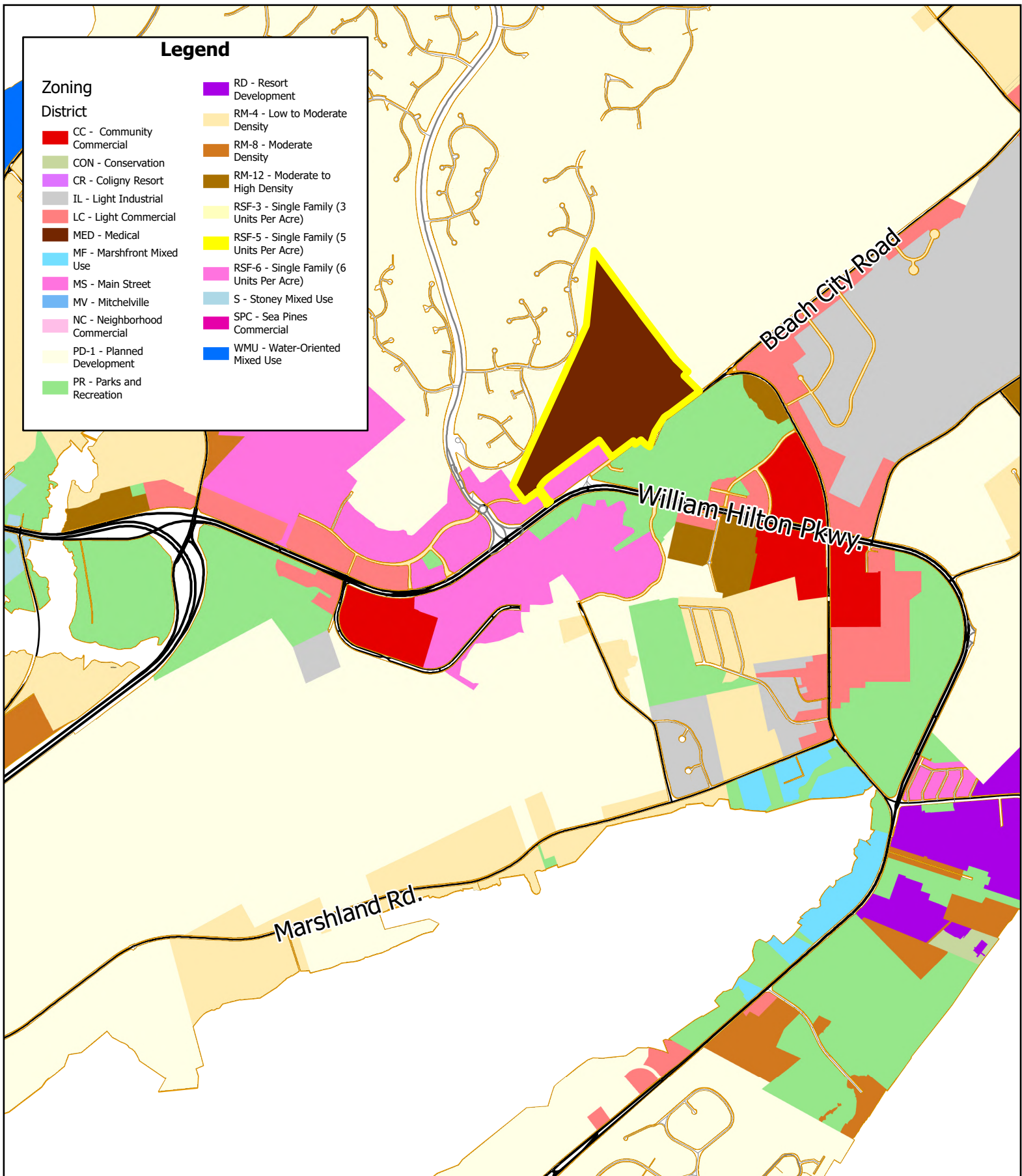
Sec. 16-4-105. Workforce Housing (WFH) Program

A. Workforce Housing Density All Units:

Created: 2024-07-16 16:10:52 [EST]

(Supp. No. 9)

-
1. Commercial conversion projects that include at least 20% workforce housing units will be eligible for incentives as described in Sec. 16-10-102B.1, including:
 - a. A reduction in minimum unit sizes by 30% and;
 - b. Up to 50% of the units in the development may be micro-efficiency and/or studio units.
 2. In the RM-4 District:
 - a. A density bonus up to 100% above the base residential density standards is permitted if 50% of all units within the development are workforce housing units.
 - b. A density bonus up to 50% above the base residential density standards is permitted if 25% of all units within the development are workforce housing units.
 - c. The maximum density permitted in any workforce housing development is 12 units per acre.
 3. In the RM-12 District: If at least 50% of all units within the development are workforce housing units, the following is permitted:
 - a. A density bonus up to 25% above the base residential density standards.
 - b. A maximum impervious coverage of 45%.
 4. In the MED District, if WFH development is not part of a commercial conversion, then the maximum density in any workforce housing development is 10 units per net acre, if at least 30% of all units within the development are workforce housing units.



Zoning Map - MED District Subject District November, 2025

N





TOWN OF HILTON HEAD ISLAND

Town Council

TO: Town Council
FROM: Zac Gordon, Director of Planning
CC: Shawn Gillen, Assistant Town Manager
CC: Marc Orlando, Town Manager
DATE: January 13, 2025
SUBJECT: Consideration of an Ordinance of the Town of Hilton Head Island to Amend the Official Zoning Map with respect to the Real Property located at Bethea Drive to Amend the Palmetto Headlands/H.H. Hospital Master Plan within the Planned Development Overlay District (PD-2) to change the allowed use of Parcels R510 008 000 337A 000, R510 008 000 0337 0000, and R510 008 000 0452 0000 from Commercial Use to Commercial or Residential Use; and to Provide for Severability and an Effective Date

RECOMMENDATION:

Town Council consider First Reading of an Ordinance of the Town of Hilton Head Island to Amend the Official Zoning Map with respect to the Real Property located at Bethea Drive to Amend the Palmetto Headlands/H.H. Hospital Master Plan within the Planned Development Overlay District (PD-2) to change the allowed use of Parcels R510 008 000 337A 000, R510 008 000 0337 0000, and R510 008 000 0452 0000 from Commercial Use to Commercial or Residential Use; and to Provide for Severability and an Effective Date.

The Planning Commission held a public hearing on November 19, 2025, and, after consideration of the criteria set forth in Land management Ordinance (LMO) Section 16-2-103, voted 7-2 to recommend that Town Council approve the proposed zoning map amendment, ZA-001007-2025.

The Community Development and Public Services Committee held a public hearing on December 15, 2025, and, after consideration of the criteria set forth in Land Management Ordinance (LMO) Section 16-2-103, voted unanimously to recommend that Town Council approve the proposed zoning map amendment, ZA-001007-2025.

BACKGROUND:

A partnership between Abode Development, Novant Health, and the Coastal Community Development Corporation (CCDC) is proposing to construct workforce housing on previously developed land adjacent to Hilton Head Medical Center. The housing would serve healthcare staff, first responders, and other essential workers on Hilton Head Island.

The site consists of three parcels totaling 12.66 acres along Bethea Drive, owned by Hilton Head Medical Center LLC. The property includes approximately 24,000 square feet of vacant office space, which previously housed outpatient rehabilitation services.

As shown in Attachment 2, the properties are zoned MED District. The 12.66-acre site is also located within a Planned Development Overlay District (PD-2) as part of the Palmetto Headlands and Hilton Head Hospital Master Plan. While the MED District allows workforce housing through the conversion of existing commercial buildings, the PD-2 Master Plan does not currently permit residential use on these parcels. Therefore, to allow the construction of new workforce housing, the text of the MED District and the PD-2 Master Plan must be amended.

Abode Development is proposing a PD-2 Master Plan Amendment. The subject parcels are located within the Palmetto Headlands and Hilton Head Hospital Master Plan, and identified as G-1, G-2, and E on Attachment 2 Exhibit A, which do not currently permit residential uses. G-1 and G-2 are approved for medical-related uses, while E is designated as a wetland and will remain a wetland, see application.

Abode Development is also proposing a corresponding Text Amendment, and on July 16, 2025, Abode Development requested that the Planning Commission consider amending the text of the MED District to allow for the redevelopment of the site with workforce housing at a proposed density of 10 units per acre. Pursuant to LMO Section 16-2-103.B.2.a., the Planning Commission voted unanimously to initiate the text amendment process.

This Zoning Map Amendment and the associated Text Amendment were first presented to the Planning Commission on August 20, 2025. The applicant requested to postpone the rezoning to allow for additional updates to the application materials, and on November 19, 2025, after reviewing the updated application, the Planning Commission voted 7-2 to recommend approval of the Zoning Map Amendment to Town Council.

Subsequently, this Zoning Map Amendment and the associated Text Amendment were reviewed by the Community Development and Public Services Committee on December 15, 2025, and the committee voted unanimously to recommend approval of the Zoning Map Amendment to Town Council.

ANALYSIS:

Attachment 3 is the Planning Commission Staff Report, application, and related documents. This includes a detailed analysis of the zoning map amendment application as prepared by Town staff and reviewed by the Planning Commission.

Zoning Map Amendment Review Standards

LMO Section 16-2-103.C.3, Zoning Map Amendment Review, outlines the criteria for review:

- i. Is in accordance with the Comprehensive Plan;
- ii. Would allow a range of uses that are compatible with the uses allowed on other property in the immediate vicinity;
- iii. Is appropriate for the land;
- iv. Addresses a demonstrated community need;
- v. Is consistent with the overall zoning program as expressed in future plans for the Town;
- vi. Would avoid creating an inappropriately isolated zoning district unrelated to adjacent and surrounding zoning districts;
- vii. Would allow the subject property to be put to a reasonably viable economic use;
- viii. Would result in development that can be served by available, adequate, and suitable public facilities (e.g., streets, potable water, sewerage, stormwater management); and
- ix. Is appropriate due to any changed or changing conditions in the affected area.

TOWN COUNCIL ACTION:

Town Council shall review the application, staff report, Planning Commission's Recommendation, and Community Development and Public Services Committee's recommendation and make a final decision on the application based on the standards in LMO Section 16-2-103.C.3, Zoning Map Amendment Review Standards.

Town Council's decision shall be one of the following:

1. Adopt an ordinance approving the Zoning Map Amendment; or
2. Adopt an ordinance denying the Zoning Map Amendment.

CONCLUSION:

Town Council is requested to review and consider First Reading of an Ordinance to Amend the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan to modify the allowable uses on approximately 12.66 acres, to allow for Multifamily and Workforce

Housing uses in addition to the existing medical-related uses currently permitted by the PD-2 Master Plan.

ATTACHMENTS:

1. Ordinance Adopting the Zoning Map Amendment
2. Exhibit A to Ordinance – Application
3. Planning Commission Staff Report
4. Location Map
5. Current Use Map

**AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH
CAROLINA**

**AN ORDINANCE TO AMEND THE OFFICIAL ZONING MAP TO MODIFY THE
PALMETTO HEADLANDS/HILTON HEAD ISLAND PD-2 MASTER PLAN
WITH RESPECT TO 12.66 ACRES KNOWN AS PARCELS R510 008 000 0037
0000, R510 008 000 337A 0000, AND R510 008 000 0452 0000, TO ALLOW
RESIDENTIAL, INCLUDING MULTIFAMILY WITH WORKFORCE
HOUSING, WITHIN THE PALMETTO HEADLANDS/HILTON HEAD ISLAND
PD-2 MASTER PLAN, AND TO PROVIDE FOR SEVERABILITY AND AN
EFFECTIVE DATE.**

**BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL FOR THE
TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS
HEREBY ORDERED AND ORDAINED UNDER THE AUTHORITY OF
THE TOWN COUNCIL AS FOLLOWS:**

Section 1. Findings and Determinations:

1. The Town Council for the Town of Hilton Head Island, South Carolina (herein, the “Town Council”), has identified a continued need for the adoption of Amendments to the Official Zoning Map to address needs and issues in the Town as such are identified.
2. The Town Council finds that there is a shortage of suitable housing in the Town that is affordable for individuals employed in the medical field as nurses, laboratory technicians, office staff, physician’s assistants, maintenance, and facilities staff, first responders and other similar positions (herein “Workforce Housing”).
3. The Town Council finds that an amendment to the Official Zoning Map to modify the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan with respect to 12.66 acres known as parcels R510 008 000 0037 0000, R510 008 000 337A 0000, and R510 008 000 0452 0000, to allow Residential, including Multifamily with Workforce Housing, within the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan will aid in meeting the need for Workforce Housing in the Town.

4. On November 19, 2025, the Planning Commission held a Public Hearing to consider the proposed amendment to the Official Zoning Map.
5. At the Planning Commission's November 19, 2025, Public Hearing, the public had an opportunity to comment on the Proposed Amendments.
6. At the conclusion of the November 19, 2025, public hearing, and following discussion by the Planning Commission, the Planning Commission voted 7-2 to recommend that Town Council adopt the proposed Zoning Map Amendment, with this condition: All stormwater generated on-site shall be retained and managed within the project limits; no discharge shall be directed toward Hilton Head Plantation; and any existing drainage issues along the common property line with Hilton Head Plantation will be resolved to the greatest extent possible.
7. On December 15, 2025, the Community Development & Public Services Committee considered the proposed Zoning Map Amendment, and heard presentations from Town Staff and comments from the public. The Community Development & Public Services Committee then voted _____ to recommend that Town Council approve the proposed Zoning Map Amendment, and the condition recommended by the Planning Commission, to wit: "All stormwater generated on-site shall be retained and managed within the project limits; no discharge shall be directed toward Hilton Head Plantation; and any existing drainage issues along the common property line with Hilton Head Plantation will be resolved to the greatest extent possible", be a part of the approval by the Town Council.
8. It is the intention of the Town Council that the condition recommended by the Planning Commission and the Community Development & Public Services Committee be enforced through the Development Plan Review Process, and that compliance

with the condition be met as a part of and condition to the approval of any Development Plan for any properties affected by this Zoning Map Amendment.

9. The Town Council finds it is in the best interest of the Town and the health, safety, and welfare of its citizens, residents, and visitors to amend the Land Management Ordinance by amending the Official Zoning Map to modify the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan with respect to 12.66 acres known as parcels R510 008 000 0037 0000, R510 008 000 337A 0000, and R510 008 000 0452 0000, to allow Residential, including Multifamily with Workforce Housing, within the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan.

Section 2. Amendment to Official Zoning Map.

1. The Official Zoning Map is hereby amended to modify the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan with respect to 12.66 acres known as parcels R510 008 000 0037 0000, R510 008 000 337A 0000, and R510 008 000 0452 0000, to allow Residential, including Multifamily with Workforce Housing, within the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan, as described in Exhibit A.

2. It is a condition of this Zoning Map Amendment that any application for a Development Plan Approval for any property affected by this Zoning Map Amendment must meet the following condition, in addition to all other requirements of the Land Management Ordinance: All stormwater generated on-site shall be retained and managed within the project limits; no discharge shall be directed toward Hilton Head Plantation; and any existing drainage issues along the common property line with Hilton Head Plantation will be resolved to the greatest extent possible.

Section 3. Severability. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction,

such portion shall be deemed a separate, distinct, and independent provision, and such holding shall not affect the validity of the remaining portions thereof.

Section 4. Effective Date. This Ordinance shall be effective upon its adoption by the Town Council of the Town of Hilton Head Island, South Carolina.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS _____ DAY OF JANUARY, 2026.

THE TOWN OF HILTON HEAD
ISLAND, SOUTH CAROLINA

Alan R. Perry, Mayor

ATTEST:

Kimberly Gammon, Town Clerk

Public Hearing: November 19, 2025

First Reading:

Second Reading:

APPROVED AS TO FORM:

Curtis L. Coltrane, Town Attorney

Introduced by Council Member: _____



Date: November 10, 2025

Shawn Leininger

Assistant Town Manager of Operations
Town of Hilton Head Island
1 Town Center Court
Hilton Head Island, SC 29928

Subject: Revised Request for Planning Commission Review: Workforce Housing Text Amendment and Zoning Map Amendment

Dear Shawn,

On behalf of the team of Novant Health, Abode Development, and Coastal Community Development Corporation (CCDC), we thank you for the time and support as we continue to collaborate on the entitlement and development process for the proposed workforce housing community adjacent to Hilton Head Hospital.

We respectfully submit this formal application revision to the Planning Commission for the purpose of the Text Amendment and ZMA. This amendment would seek to modify the current provisions of the Medical (MED) District zoning to allow for a multifamily workforce housing development that directly supports Hilton Head Island's critical service and medical workforce.

Project Highlights

- **Location:** Parcels 0337, 337A & 0452 Bethea Drive (adjacent to Hilton Head Hospital)
- **Zoning:** MED District (12.6 acres total)
- **Program Proposal:**
 - 114 mixed-income units across twelve (12) townhome buildings.
 - Proposed Unit Mix: 38 one-bedroom, 66 two-bedroom, 10 three-bedroom units
 - Community pavilion with pool and wellness amenities
 - Outdoor recreation areas, pocket parks, and pedestrian connectivity
 - 30% of all units within the development to serve at or below 80% AMI. The remaining 70% of units to targeted to serve between 80%-150% AMI
 - Long-term affordability with deed restrictions in accordance with Sec. 16-4-105

We respectfully request that this proposal be placed into the formal Planning Commission review process to reopen our application.

Thank you again for your partnership and support in helping us bring forward a meaningful, community-based solution to Hilton Head's workforce housing challenges.

Keith Kostrzewski

Managing Partner, Abode Development
keith@AbodeLC.com

CC: Brian Quinn

Managing Partner, Abode Development
brian@AbodeLC.com

**APPLICATION FOR ZONING MAP AMENDMENT
FROM ABODE DEVELOPMENT IN PARTNERSHIP WITH NOVANT
HEALTH, AND THE COASTAL COMMUNITY DEVELOPMENT
CORPORATION**

REGARDING 12.66 ACRES ON BETHEA DRIVE, HILTON HEAD ISLAND, SC
Parcels: R510 008 000 0337A 0000, R510 008 000 0337 0000,
and R510 008 000 0452 0000

Hilton Head Medical Workforce Housing Conceptual Master Plan

Zoning Map Amendment (ZA-001007-2025)

Subject: Amendment to the Palmetto Headlands / Hilton Head Hospital PD-2 Master Plan (#CUR-3-88) and coordinated LMO text amendment to allow new construction of multifamily residential workforce housing within the Palmetto Headlands / Hilton Head Hospital PD-2 (#CUR-3-88) on MED-zoned property.

ATTACHEMENT A

Hilton Head Medical Workforce Housing Conceptual Master Plan Parcel Numbers

12.66 Acres. The subject property comprises three contiguous parcels:

- R510 008 000 0337A 0000
- R510 008 000 0337 0000
- R510 008 000 0452 0000

ATTACHMENT B NARRATIVE

NARRATIVE SUPPLEMENT TO THE APPLICATION FOR ZONING MAP AMENDMENT FROM THE TOWN OF HILTON HEAD ISLAND REGARDING 12.66 ACRES ON BETHEA DRIVE, HILTON HEAD ISLAND, SC

This Attachment B is submitted as part of the Zoning Map Amendment Application (The “Application”) by Abode Development (the “Applicant”) in partnership with Novant Health, and the Coastal Community Development Corporation (“CCDC”) to the Planning Commission of the Town of Hilton Head Island (the “Town”). Pursuant to the criteria set forth in Section 16-2-103.c.3 of the Town’s Land Management Ordinance (the “LMO”), this application seeks approval of a Text Amendment and Zoning Map Amendment (ZA-001007-2025) to modify the allowable uses within the PD-2 district. Specifically, the applicant requests that New Construction of Multifamily Residential Development be permitted within the Palmetto Headlands / Hilton Head Hospital PD-2 Overlay District (#CUR-3-88) (The “PD-2”) . The subject property comprises approximately 12.66 acres located on Bethea Drive and is currently zoned MED with an PD-2 overlay

Purpose of Request:

Hilton Head Medical Workforce Housing Conceptual Master Plan Zoning Map Amendment within the Palmetto Headlands / Hilton Head Hospital PD-2 Overlay District (#CUR-3-88)

This application seeks an Official Zoning Map Amendment (ZMA) to the Town of Hilton Head Island’s Base Zoning Map to permit new-construction multifamily within the Palmetto Headlands / Hilton Head Hospital PD-2 Overlay District.

The amendment aims to establish the Hilton Head Medical Workforce Housing Conceptual Master Plan, and updates the PD-2 Master Plan to affirm New Construction of Multifamily Residential Housing use on the Hospital’s South Campus, document district-scale compliance (density, impervious coverage, open space), and implement enforceable workforce-housing and design standards consistent with LMO 16-4-105 and the Town’s Workforce Housing Framework: Finding Home.

Section 1. Application Summary for ZA-001007-2025

This application seeks an Official Zoning Map Amendment (ZMA) to the Town of Hilton Head Island Base Zoning Map to authorize new-construction multifamily within the Palmetto Headlands / Hilton Head Hospital PD-2 Overlay District (CUR-3-88). The request is made in accordance with the Workforce Housing (WFH) provisions of LMO 16-4-105 and the Town’s adopted Workforce Housing Framework: Finding Home.

The subject property consists of three contiguous parcels:

- R510 008 000 0337A 0000
- R510 008 000 0337 0000
- R510 008 000 0452 0000

Together these total approximately 12.66 acres along Bethea Drive, commonly referred to as the Hilton Head Hospital South Campus.

The proposed amendment establishes the Hilton Head Medical Workforce Housing Conceptual Master Plan within the PD-2 Overlay. The land is owned by Novant Health and will be developed by Abode Development of the Lowcountry in partnership with the Coastal Community Development Corporation (CCDC). The partnership’s intent is to deliver a compact, upland-clustered, mixed-income neighborhood that expands the Island’s supply of attainable housing while remaining fully compliant with the environmental and design standards of the PD-2 district.

This amendment:

- Updates the PD-2 Master Plan to affirm New Construction Multifamily Housing, in accordance with 16-4-105, use on the South Campus consistent with MED-base and PD-2 Overlay intent;
- Documents district-scale compliance with density, impervious-surface, and open-space ratios through a verified ledger (Attachment C); and
- Translates conceptual commitments into enforceable standards, including buffers, setbacks, stormwater design, and architectural guidelines.

Approval of the amendment will enable the proposed, “Nightingale Commons”, to be developed within the established PD-2 framework while advancing the Town’s Comprehensive Plan (OurPlan 2020–2040) and 2023–2025 Strategic Plan goals for workforce housing. The application directly responds to Town Staff memoranda dated August 20 and September 17, 2025, providing corrected exhibits, restored buffers, and codified design standards to ensure long-term compliance and compatibility with adjacent uses.

Key Development Metrics Summary

<i>Category</i>	<i>Value / Commitment</i>
Total Site Area	± 12.66 acres (three contiguous parcels –R510 008 000 0337A 0000, R510 008 000 0337 0000, and R510 008 000 0452 0000)
Developed Uplands / Preserved Area	5.7 ac developed / 6.96 ac preserved (> 40 % open space)
Zoning Context	MED (Base) + PD-2 Overlay (CUR-3-88 Palmetto Headlands / Hilton Head Hospital)
Program & Density	Proposed 114 Dwelling Units & 10 u/ac PD-2 limit
Building Height	MF ≤ 45 ft Max, Limited to 2 stories above natural grade
Parking Provided / Required	186 Spaces required using MF method. LMO compliance standards for bike parking, compact and parallel spots are used to achieve requirements.
Buffers & Setbacks (Development)	• 20 ft PD-2 boundary buffer (minimum Type B per LMO 16-5-103; enhanced to Type C Option 2 where feasible) with ≥ 50 % evergreen planting and 6–7 ft opaque fence. • Maintain ≥ 5 ft structural setback beyond buffer: no parking, lighting, utilities, or impervious surfaces within buffer zones. • All wetlands preserved with 35 ft average / 20 ft minimum buffer (from certified USACE/DES line) plus +5 ft structural setback per LMO 16-6-102.D.2 and Town 2023 standards. • LID stormwater features (such as bio-retention and swales) located ≥ 20 ft from wetland edge: buffers and setbacks dimensioned on C- and L-sheets. • Building heights ≤ 45 ft.
Buffers & Setbacks (HHP Residential)	• 20 ft PD-2 boundary buffer (minimum Type B per LMO 16-5-103; enhanced to Type C Option 2 with evergreen screening and 6–7 ft opaque fence where space and context allow). • Within 50 ft of shared property line, limit buildings to two stories (≤ 40 ft consistent with Hilton Head Plantation height standards); no rear balconies or decks facing HHP; dark-sky lighting ≤ 0.1 fc at property line. • Landscape and fence details coordinated with HHP POA/ARB.
Buffers & Setbacks (Wetlands)	• 35 ft average / 20 ft minimum wetland buffer from certified USACE/OCRM line per LMO 16-6-102.D.2 + 5 ft structural setback. • LID stormwater features ≥ 20 ft from wetland edge; depict 7 required buffer lines on site plan and include average-width calculation table to verify compliance.
Stormwater Design	Low-Impact Development (LID) basins ≥ 20 ft from wetland edge; 2023 Town standards
Workforce Housing Program	• ≥ 30 % (≥ 35 units) reserved for households at or below 80 % AMI • CCDC administration, management, and annual recertification, • no Short Term Rentals; 12-month minimum leases; explicit preference for Hilton Head Island’s workforce
Open Space Ownership / Maintenance	CCDC to maintain buffers, stormwater, and common areas under LMO 16-5-104.E

Section 2. Development Background

In 2024, Novant Health acquired the subject parcels along Bethea Drive as part of its purchase of Hilton Head Hospital from Tenet Health. The property, commonly referred to as the Hospital's South Campus, totals approximately 12.66 acres and includes several small medical and office buildings constructed around 1990, comprising roughly 24,000 square feet. Most structures have remained vacant and deteriorated since Hurricane Matthew (2016), and the final tenant relocated off-site in early 2025. Engineering evaluations confirm that the buildings are beyond reasonable repair and unsuitable for any form of reuse or commercial conversion.

The property's existing zoning is MED (Medical District) with the Palmetto Headlands / Hilton Head Hospital PD-2 Overlay (CUR-3-88). Under the current Workforce Housing (WFH) framework, the only workforce-eligible option within the MED district is through commercial-to-residential conversion. Because the existing buildings cannot be feasibly rehabilitated, the Applicant seeks a PD-2 Master Plan amendment to allow new-construction multifamily, consistent with LMO 16-4-105 and the Town's workforce-housing policies.

Residential uses have long existed within the broader PD-2 area, including Palmetto Commons, a nearby residential community with a density of approximately 13.6 units per acre. However, language in the original PD-2 standards (adopted in the 1980s) did not explicitly list new multifamily residential construction as a permitted use—creating ambiguity despite this established development pattern. The proposed Nightingale Commons plan resolves that gap, confirming the suitability of multifamily as compatible uses within the PD-2 overlay. The development proposes 114 units - below the allowable use of 10 units per acre and comparable residential areas, and maintains impervious coverage under 35%, consistent with the environmental and design standards of the PD-2 district.

Section 3. Development Description

The Hilton Head Medical Workforce Housing Conceptual Master Plan (Nightingale Commons) establishes a compact, upland-clustered residential neighborhood within the Palmetto Headlands / Hilton Head Hospital PD-2 Overlay District. The plan provides a total of 114 dwelling units, composed of (12) townhouse buildings.

A loop-street circulation pattern organizes the site, providing access to all buildings while maintaining emergency-vehicle turning radius and clear pedestrian separation. A continuous sidewalk network links residences to the mail kiosk, a small community pavilion, and a frontage path connecting to Bethea Drive and the broader hospital campus. Bicycle racks are located at the multifamily entry, the pavilion, and the mail kiosk. Parking provided to accommodate 186 spots in accordance with LMO 16-5-107.

Site planning prioritizes environmental protection and compliance with PD-2 and Town stormwater standards. All wetlands are preserved in place, with a 35-foot average / 20-foot minimum buffer and an additional 5-foot structural setback beyond the certified delineation line (per 16-6-102.D.2). The PD-2 boundary buffer along the Hilton Head Plantation edge is restored to its full 20-foot width, planted to Type B MF standards (at least 50 percent evergreen) and supplemented by a 6- to 7-foot opaque fence for privacy. No parking, lighting, or other impervious improvements encroach into buffer or setback areas.

Stormwater infrastructure is designed to the 2023 Town of Hilton Head Island Stormwater Standards using Low-Impact Development (LID) practices. Bio-retention, vegetated swales, and forebays are located at least 20 feet from the wetland edge, and post-development discharge rates and volumes remain at or below pre-development conditions. The site's overall impervious coverage is <35% percent, and total open space exceeds 40 percent, both comfortably within PD-2 limits.

Architectural design follows the Lowcountry style established by the PD-2 Design Manual and detailed in Appendix A – Architectural and Community Design Standards. Building materials include fiber-cement siding, brick, and stucco in muted coastal colors; roof forms are gable, hip, or shed; and lighting standards will meet or exceed standards for adjacent use residential. Screening of rooftop and ground equipment is required.

The development's ownership, long-term maintenance, and workforce-housing administration will be managed by the Coastal Community Development Corporation (CCDC) under recorded covenants compliant with LMO 16-5-104.E. CCDC will also oversee the workforce-housing eligibility and annual recertification process in accordance with LMO 16-4-105.

This description summarizes the physical layout and design intent of Nightingale Commons; the following section outlines the detailed program elements and quantitative commitments under the Development Scope (Workforce Housing Development Agreement).

Section 4. Workforce Affordability

The Hilton Head Medical Workforce Housing Conceptual Master Plan (Nightingale Commons) has been structured in full compliance with LMO 16-4-105 (Workforce Housing Standards) and the Town's adopted Workforce Housing Framework: Finding Home. The Workforce Housing Development Agreement (WHDA) formalizes the site's affordability commitments, administrative procedures, and long-term monitoring responsibilities.

Affordability Commitment. A minimum of 30% of all dwelling units (≥ 35 of 114) will be reserved for households earning at or below 80% of Area Median Income (AMI). All affordable units will be tenure-blind, indistinguishable in materials, finishes, and amenities from market-rate units, and distributed proportionally across the multifamily buildings to ensure integration within the community.

Income Band Distribution.

AMI Band	*Approximate Units	Share of Total Development	Designation
$\leq 80\%$ AMI	35	31%	Workforce Housing – Restricted
81 – 120 % AMI	22	19%	Median/ Moderate Workforce
$> 120\%$ AMI	57	50%	Market Rate
	114	100%	

**Note: Final rent limits will be established annually using HUD-published AMI data for Beaufort County and confirmed with the Town's Housing Program Manager.*

Administration and Oversight.

The Coastal Community Development Corporation (CCDC) will serve as the Workforce Housing Administrator. Responsibilities include:

1. Verifying initial tenant income eligibility.
2. Conducting annual income recertifications.
3. Maintaining a compliance ledger by unit documenting occupancy, rent levels, and income tier
4. Preparing an annual compliance report for submission to the Town of Hilton Head Island.

Leasing and Operations.

Affordable units will be leased for a minimum 12-month term; short-term rentals are prohibited. Priority leasing will be extended to essential workers employed on Hilton Head Island, including those in healthcare, public safety, and education. No application, screening, or occupancy policy will conflict with fair-housing or equal-opportunity provisions.

Covenants and Enforcement.

Affordability restrictions and CCDC oversight responsibilities will be recorded in a Workforce Housing Covenant running with the land. Non-compliance or unauthorized conversion will constitute a covenant violation enforceable by the Town through the WHDA. Monitoring and reporting procedures will align with the Town's annual housing compliance audit schedule.

Longevity and Renewal.

Affordability commitments will remain in effect for 99 years, unless amended by mutual agreement with the Town under the terms of the recorded WHDA. Periodic review will allow rent limits and program procedures to adjust to updated AMI thresholds while maintaining the 30 percent ≤ 80 % AMI baseline.

Section 5. Roles and Implementation

Abode Development of the Lowcountry (Developer)

- Leads project delivery, including entitlements, financing, and construction. Coordinates all submissions and ensures compliance with PD-2 and LMO standards, the Workforce Housing Development Agreement, and recorded covenants.

Novant Health (Landowner / Institutional Partner)

- Owns the 12.66-acre South Campus property and provides the site for development under the PD-2 Overlay. Aligns the development with hospital operations and workforce needs to ensure proximity housing for essential medical staff. Novant is also committing to one-third of the rental units for healthcare workers.

Coastal Community Development Corporation – CCDC (Steward / Administrator)

- Serves as long-term steward and workforce-housing administrator. Owns and maintains common open space, buffers, and stormwater facilities per LMO 16-5-104.E. Administers eligibility verification, annual income recertification, and compliance reporting under LMO Guidelines.

Section 6. Rezoning Criteria

(i) In accordance with the Comprehensive Plan (OurPlan 2020–2040)

The proposed Zoning Map Amendment directly advances the Town of Hilton Head Island Comprehensive Plan (OurPlan 2020–2040) and demonstrates measurable alignment with each of the Plan’s seven Core Values. The Nightingale Commons development embodies the Town’s goals for sustainable growth, right-sized infrastructure, and the delivery of attainable housing through a modern, environmentally responsible construction approach within a sustainable campus.

Core Value 1 — Relentless Pursuit of Excellence

- Designing a high-quality, durable neighborhood consistent with Hilton Head’s Lowcountry character and built-environment standards.
- Buildings are constructed with high-performance exterior materials (fiber-cement siding, masonry accents, and weather-rated roof systems) designed for high wind loads and FEMA-compliant elevation criteria, ensuring resilience to coastal storm events.
- Architectural detailing includes varied rooflines (gable, hip, and shed), and sustainable elements.
- By codifying these requirements in Appendix A – Architectural and Community Design Standards, the development converts aspirational design guidance into enforceable construction specifications, aligning with the Town’s pursuit of excellence in form, craftsmanship, and visual continuity.

Core Value 2 — Redefining Environmental Sustainability

- Employing a Low-Impact Development (LID) strategy that integrates stormwater management into the landscape and minimizes long-term maintenance demands.
- All bio-retention and vegetated swales are located ≥ 20 ft from the certified wetland line, treating runoff naturally before infiltration. The development footprint is limited to uplands, preserving ≈ 6.96 acres ($> 40\%$) of the site as wetlands, buffers, and open space.
- Construction practices will include erosion-control sequencing, tree-protection fencing, and on-site material recycling where feasible.
- The design exceeds MED and PD-2 environmental standards and advances Hilton Head’s redefinition of sustainability—achieving compliance not by constraint but by integration of green infrastructure and reduced impervious surfaces

Core Value 3 — Revitalizing and Modernizing the Economy

- Transforming obsolete, hurricane-damaged medical facilities into productive land uses that support Hilton Head’s evolving economic base.
- The partnership between **Novant Health, Abode Development, and CCDC** converts an underutilized institutional site into workforce housing that stabilizes the hospital’s labor supply and benefits the Island’s broader service and education sectors.
- Modern construction methods reduce operational costs while supporting local contracting and workforce participation. This aligns with the Comprehensive Plan’s call to modernize the economy through reinvestment in existing developed areas.

Core Value 4 — Fostering an Inclusive, Multi-Dimensional Community

- Delivering a proposed 114 rental homes in both apartment and townhouse formats, with $\geq 30\%$ (≥ 35 units) reserved for households earning $\leq 80\%$ of Area Median Income (AMI).
- All affordable units are tenure-blind—similar in exterior design, materials, and amenities to market-rate homes—and distributed throughout the community to encourage integration.
- CCDC will oversee income verification, annual recertification, and compliance reporting under LMO 16-4-105, ensuring transparency and long-term affordability.
- The development directly supports Hilton Head’s essential workers - particularly healthcare professionals, educators, and first responders, addressing the need documented in the Workforce Housing Framework: Finding Home and advancing inclusivity through opportunity.

Core Value 5 — Building a Connected and Collaborative Community Fabric

- Providing a walkable, interconnected layout that ties the residential neighborhood into the existing hospital campus and the surrounding street network.
- A continuous sidewalk system and bicycle parking at community nodes supports multimodal mobility.
- Close coordination with the Hilton Head Plantation Property Owners’ Association (POA) and Architectural Review Board (ARB) will support buffer design to ensure aesthetic and functional consistency along the shared boundary.
- These measures extend the Town’s vision of community connectivity and collaboration across institutional and residential property lines.

Core Value 6 — Expanding to Embrace an Integrated Regional Focus

- Strengthening regional resilience through collaboration between private, institutional, and nonprofit partners. As a healthcare-supported housing initiative, Nightingale Commons addresses workforce shortages not only within Hilton Head but also across the broader Beaufort County medical network.
- The public-private structure—Novant Health (landowner), Abode (developer), CCDC (administrator)—represents a model for regional, cross-sector cooperation, consistent with OurPlan’s goal of expanding partnerships beyond jurisdictional boundaries.

Core Value 7 — Creating “Right-Sized” Infrastructure

- Maximizing use of existing hospital and Town infrastructure without extending utilities or roadways. The development’s circulation, parking, and stormwater systems are appropriately scaled: parking spaces, and utility corridors that connect directly to existing service lines.
- Stormwater detention is decentralized through LID basins that reduce peak discharge and maintenance costs.
- These strategies embody the Town’s directive for infrastructure that meets community needs efficiently and sustainably.

Summary: Collectively, Nightingale Commons implements *OurPlan 2020–2040* by transforming underutilized institutional land into a resilient, connected, and inclusive neighborhood. Its compact footprint, modern construction practices, and enforceable design standards operationalize the Comprehensive Plan’s core values—demonstrating that workforce housing can serve as a model for sustainable, right-sized development on Hilton Head Island.

(ii) Range of uses compatible with the vicinity

The proposed New Construction Multifamily Housing residential use is compatible with adjacent institutional and residential areas within the PD-2 district. Height limits (≤ 45 ft MF) and the 20-ft PD-2 buffer with natural screening and 6–7 ft fencing ensure appropriate transitions to neighboring properties.

(iii) Appropriateness for the land

Development occurs entirely on uplands (≈ 5.7 acres) and avoids all wetlands. A 35-ft average / 20-ft minimum wetland buffer plus 5-ft structural setback protects natural drainage and habitat aligning with LMO sec. 16-6-102.D.2. The compact layout and LID stormwater strategy ensure appropriate and sustainable land use.

(iv) Demonstrated community need

Hilton Head Island faces a well-documented shortage of attainable housing for healthcare, education, and public-safety workers. The development proposes 114 units, $\geq 30\%$ (≥ 35 units) affordable $\leq 80\%$ AMI, directly addressing this need while remaining within existing service capacities.

(v) Consistency with the Town's overall zoning program

The amendment maintains PD-2 district balance. Overall density ≈ 10 du/ac limit, impervious $>35\%$, and open space $>40\%$ ($\geq 25\%$ required). No variances or waivers are requested.

(vi) Avoidance of isolated zoning

The proposal remains within the existing PD-2 Overlay District and does not create an isolated zoning area. It reinforces established land-use patterns and provides a compatible transition between hospital and residential uses. Reinforcing the established uses already existing for the Palmetto Commons residential community in PD-2 at 13.6 units per acre and the residential uses for commercial conversion through the WFH standards sec. 16-4-105

(vii) Reasonably viable economic use

The hurricane-damaged medical structures are beyond repair and unsuitable for reuse. Redevelopment as workforce housing provides a viable and productive economic use that supports the hospital workforce and community objectives while preserving environmental resources.

(viii) Adequacy of public facilities

Public facilities and services are adequate. Access geometry and firetruck turning radius meet Town standards; water and sewer service confirmed; and LID basins (≥ 20 ft from wetlands) maintain post-development runoff $\leq$ pre-development conditions.

(ix) Changed or changing conditions

Recent adoption of the Workforce Housing Framework: Finding Home and increased healthcare employment represent changing conditions warranting this PD-2 Master Plan update. The amendment enables context-sensitive residential use that aligns with current policy and sustains district-wide compliance metrics.

Section 7. PD-2 Design Standards: #CUR-3-88 Palmetto Headlands / Hilton Head Hospital

Per 16-3-106.G.6 (a–h)

Please reference Appendix A for additional detail.

(a) Arrangement considering natural features, drainage, views, access, surrounding uses

- Development confined to upland areas, preserving wetlands and open space within the 12.66-acre site
- The site layout follows existing topography and drainage patterns, providing a 35-ft average / 20-ft minimum wetland buffer with an additional 5-ft structural setback from the certified USACE/DES delineation line, in compliance with LMO 16-6-102.D.2.
- Along the Hilton Head Plantation boundary, a minimum Type B buffer is provided per LMO 16-5-103, enhanced to Type C Option 2 within 50'-0" of Hilton Head Plantation residential lots with residential use, incorporating ≥ 50 % natural plantings and a 6–7 ft opaque fence to protect residential views and privacy.
- Lighting complies with the Town's Dark-Sky standards, utilizing Palmetto Electric's full-cutoff LED fixtures and meeting or exceeding the LMO standards.

(b) Clustering to preserve features / provide open space

- Clustering logic. Density is organized into (12) 2 story buildings, calibrated to keep impervious >35% and hold >40% of the site in open space.
- Open-space structure. Landscape plan establishes contiguous greens that link buffers, stormwater LID, and pedestrian commons (mail/pavilion nodes), rather than isolated pockets.
- Tree preservation workflow. Pre-clearing meeting establishes orange tree-save fencing limits; arborist field-walk confirms protection details to the supplemented current tree inventory as "Attachment C" to this application.

(c) Integrated circulation system

- A loop-street system provides full vehicular circulation and emergency access with radius meeting Fire Rescue standards.
- Sidewalks and marked crossings connect buildings to shared amenities, the mail kiosk, and a frontage path on Bethea Drive. Bicycle racks are located at the multifamily entry, pavilion, and kiosk, encouraging non-vehicular mobility.
- Pedestrian-first setbacks. A landscaped frontage zone (walk + planting) separates buildings from parking throughout.

(d) Infrastructure integration with environmental factors

- Stormwater design follows the 2023 Town of Hilton Head Island Stormwater Standards, incorporating Low-Impact Development (LID) features such as bio-retention basins, vegetated swales, and sediment forebays located ≥ 20 ft from wetlands.
- Post-development discharge rates and volumes remain at or below pre-development conditions.
- Utility corridors align with existing hospital infrastructure to minimize new disturbance.

(e) Design & sizing proportionate to demand

- Program right-sizing. A Proposed 114 units meet PD-2 and workforce objectives without exhausting district capacity; parking meets requirements, provides a small operational buffer without over-paving.

- Utility capacity checks. Ward Edwards confirmed downstream sewer and potable capacity with utility providers; fire flow meets hydrant spacing/pressure criteria.
- Operations planning. Trash/compactor and delivery areas are sited off the loop with no backing over pedestrian routes; postal and rideshare lay-bys are included to prevent conflicts.

(f) Open space ownership / maintenance

- Recorded covenants. CCDC will own/maintain buffers, trails, LID basins, and amenities under recorded 99-year covenants; reserve funding is modeled in the O&M plan.
- O&M manuals. LID protocols have seasonal maintenance checklists (mow heights, sediment cleanout thresholds, re-planting protocols), coordinated with Tiller’s planting schedule.
- Annual reporting. CCDC will prepare an annual open space/O&M compliance letter for Town records, aligning with workforce housing reporting cadence.

(g) Architectural guidelines (*Detail in Appendix A*)

Architectural design and community standards comply with the PD-2 Design Manual and the *Nightingale Commons – Rules & Regulations and Architectural Standards* (Appendix A). These standards codify the Town’s Lowcountry design principles into enforceable specifications for building form, materials, color palette, lighting, fencing, and stormwater integration.

- **Architectural Materials and Finishes**

Primary façades will use durable, high-quality materials such as fiber-cement siding (Hardie Plank or Boral), stucco, or brick, with limited wood accents. Color palettes are restricted to muted coastal tones compatible with Hilton Head’s natural environment.

- **Roof Design and Materials**

Roofs will be gable, hip, or shed; flat roofs are prohibited. Architectural-grade asphalt shingles are the primary material, with metal accents allowed on non-plantation-facing elevations only. All roof assemblies are engineered for high wind loads and use energy-efficient underlayment systems.

- **Setbacks, Height, and Building Separation**

PD-2 standards are observed, including a 20-foot undisturbed buffer along the Hilton Head Plantation line and an additional 5-foot structural setback for townhomes. Two-story porches or decks are prohibited within 50 feet of the shared property line of Hilton Head Plantation, and buildings are limited to two stories above natural grade. Building separation is ≥ 15 ft (7.5 ft per side).

- **Buffers, Screening, and Fencing**

A minimum Type B buffer is provided along the Hilton Head Plantation (HHP) boundary in accordance with LMO 16-5-103, enhanced to Type C Option 2 where space and context permit to provide additional evergreen screening. The buffer includes a 6–7 ft opaque “Charleston Green” privacy fence installed on the interior edge. Final planting mix and fence design will be coordinated with the HHP POA/ARB to ensure visual and material compatibility.

- **Lighting**

All lighting complies with Town LMO standards and is provided through the Palmetto Electric Lighting Program. Fixtures are fully shielded, down-directed, with no visible bulbs or floodlights on façades facing Hilton Head Plantation. Rear facing floodlights are explicitly not permitted.

- **Exterior Restrictions and Accessory Elements**

No banners, flags, flagpoles, fire pits, or pools/spas above 18 inches are permitted beyond rear setbacks or on elevations facing Hilton Head Plantation. Trash and service areas are centralized and architecturally screened.

- **Parking, Mobility, and Drainage**

Parking meets LMO 16-5-107.D.1 ratios (1.4/1.7/2.0 per bedroom mix) and provides LMO Compliance for the required 186 spaces. Stormwater systems use asphalt with pervious components and LID practices, consistent with the LMO Town standards.

Reference: Appendix A – Nightingale Commons Rules & Regulations and Architectural Standards; Sheets

(h) Sufficient acreage

- Footprint discipline. The development area occupies <50% of the parcel; 2-story TH standards within the community protects neighborhood scale at the shared property line with Hilton Head Plantation.
- Performance headroom. District-wide metrics remain compliant after this development (impervious <35%), leaving headroom for PD-2 balance.
- Future adaptability. Drives, utilities, and LID facilities are laid out to allow maintenance access without entering buffers and to accommodate minor operational adjustments without regrading.

Why this meets and exceeds 16-3-106.G.6

- Development clustered entirely on uplands; wetlands preserved 100 %.
- Buffers, setbacks, and impervious limits meet or exceed PD-2 requirements.
- LID stormwater design integrates sustainability and access.
- Architectural standards codified in Appendix A ensure long-term compatibility and quality.
- CCDC covenants provide enduring maintenance and reporting obligations.

Hilton Head Medical Workforce Housing Conceptual Master Plan

TOTAL ACRES	+/- 12.66 ACRES
PARCEL ID:	DISTRICT: 510, MAP: 8, PARCELS: 337, 337a, & 452
ZONING:	MEDICAL DISTRICT (MED)
PD-2:	PALMETTO HEADLANDS / HILTON HEAD HOSPITAL (CUR-3-88)
PROPOSED USE:	WORKFORCE HOUSING
PROPOSED DENSITY:	10.0 DU/ACRE
MAXIMUM STRUCTURE	45' HEIGHT
MAXIMUM IMPERVIOUS	35%
OPEN SPACE	70%
FEMA FLOOD ZONE	X

TOTAL BLDG YIELD	12 BUILDINGS
TOTAL UNIT YIELD	114 UNITS
1 BEDROOM TOWNHOUSE	38 DWELLING UNITS
2 BEDROOM TOWNHOUSE	66 DWELLING UNITS
3 BEDROOM TOWNHOUSE	10 DWELLING UNITS

MULTI-FAMILY 1 BEDROOM =	1.4 SPACES/DU*
MULTI-FAMILY 2 BEDROOM =	1.7 SPACES/DU*
MULTI-FAMILY 3 BEDROOM =	2.0 SPACES/DU*
TOTAL REQUIRED PARKING:	186 SPACES
BIKE PARKING:	110 BIKE PARKING SPACES
BIKE PARKING REDUCTION**:	11 CAR PARKING SPACES
REDUCED REQUIRED CAR PARKING:	175 SPACES
PROVIDED CAR PARKING:	175 SPACES

NOTES:

- 1. ANY RESIDENTIAL PROPERTY LINES WITHIN 50 FEET OF THE DEVELOPMENT WILL REQUIRE A TYPE C BUFFER.**

1) HILTON HEAD HOSPITAL PROPERTY, ISLAND INVESTMENT CORP AND PALMETTO
HEADLANDS COMMERCIAL TRACTS, HILTON HEAD ISLAND BEAUFORT COUNTY, SOUTH
CAROLINA
DRAWN 5/10/1989
RECORDED IN BOOK 36, PAGE 102, DATED 8/22/89
ROD, BEAUFORT COUNTY, SC
BY: HUSSEY, GAY, BELL & DEYOUNG CONSULTING ENGINEERS

THIS PROPERTY LIES IN F.B.M.A. ZONE X
BASE FLOOD ELEVATION=N/A
COMMUNITY NO. 450250, PANBL0451G & 0452G
DATED 3/23/2021

Stormwater Management & Drainage Design Criteria

- **Part 2: Purpose:**
 - These standards establish the minimum requirements for stormwater management and drainage within the Master Planned Community. The goal is to protect property, infrastructure, and natural resources by ensuring that development meets hydrological system, manage runoff responsibly, and maintain high community design quality.
- **Part 3: General Design Requirements**
 - Design Methodology: USDA NRCS TR-55 (preferred)
 - Rational Method (20 years, isotropic curve), or other approved methods. Designs must consider watershed-wide impacts.
 - Site: Areas/leaches 20 contiguous and noncontiguous parcels under common ownership or linked by drainage network.
 - Design Storm: 24-hour frequency 24-hour duration, 8-inch rainfall, AMC II.
 - Engineering Checklist: Detailed criteria available from the Community Engineer.
- **Part 4: Peak Discharge**
 - Post-development discharge shall not exceed pre-development discharge. Redevelopment sites are existing conditions as baseline.
 - BMPs are required. Exception: splash only where adequate ditch discharge conveyance exists or is demonstrated.
- **Part 5: Runoff Retention & Detention**
 - Retention of Runoff: Retain or infiltrate minimum:
 - 1 inch-in-one (1:1) slope for 15 minutes.
 - Not less than one detention period.
 - Detention: Detention shall be provided for post-development discharge rates. Off-site facilities may be used if approved, permanently recorded, maintained, and funded by developer.
- **Part 6: Facility Design Standards**
 - Minimum 18" feet of freeboard above design storm peak elevation
 - Design for 10-year sediment loads.
 - Maximum side-slopes 3:1 (H:V).
 - Manning coefficient encouraged.
 - Stabilized banks required.
- **Part 7: Overall Requirements**
 - Developers must provide adequate flow facilities of existing drainage system to carry beyond the proposed discharge.
- **Part 8: Use of Wetlands**
 - Wetlands may serve for retention with approval. Regulated wetlands shall be depicted or recorded on the site plan.
 - Wetland mitigation: If wetlands are disturbed, the developer must include mitigation devices enhance non-erosive discharge velocities.
- **Part 9: Landscaping Requirements**
 - Landscaping design shall enhance stormwater management through infiltration, detention, filtration, and LID strategies. Plantings or grading may not obstruct drainage or impede infiltration.
- **Part 10: Inspection & Certification**
 - A South Carolina-licensed Professional Engineer must prepare written certification to City Engineer that all design and construction requirements and deficiencies must be corrected before approval.

NOTES: n/a = not applicable

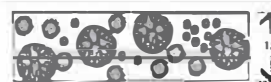
1. Measured from the outer edge of the wetland, as certified in writing by U.S. Army Corps of Engineers (USACE), a Town-approved wetlands consultant or Ocean & Coastal Resource Management (OCRM).
2. Average buffer width is determined by measuring the buffer width for every 10-foot linear increment of pervious surface, impervious surface, or structure, as appropriate; summing these, and dividing the number of increments measured. Quantification of each increment of buffer shall be approved by the official.
3. Buildings, surface parking lots, and vehicular accessways shall be set back at least 5 feet beyond the outer edge of the wetland buffer.

AVERAGE WETLAND BUFFER WIDTH FOR STRUCTURES: 35.00
STRUCTURES **AVERAGE BUFFER**

TOWNHOUSE A-G	N/A
TOWNHOUSE H	40.63
TOWNHOUSE I	40.56
TOWNHOUSE J	65.66
PAVILION AND POOL	51.66
TOWNHOUSE K	63.66
TOWNHOUSE L	67.54

BUFFER TYPE B - OPTION 2

WIDTH: 15' MINIMUM (ELEVATED)
OVERSTORY TREE: 4 TREES/100 LF
UNDERSTORY TREE: 8 TREES/100 LF
SHRUBS: 12 SHRUBS/100 LF



BUFFER TYPE C - OPTION 2

WIDTH: 15' MINIMUM (ELEVATED)
OVERSTORY TREE: 4 TREES/100 LF
UNDERSTORY TREE: 6 TREES/100 LF
EVERGREEN TREES: 50% MINIMUM

-SOLID WALL/FENCE (MINIMUM HEIGHT 3')
OR
-SOLID EVERGREEN HEDGE (MINIMUM HEIGHT 3')



J. K. TILLER ASSOCIATES, INC.

LAND PLANNING	LANDSCAPE ARCHITECTURE
181 BLUFFTON ROAD, SUITE B104	BLUFFTON, SC 29910
Voice 843.815.4800	Fac 843.815.4802
jcoller@jcoller.com	

THIS IS A CONCEPTUAL PLAN AND IS SUBJECT TO CHANGE. ALL SURVEY INFORMATION AND SITE BOUNDARIES WERE COMPILED FROM A VARIETY OF UNVERIFIED SOURCES AT VARIOUS TIMES AND AS SUCH ARE INTENDED TO BE USED ONLY AS A GUIDE. ALL PROPERTY LINES, TRACT DIMENSIONS AND NARRATIVE DESCRIPTIONS ARE FOR GRAPHIC REPRESENTATION ONLY, AS AN AID TO SITE LOCATION AND POTENTIAL LAND USE, AND ARE NOT LEGAL REPRESENTATIONS AS TO FUTURE USES OR LOCATIONS. J. K. TILLER ASSOCIATES, INC. ASSUMES NO LIABILITY FOR ITS ACCURACY OR STATE OF COMPLETION, OR FOR ANY DECISIONS (REQUIRING ACCURACY) WHICH THE USER MAY MAKE BASED ON THIS INFORMATION.

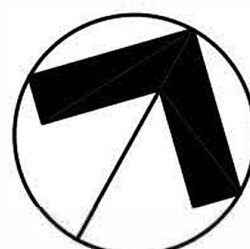
JKT Job Number: 202427-03

HILTON HEAD MEDICAL TOWNHOUSES

MASTER PLAN

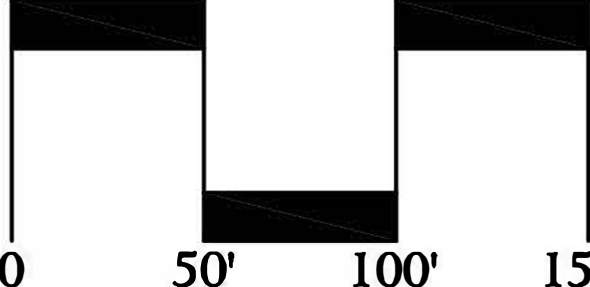
TOWN OF HILTON HEAD, SOUTH CAROLINA

NOVEMBER 07, 2025

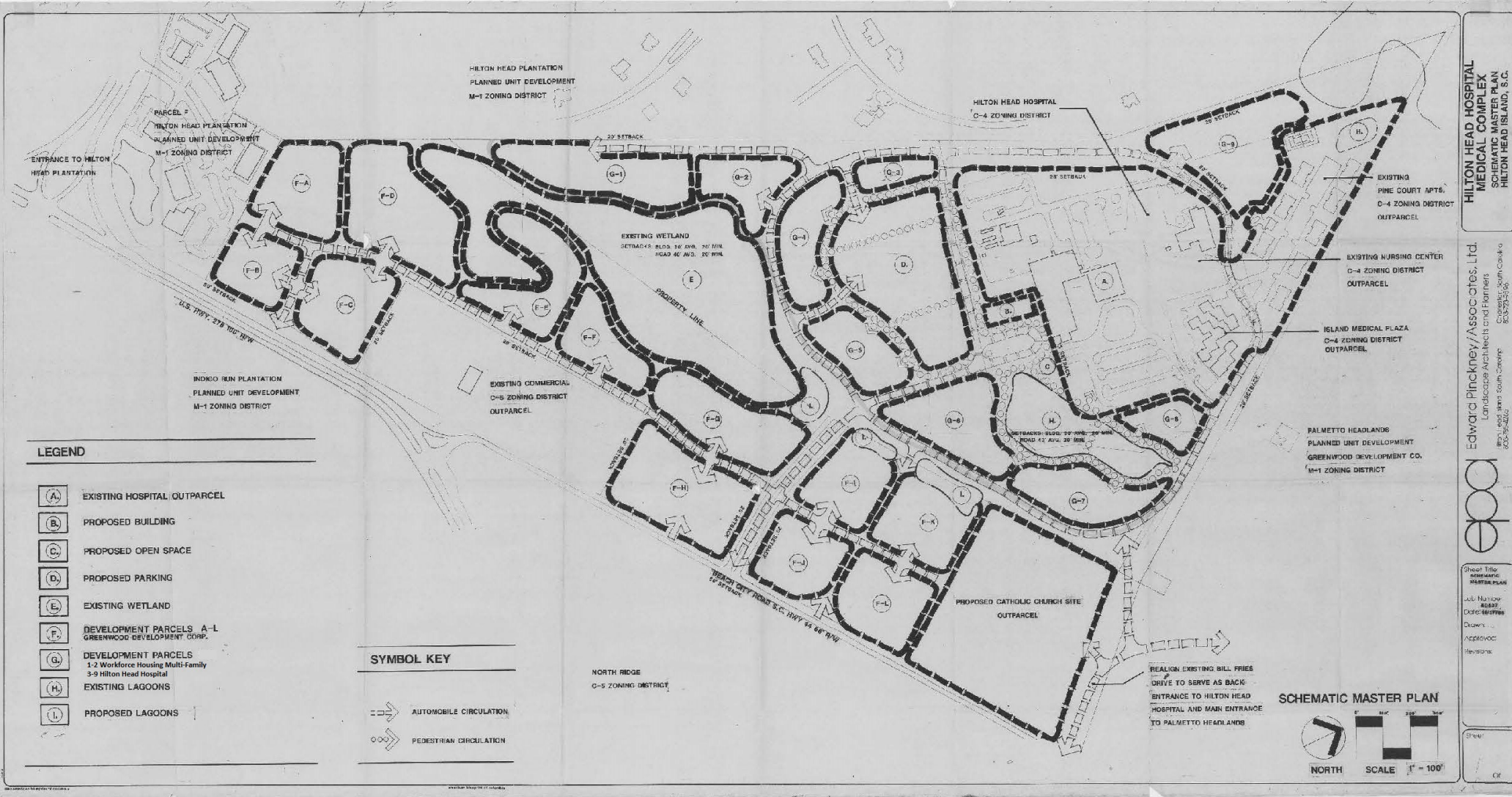


NORTH

GRAPHIC SCALE



Proposed #CUR-3-88 Master Plan Overlay
Palmetto Headlands / Hilton Head Hospital PD-2



Appendix A: Architectural and Community Design Standards Summary

These standards are adopted in fulfillment of LMO 16-3-106.G.6(g) Architectural Guidelines

Purpose

These standards have been prepared collaboratively by J.K. Tiller Associates, Inc. (land planning and landscape architecture), Ward Edwards (site/civil engineering and infrastructure), and in coordination with the Hilton Head Plantation Property Owners' Association (POA) and Architectural Review Board (ARB). All provisions are binding and will be implemented through site plan approval, building permit review, and long-term management by the Coastal Community Development Corporation (CCDC).

1. Architectural Materials and Finishes

- All structures shall have exterior walls constructed of Hardie Plank, Boral siding, stucco, or brick.
- Vinyl siding shall not be permitted.
- Color palettes shall reflect muted coastal tones drawn from the Lowcountry vernacular. Bright, reflective, or high-contrast colors are prohibited.
- Trim and accent materials shall be of equal durability to the primary siding and compatible in tone.
- All foundations shall be finished in brick, stucco, or parged concrete consistent with the primary building material.

2. Roof Design and Materials

- Roof structures shall be gable, hip, or shed in form to complement the Lowcountry architectural style.
- Roofing shall be architectural-grade asphalt shingles or metal with non-reflective coatings.
- Reflective or galvanized finishes are not permitted.
- Dormers and gables may be incorporated for articulation and balance.
- All roof penetrations, vents, and mechanical units shall be painted to match the roof color and fully screened from view.

3. Setbacks, Height, and Building Separation

- All structures shall comply with the dimensional standards of the PD-2 Master Plan and applicable sections of the LMO.
- A minimum 20-foot PD-2 buffer shall be provided along the Hilton Head Plantation boundary, and all buildings shall maintain an additional 5-foot structural setback beyond the buffer.
- No encroachments—including walls, pavement, or accessory structures—shall occur within the buffer.
- Maximum building height shall not exceed 45 feet and 2 stories over natural grade
- A minimum 15-foot building separation, or 7'-6" each side, shall be maintained between principal structures to allow for fire access and privacy.

4. Buffers, Screening, and Fencing

- A minimum Type B buffer shall be provided along the PD-2 boundary with Hilton Head Plantation, enhanced to Type C Option 2 where space and context allow, consistent with LMO § 16-5-103 and the Palmetto Headlands / Hilton Head Hospital PD-2 (CUR-3-88) standards.
- Plantings shall include ≥ 50 percent native species, and a 6- to 7-foot opaque fence, painted Charleston Green, shall be installed along the interior edge of the buffer within 50'-0" of adjacent residential lots with residential uses.
- Fencing materials shall be wood or high-quality composite consistent with the architectural character of the principal buildings.
- All plantings shall be irrigated and maintained in a healthy condition; replacement shall occur promptly when vegetation fails to survive.
- No parking, light poles, utilities, or paved areas shall encroach into required buffers or the 5-foot structural setback beyond the buffer edge.
- Final buffer planting mix, fence profile, and berm configuration shall be coordinated with the Hilton Head Plantation POA/ARB to ensure material and visual compatibility.

5. Lighting

- All site lighting shall be full cut-off LED fixtures provided through Palmetto Electric's Lighting plan to meet or exceed the LMO standards.
- No uplighting, wall-wash, or façade floodlighting shall be permitted as "landscape lighting"
- Light poles shall not exceed 14 feet in height
- Exterior lighting shall be controlled by timers or photocells to minimize after-hours illumination.
- Lighting for pedestrian areas shall balance safety and dark-sky compliance.

6. Exterior Restrictions and Ancillary Features

- No banners, flags, or temporary signage shall be permitted except as authorized by the Town.
- No exterior storage of materials, above-ground propane tanks, recreational vehicles, or equipment shall be visible from public rights-of-way.
- No rear-yard fire pits, spas, structures over 18" or outdoor kitchens shall be permitted on properties abutting Hilton Head Plantation within the 5'-0" setback. Patios are permitted on the lower level only in the setback not to encroach into the buffer.
- All service line utilities shall be located underground or screened from view.

7. Waste and Service Areas

- Trash, recycling, and service areas shall be consolidated within a centralized, screened enclosure.
- Enclosure walls shall be constructed of materials consistent with the adjacent building
- Gates shall remain closed except during servicing.
- Collection hours shall comply with the Town's noise and sanitation ordinances.

8. Parking and Mobility

- Parking shall be provided at the following ratios: 1.4 spaces per one-bedroom unit, 1.7 spaces per two-bedroom unit, and 2.0 spaces per three-bedroom unit
- Bicycle racks shall be installed at the multifamily building entry, mail kiosk, and community pavilion.
- All parking areas shall be located outside of required buffers and setbacks.
- Pedestrian pathways shall connect parking areas to all buildings and amenities via sidewalks.

9. Noise and Conduct

- All residents and guests shall comply with Town noise ordinances and property-management rules.
- No amplified outdoor music shall occur on the rear of townhome buildings A-G along the Hilton Head Plantation Property line.
- Outdoor activities shall be limited to designated amenity areas and during permitted hours.
- Management shall maintain a system for responding promptly to noise complaints and shall document any violations.

10. Stormwater and Drainage

- Stormwater management shall comply with the 2023 Town of Hilton Head Island standards.
- Low Impact Development (LID) methods—including bio-retention, infiltration swales, and vegetated channels—shall be utilized wherever practical.
- All detention facilities shall be located a minimum of 20 feet from the certified wetland edge and shall include forebays for first-flush capture.
- Native wetland and upland vegetation shall be used to stabilize slopes and provide filtration.
- An approved Operations and Maintenance Plan shall guide routine inspection, sediment removal, and vegetation management.

11. Administration and Enforcement

- These standards shall be incorporated into approved construction documents and enforced through the Town's development-review and inspection process.
- Final buffer and fence designs shall be reviewed with the Hilton Head Plantation ARB prior to implementation of the final buffer installation.
- Post-occupancy, CCDC shall perform annual inspections to confirm ongoing compliance with lighting, buffer maintenance, and community-conduct provisions, and shall report findings to the Town as part of its property-management responsibilities.

Conclusion

These standards ensure that Nightingale Commons maintains the design integrity, environmental sensitivity, and neighborhood compatibility expected within the PD-2 Overlay and OurPlan 2020–2040.

By codifying architectural form, landscape character, and operational behavior, they provide a long-term framework for a well-managed, sustainable, and visually cohesive workforce-housing community.

Appendix B: Tree Inventory

The site inventory identifies 435 live trees, primarily pines (219) and water oaks (103), based on a field survey measuring DBH in inches. Under Hilton Head Island's Land Management Ordinance, trees are classified as significant or specimen based on species-specific DBH thresholds Per LMO sec 16-6-104.F.1. Total classified trees: 9 (7 significant, 2 specimens). Dead trees (21) are excluded. Multi-stem trees use the largest stem for classification.

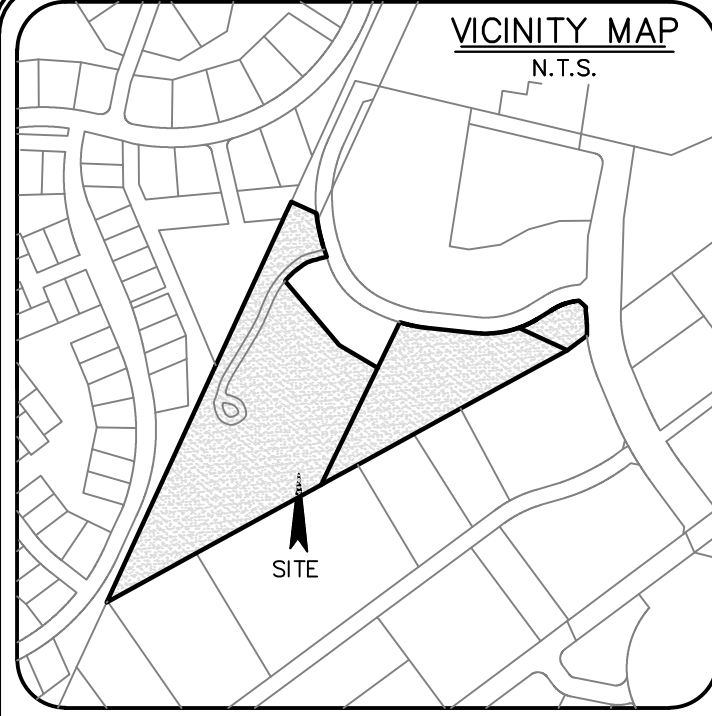
Key findings:

- Pines: 3 significant (30–34 inches).
- Water oaks: 2 significant (26–28 inches), 1 specimen (30 inches).
- Live oaks: 2 significant (assumed 28 inches), 1 specimen (36 inches).
- Laurel oaks: 1 significant (30 inches).
- Other species (e.g., gums, palms, magnolias, crepe myrtles, red oaks, black gums, maples, tupelo): 14 live trees, none meeting thresholds.

<i>Species</i>	<i>Sig DBH (inches)</i>	<i>Spec DBH (inches)</i>	<i>Total Alive</i>	<i>Significant Trees</i>	<i>Specimen Trees</i>
<i>Pine (PN)</i>	28	35	219	3	0
<i>Water Oak (WO)</i>	24	30	103	2	1
<i>Live Oak (LO)</i>	28	35	31	2	1
<i>Laurel Oak (LA)</i>	28	35	15	1	0
<i>Gum (GUM)</i>	24	30	42	0	0
<i>Palm (PLM)</i>	N/A	N/A	10	0	0
<i>Magnolia (MAG)</i>	24	30	6	0	0
<i>Crape Myrtle (CM)</i>	N/A	N/A	3	0	0
<i>Red Oak (RO)</i>	20	25	2	0	0
<i>Black Gum (BG)</i>	24	30	2	0	0
<i>Maple (MAP)</i>	24	30	1	0	0
<i>Tupelo (TUP)</i>	N/A	N/A	1	0	0

Appendix C: Boundary Maps

Located on the subsequent 6 pages



LINE TABLE (BOUNDARY)	
LINE	LENGTH BEARING
L1	39.17' S24°27'40"W
L2	28.32' S65°27'43"E
L3	26.74' N46°22'20"W
L4	12.63' N01°38'55"E

CURVE TABLE					
CURVE	LENGTH	RADIUS	TANGENT	CHORD	CHORD BEARING
C1	23.59'	468.59'	11.80'	23.59'	S06°58'25"E
C2	14.46'	468.59'	7.23'	14.45'	S15°15'48"E
C3	97.29'	518.02'	48.79'	97.15'	S78°47'05"E
C4	142.30'	317.44'	72.37'	141.11'	N83°00'22"E
C5	66.78'	660.87'	33.42'	66.75'	N64°06'15"E
C6	97.37'	223.86'	49.47'	96.60'	S70°33'55"W
C7	77.78'	511.53'	38.97'	77.71'	S02°42'35"E

LINE TABLE (WETLAND A)				
LINE	LENGTH	BEARING	LINE	LENGTH
L5	34.03'	N76°25'56"E	L25	26.40'
L6	35.82'	N38°03'37"E	L26	28.42'
L7	36.20'	N07°21'55"W	L27	11.94'
L8	32.44'	N29°38'28"E	L28	25.90'
L9	29.37'	N00°08'40"W	L29	27.46'
L10	68.42'	N16°10'52"E	L30	32.48'
L11	8.62'	N28°27'39"E	L31	14.43'
L12	22.89'	N58°39'25"W	L32	24.31'
L13	24.13'	N19°11'17"E	L33	33.98'
L14	15.66'	N73°30'56"E	L34	29.53'
L15	35.62'	N39°14'28"E	L35	39.18'
L16	18.84'	N74°07'11"E	L36	33.21'
L17	28.99'	N64°40'17"E	L37	37.54'
L18	29.80'	N16°45'52"W	L38	27.90'
L19	40.66'	N13°26'35"E		
L20	22.50'	N32°49'06"E		
L21	34.70'	N33°43'21"E		
L22	31.14'	N48°20'21"E		
L23	35.79'	N07°16'34"E		
L24	22.62'	N46°15'00"E		

R510 003 000 0060 0000
HILTON HEAD PLANT PROP
PO BOX 21940
HILTON HEAD ISL SC 29925

LEGEND & SYMBOLS:

- TREE SIZES ARE INCHES IN DIAMETER
- 17.1+ SPOT ELEVATION
 - 13- CONTOUR
 - A33 WETLAND FLAG & ELEVATION
 - 3" CMF 3" CONCRETE MONUMENT FOUND
 - 1/2" IPF 1/2" IRON PIN FOUND
 - 1/2" IPS 1/2" IRON PIN SET
 - TBM TEMPORARY BENCH MARK
 - IE INVERT ELEVATION
 - FFE FINISHED FLOOR ELEVATION
 - PVC POLYVINYL CHLORIDE
 - RCP REINFORCED CONCRETE PIPE
 - LO LIVE OAK
 - LA LAUREL OAK
 - MAG MAGNOLIA
 - RO RED OAK
 - PN PINE
 - PLM PALM
 - WO WATER OAK
 - MAP MAPLE
 - DEAD DEAD TREE NO ID
 - ELM ELM
 - TUP TUPELO
 - GUM GUM
 - BG BLACK GUM
 - CM CREPE MYRTLE
 - TELEPHONE SERVICE
 - TELEVISION SERVICE
 - VALVE BOX
 - IRRIGATION CONTROL VALVE
 - SANITARY MANHOLE
 - FIRE HYDRANT
 - SIGN
 - LIGHT POLE
 - CATCH BASIN
 - WETLAND FLAG
 - AC UNIT

REFERENCE PLAT

- 1) HILTON HEAD HOSPITAL PROPERTY, ISLAND INVESTMENT CORP.
AND PALMETTO HEADLANDS COMMERCIAL TRACTS,
HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
DRAWN: 5/10/1989
RECORDED IN BOOK 36, PAGE 202, DATED 8/22/89
ROD. BEAUFORT COUNTY, SC
BY: HUSSEY, GAY, BELL, & DEYOUNG CONSULTING ENGINEERS

PROPERTY AREA = 12.66 Ac. 551,533 Sq. Ft.
ADDRESS: 18 BETHEA DRIVE & 30 LAMOTTE DRIVE
DISTRICT: 510, MAP: 8, PARCELS: 337, 337A, & 452

THIS PROPERTY LIES IN F.E.M.A. ZONE X
BASE FLOOD ELEVATION = N/A
COMMUNITY NO. 450250, PANEL 0451G & 0452G, DATED: 3/23/2021

R510 008 000 0337 0000
HILTON HEAD PLANT PROP
PO BOX 21940
HILTON HEAD ISL SC 29925

- NOTES:
- 1) UNDERGROUND UTILITIES NOT LOCATED EXCEPT AS SHOWN.
 - 2) NAINA, INC. CERTIFIES TO THE BOUNDARY, TOPOGRAPHIC AND ASBLT INFORMATION PROVIDED HEREON AS THE DATE OF THE SURVEY. THIS SURVEY MAY BE USED IN DIGITAL FORMAT AS A BASE FOR OTHERS AND ANY REVISIONS OR ADDITIONS MADE HEREFTER IS NOT THE RESPONSIBILITY OF NAINA, INC. A HARD COPY AVAILABLE FROM NAINA, INC. WILL BE THE ONLY OFFICIAL DOCUMENT.
 - 3) SUBJECT PROPERTY DOES NOT APPEAR TO BE AFFECTED BY THE BEACHFRONT SETBACK REQUIREMENTS OF THE S.C. BEACH PROTECTION ACT OF JULY 1, 1988.
 - 4) HORIZONTAL DATUM IS SC STATE PLANE, NAD83.
 - 5) VERTICAL DATUM IS NAVD88.
 - 6) CONTOUR INTERVAL IS 1'
 - 7) USE OF THIS PROPERTY MAY BE AFFECTED BY THE TERMS OF COVENANTS RELATING TO THIS PLANNED RESIDENTIAL COMMUNITY.
 - 8) BUILDING SETBACKS, WHETHER SHOWN OR NOT, SHOULD BE VERIFIED BY THE LOCAL BUILDING AUTHORITY OR ARCHITECTURAL REVIEW BOARD.
 - 9) THIS SURVEY HAS BEEN PREPARED WITHOUT BENEFIT OF A COMPLETE TITLE SEARCH AND IS SUBJECT TO EASEMENTS AND RESTRICTIONS OF RECORD.
 - 10) THIS SURVEY DOES NOT CERTIFY TO THE EXISTENCE OR ABSENCE OF FRESHWATER WETLANDS.
 - 11) IF IDENTIFICATION OF TREES IS CRITICAL TO DEVELOPMENT, AN ARBORIST SHOULD BE CONSULTED TO VERIFY SUCH TREE IDENTIFICATION.

ASBLT, BOUNDARY,
TREE AND TOPOGRAPHIC SURVEY OF:
PARCELS 337, 337A, & 452, HILTON HEAD HOSPITAL
PROPERTY, HILTON HEAD ISLAND,
BEAUFORT COUNTY, SOUTH CAROLINA

PREPARED FOR:
HILTON HEAD REGIONAL HEALTHCARE

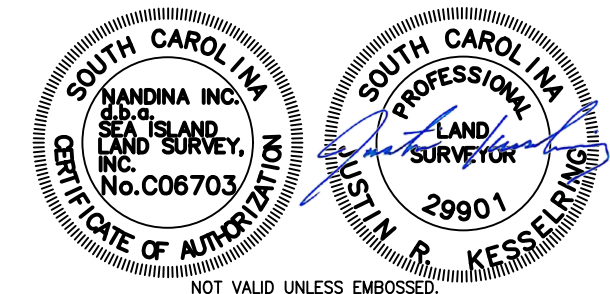
DATE : 02/26/2025 SCALE : 1" = 20'

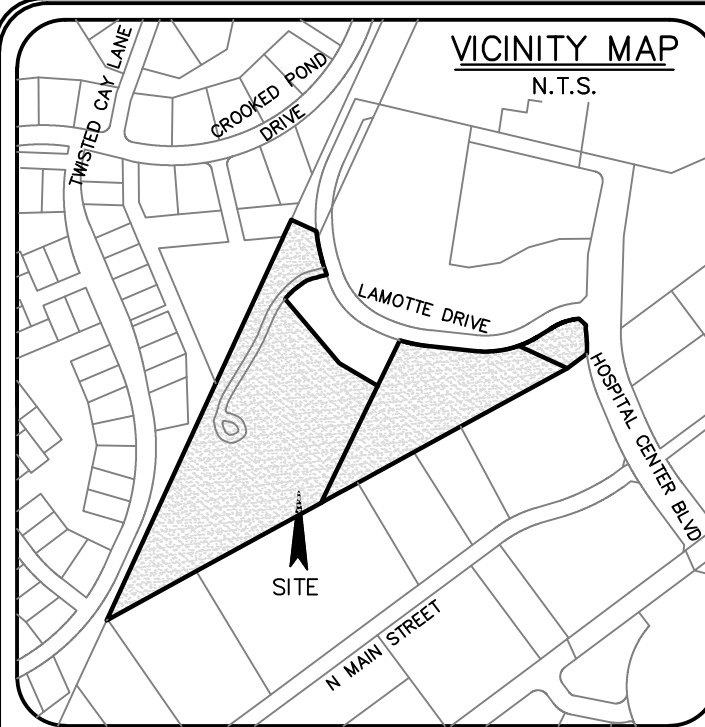


d.b.a. Sea Island Land Survey, Inc.
10 Oak Park Drive, Unit C1,
Hilton Head Island, SC 29926
Tel (843) 681-3248
email: admin@nandinainc.com
FILE No : 23260.2 DWG No. : 4-23260.2
COPYRIGHT © BY NANDINA, INC. CAD: CG, CP, FLD: DB, MW

SHEET 1 OF 6

I HEREBY STATE THAT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF, THE SURVEY SHOWN HEREON WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE MINIMUM STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS "A" SURVEY AS SPECIFIED THEREIN. ALSO THERE ARE NO VISIBLE ENCROACHMENTS OR PROJECTIONS OTHER THAN SHOWN.





LINE TABLE (BOUNDARY)		
LINE	LENGTH	BEARING
L1	39.17'	S24°27'40"W
L2	28.32'	S65°27'43"E
L3	26.74'	N46°22'20"W
L4	12.63'	N01°38'55"E

CURVE TABLE					
CURVE	LENGTH	RADIUS	TANGENT	CHORD	DELTA
C1	23.59'	468.59'	11.80'	23.59'	S06°58'25"E 002°53'05"
C2	14.46'	468.59'	7.23'	14.45'	S15°54'48"E 001°46'03"
C3	97.29'	519.02'	48.79'	97.15'	S78°47'05"E 010°44'25"
C4	142.30'	317.44'	72.37'	141.11'	N83°00'22"E 025°41'05"
C5	66.78'	660.87'	33.42'	66.75'	N64°06'15"E 005°47'22"
C6	97.37'	223.86'	49.47'	96.60'	S70°33'55"W 024°55'13"
C7	77.78'	511.53'	38.97'	77.71'	S02°42'35"E 008°42'44"

LINE TABLE (WETLAND A)					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L5	34.03'	N76°25'56"E	L25	26.40'	N51°53'33"E
L6	35.82'	N38°03'37"E	L26	28.42'	N31°54'41"E
L7	36.20'	N07°21'55"W	L27	11.94'	N31°30'34"E
L8	32.44'	N29°38'28"E	L28	25.90'	N75°49'22"E
L9	29.37'	N00°08'40"W	L29	27.46'	N61°55'00"E
L10	68.42'	N16°10'52"E	L30	32.48'	N16°40'51"E
L11	8.62'	N28°27'39"E	L31	14.43'	N72°48'26"E
L12	22.89'	N58°39'25"W	L32	24.31'	N49°34'49"E
L13	24.13'	N19°11'17"E	L33	33.98'	S85°15'58"E
L14	15.66'	N73°30'56"E	L34	29.53'	N44°35'43"E
L15	35.62'	N39°14'28"E	L35	39.18'	N74°52'09"E
L16	18.84'	N74°07'11"E	L36	33.21'	N55°04'12"E
L17	28.99'	N64°40'17"E	L37	37.54'	N53°27'13"E
L18	29.80'	N16°45'52"W	L38	27.90'	N51°41'01"E
L19	40.66'	N13°26'35"E			
L20	22.50'	N32°49'06"E			
L21	34.70'	N33°43'21"E			
L22	31.14'	N48°20'21"E			
L23	35.79'	N07°16'34"E			
L24	22.62'	N46°15'00"E			

RS10 004 00H 0224 0000
CROOKED POND POOL ASSOC
PO BOX 22407
HILTON HEAD ISL SC 29925

MATCH LINE SHEET 1
MATCH LINE SHEET 2

RS10 008 000 0452 0000
S C HEALTH SERVICES INC % CPAC
PO BOX 92129
SOUTHLAKE TX 76092

RS10 008 000 103H 0000
HILTON HEAD HEALTH
SYSTEM LP % CPAC
PO BOX 92129
SOUTHLAKE TX 76092

LEGEND & SYMBOLS:

TREE SIZES ARE INCHES IN DIAMETER

17.1 +	SPOT ELEVATION
15	CONTOUR
A33	WETLAND FLAG & ELEVATION
3" CMF	3" CONCRETE MONUMENT FOUND
1/2" IPF	1/2" IRON PIN FOUND
1/2" IPS	1/2" IRON PIN SET
TBM	TEMPORARY BENCH MARK
IE	INVERT ELEVATION
FFE	FINISHED FLOOR ELEVATION
PVC	POLYVINYL CHLORIDE
ROP	REINFORCED CONCRETE PIPE
LO	LIVE OAK
LA	LAUREL OAK
MAG	MAGNOLIA
RO	RED OAK
PN	PINE
PLM	PALM
WO	WATER OAK
MAP	MAPLE
DEAD	DEAD TREE NO ID
ELM	ELM
TUP	TUPELO
GUM	GUM
BG	BLACK GUM
CM	CREPE MYRTLE
	ELECTRIC TRANSFORMER
	TELEPHONE SERVICE
	TELEVISION SERVICE
	VALVE BOX
	IRRIGATION CONTROL VALVE
	SANITARY MANHOLE
	FIRE HYDRANT
	SIGN
	LIGHT POLE
	CATCH BASIN
	WETLAND FLAG
	AC UNIT

- NOTES:
- 1) UNDERGROUND UTILITIES NOT LOCATED EXCEPT AS SHOWN.
 - 2) NANDINA, INC. CERTIFIES TO THE BOUNDARY, TOPOGRAPHIC AND ASBLUIT INFORMATION PROVIDED HEREON AS THE DATE OF THE SURVEY. THIS SURVEY MAY BE USED IN DIGITAL FORMAT AS A BASE FOR OTHERS AND ANY REVISIONS OR ADDITIONS MADE HEREFTER IS NOT THE RESPONSIBILITY OF NANDINA, INC. A HARD COPY AVAILABLE FROM NANDINA, INC. WILL BE THE ONLY OFFICIAL DOCUMENT.
 - 3) SUBJECT PROPERTY DOES NOT APPEAR TO BE AFFECTED BY THE BEACHFRONT SETBACK REQUIREMENTS OF THE S.C. BEACH PROTECTION ACT OF JULY 1, 1988.
 - 4) HORIZONTAL DATUM IS SC STATE PLANE, NAD83.
 - 5) VERTICAL DATUM IS NAVD88.
 - 6) CONTOUR INTERVAL IS 1'
 - 7) USE OF THIS PROPERTY MAY BE AFFECTED BY THE TERMS OF COVENANTS RELATING TO THIS PLANNED RESIDENTIAL COMMUNITY.
 - 8) BUILDING SETBACKS, WHETHER SHOWN OR NOT, SHOULD BE VERIFIED BY THE LOCAL BUILDING AUTHORITY OR ARCHITECTURAL REVIEW BOARD.
 - 9) THIS SURVEY HAS BEEN PREPARED WITHOUT BENEFIT OF A COMPLETE TITLE SEARCH AND IS SUBJECT TO EASEMENTS AND RESTRICTIONS OF RECORD.
 - 10) THIS SURVEY DOES NOT CERTIFY TO THE EXISTENCE OR ABSENCE OF FRESHWATER WETLANDS.
 - 11) IF IDENTIFICATION OF TREES IS CRITICAL TO DEVELOPMENT, AN ARBORIST SHOULD BE CONSULTED TO VERIFY SUCH TREE IDENTIFICATION.

ASBLUIT, BOUNDARY,
TREE AND TOPOGRAPHIC SURVEY OF:
PARCELS 337, 337A, & 452, HILTON HEAD HOSPITAL
PROPERTY, HILTON HEAD ISLAND,
BEAUFORT COUNTY, SOUTH CAROLINA

PREPARED FOR:
HILTON HEAD REGIONAL HEALTHCARE

DATE: 02/26/2025 SCALE: 1" = 20'

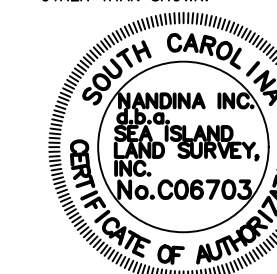


NANDINA

d.b.a. Sea Island Land Survey, Inc.
10 Oak Park Drive, Unit C1,
Hilton Head Island, SC 29926
Tel (843) 681-3248
email: admin@nandinainc.com
FILE No.: 23260.2
DWG No.: 4-23260.2
COPYRIGHT © BY NANDINA, INC. CAD: CG, CP, FLD, DB, MW

SHEET 2 OF 6

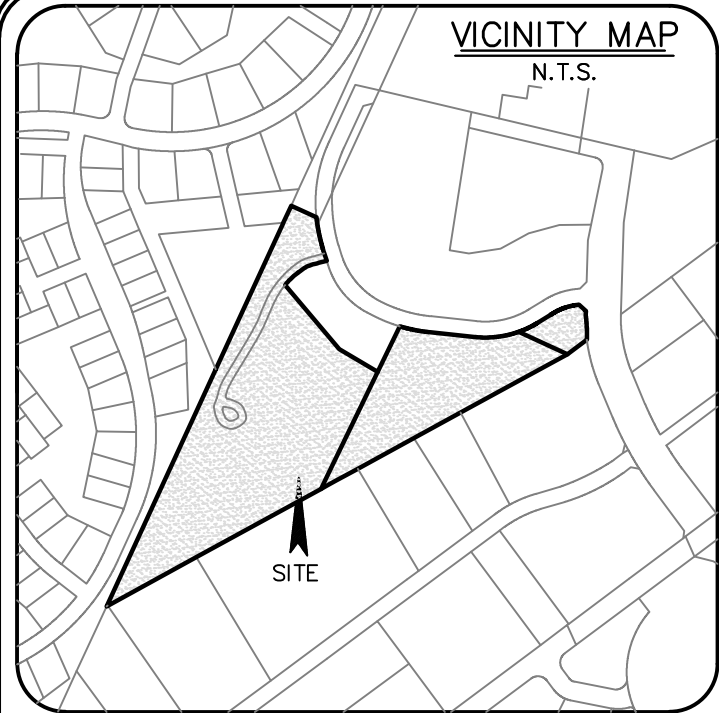
I HEREBY STATE THAT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF, THE SURVEY SHOWN HEREON WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE MINIMUM STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS "A" SURVEY AS SPECIFIED THEREIN. ALSO THERE ARE NO VISIBLE ENCROACHMENTS OR PROJECTIONS OTHER THAN SHOWN.



REFERENCE PLAT

1) HILTON HEAD HOSPITAL PROPERTY, ISLAND INVESTMENT CORP. AND PALMETTO HEADLANDS COMMERCIAL TRACTS, HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
DRAWN: 5/10/1989
RECORDED IN BOOK 36, PAGE 202, DATED 8/22/89
BY: HUSSEY, GAY, BELL, & DEYOUNG CONSULTING ENGINEERS

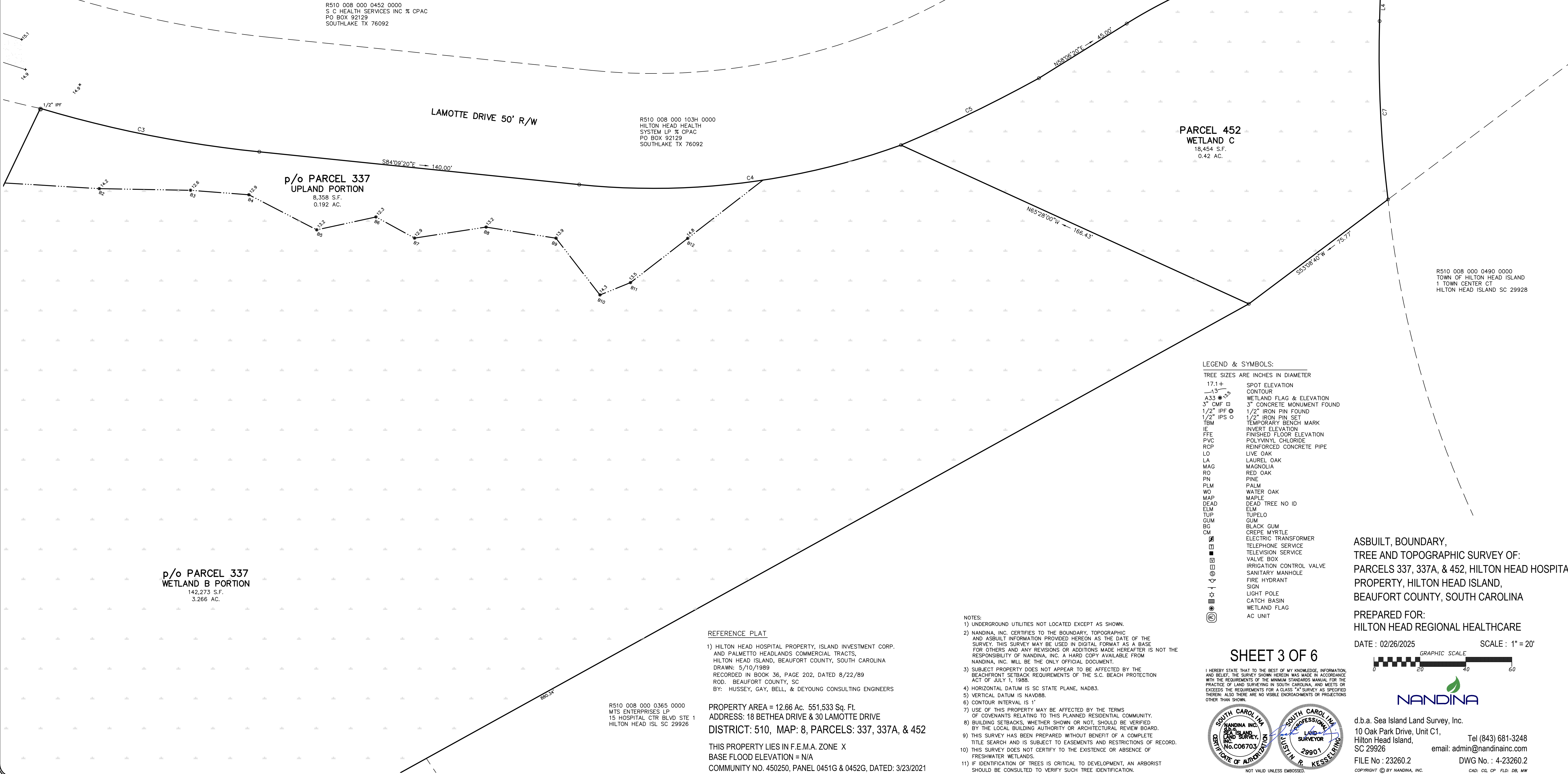
PROPERTY AREA = 12.66 Ac. 551,533 Sq. Ft.
ADDRESS: 18 BETHEA DRIVE & 30 LAMOTTE DRIVE
DISTRICT: 510, MAP: 8, PARCELS: 337, 337A, & 452
THIS PROPERTY LIES IN F.E.M.A. ZONE X
BASE FLOOD ELEVATION = N/A
COMMUNITY NO. 450250, PANEL 0451G & 0452G, DATED: 3/23/2021

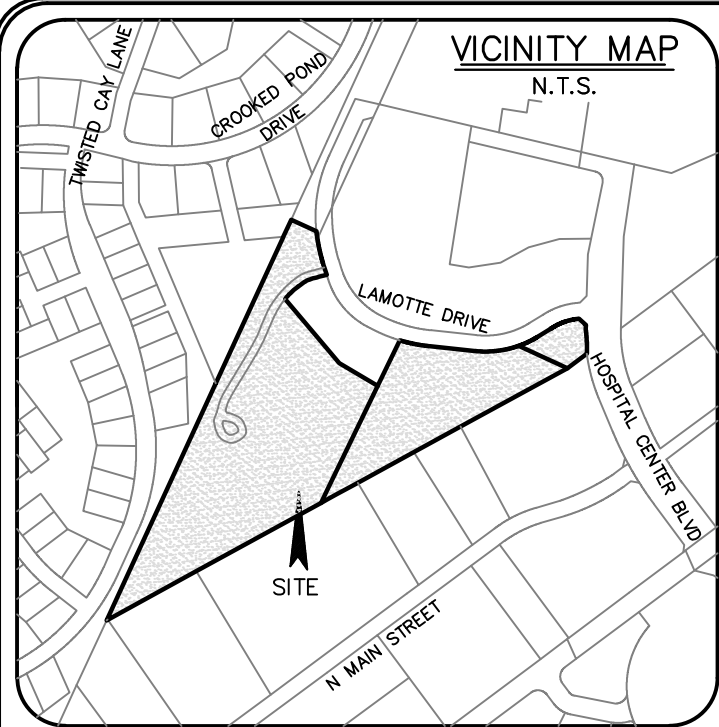


CURVE TABLE						
CURVE	LENGTH	RADIUS	TANGENT	CHORD	BEARING	DELTA
C1	23.59'	468.59'	11.80'	23.59'	S06°58'25"E	002°53'05"
C2	14.46'	468.59'	7.23'	14.45'	S15°15'48"E	001°46'03"
C3	97.29'	519.02'	48.79'	97.15'	S78°47'05"E	010°44'25"
C4	142.30'	317.44'	72.37'	141.11'	N83°00'22"E	025°41'05"
C5	66.78'	660.87'	33.42'	66.75'	N64°08'15"E	005°47'22"
C6	97.37'	223.86'	49.47'	96.60'	S70°33'55"W	024°55'13"
C7	77.78'	511.53'	38.97'	77.71'	S02°42'35"E	008°42'44"

LINE TABLE (BOUNDARY)		
LINE	LENGTH	BEARING
L1	39.17'	S24°27'40"W
L2	28.32'	S65°27'43"E
L3	26.74'	N46°22'20"W
L4	12.63'	N01°38'55"E

LINE TABLE (WETLAND A)					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L5	34.03'	N76°25'56"E	L25	26.40'	N51°53'33"E
L6	35.82'	N38°03'37"E	L26	28.42'	N31°54'41"E
L7	36.20'	N07°21'55"W	L27	11.94'	N31°30'34"E
L8	32.44'	N29°38'28"E	L28	25.90'	N75°49'22"E
L9	29.37'	N00°08'40"W	L29	27.46'	N61°55'00"E
L10	68.42'	N16°10'52"E	L30	32.48'	N16°40'51"E
L11	8.62'	N28°27'39"E	L31	14.43'	N72°48'26"E
L12	22.89'	N58°39'25"W	L32	24.31'	N49°34'49"E
L13	24.13'	N19°11'17"E	L33	33.98'	S85°15'58"E
L14	15.66'	N73°30'56"E	L34	29.53'	N44°35'43"E
L15	35.62'	N39°14'28"E	L35	39.18'	N74°52'09"E
L16	18.84'	N74°07'11"E	L36	33.21'	N55°04'12"E
L17	28.99'	N64°40'17"E	L37	37.54'	N53°27'13"E
L18	29.80'	N16°45'52"W	L38	27.90'	N51°41'01"E
L19	40.66'	N13°26'35"E			
L20	22.50'	N32°49'06"E			
L21	34.70'	N33°43'21"E			
L22	31.14'	N48°20'21"E			
L23	35.79'	N07°16'34"E			
L24	22.62'	N46°15'00"E			





LEGEND & SYMBOLS:

TREE SIZES ARE INCHES IN DIAMETER

- 17.1+ SPOT ELEVATION
15' CONTOUR
A33 15' WETLAND FLAG & ELEVATION
3" CMF 3" CONCRETE MONUMENT FOUND
1/2" IPF 1/2" IRON PIN FOUND
1/2" IPS 1/2" IRON PIN SET
TBM TEMPORARY BENCH MARK
IE INVERT ELEVATION
FVE FINISHED FLOOR ELEVATION
PVC POLYVINYL CHLORIDE
RCP REINFORCED CONCRETE PIPE
LO LIVE OAK
LA LAUREL OAK
MAG MAGNOLIA
RO RED OAK
PN PINE
PLM PALM
WO WATER OAK
MAP MAPLE
DEAD DEAD TREE NO ID
ELM ELM
TUP TUPELO
GUM BLACK GUM
BG CREPE MYRTLE
CM ELECTRIC TRANSFORMER
TELEPHONE SERVICE
TELEPHONE SERVICE
VALVE BOX
IRRIGATION CONTROL VALVE
SANITARY MANHOLE
FIRE HYDRANT
SIGN
LIGHT POLE
CATCH BASIN
WETLAND FLAG
AC UNIT

- NOTES:
1) UNDERGROUND UTILITIES NOT LOCATED EXCEPT AS SHOWN.
2) NANDINA, INC. CERTIFIES TO THE BOUNDARY, TOPOGRAPHIC AND ASBLUIT INFORMATION PROVIDED HEREON AS THE DATE OF THE SURVEY. THIS SURVEY MAY BE USED IN DIGITAL FORMAT AS A BASE FOR OTHERS AND ANY REVISIONS OR ADDITIONS MADE HEREFTER IS NOT THE RESPONSIBILITY OF NANDINA, INC. A HARD COPY AVAILABLE FROM NANDINA, INC. WILL BE THE ONLY OFFICIAL DOCUMENT.
3) SUBJECT PROPERTY DOES NOT APPEAR TO BE AFFECTED BY THE BEACHFRONT SETBACK REQUIREMENTS OF THE S.C. BEACH PROTECTION ACT OF JULY 1, 1988.
4) HORIZONTAL DATUM IS SC STATE PLANE, NAD83.
5) VERTICAL DATUM IS NAVD88.
6) CONTOUR INTERVAL IS 1'
7) USE OF THIS PROPERTY MAY BE AFFECTED BY THE TERMS OF COVENANTS RELATING TO THIS PLANNED RESIDENTIAL COMMUNITY.
8) BUILDING SETBACKS, WHETHER SHOWN OR NOT, SHOULD BE VERIFIED BY THE LOCAL BUILDING AUTHORITY OR ARCHITECTURAL REVIEW BOARD.
9) THIS SURVEY HAS BEEN PREPARED WITHOUT BENEFIT OF A COMPLETE TITLE SEARCH AND IS SUBJECT TO EASEMENTS AND RESTRICTIONS OF RECORD.
10) THIS SURVEY DOES NOT CERTIFY TO THE EXISTENCE OR ABSENCE OF FRESHWATER WETLANDS.
11) IF IDENTIFICATION OF TREES IS CRITICAL TO DEVELOPMENT, AN ARBORIST SHOULD BE CONSULTED TO VERIFY SUCH TREE IDENTIFICATION.

ASBLUIT, BOUNDARY,
TREE AND TOPOGRAPHIC SURVEY OF:
PARCELS 337, 337A, & 452, HILTON HEAD HOSPITAL
PROPERTY, HILTON HEAD ISLAND,
BEAUFORT COUNTY, SOUTH CAROLINA

PREPARED FOR:
HILTON HEAD REGIONAL HEALTHCARE

DATE : 02/26/2025 SCALE : 1" = 20'



d.b.a. Sea Island Land Survey, Inc.
10 Oak Park Drive, Unit C1,
Hilton Head Island,
SC 29926
Tel (843) 681-3248
email: admin@nandinainc.com

FILE No : 23260.2 DWG No. : 4-23260.2

CAD: CC, CP, FLD: DB, MW

REFERENCE PLAT

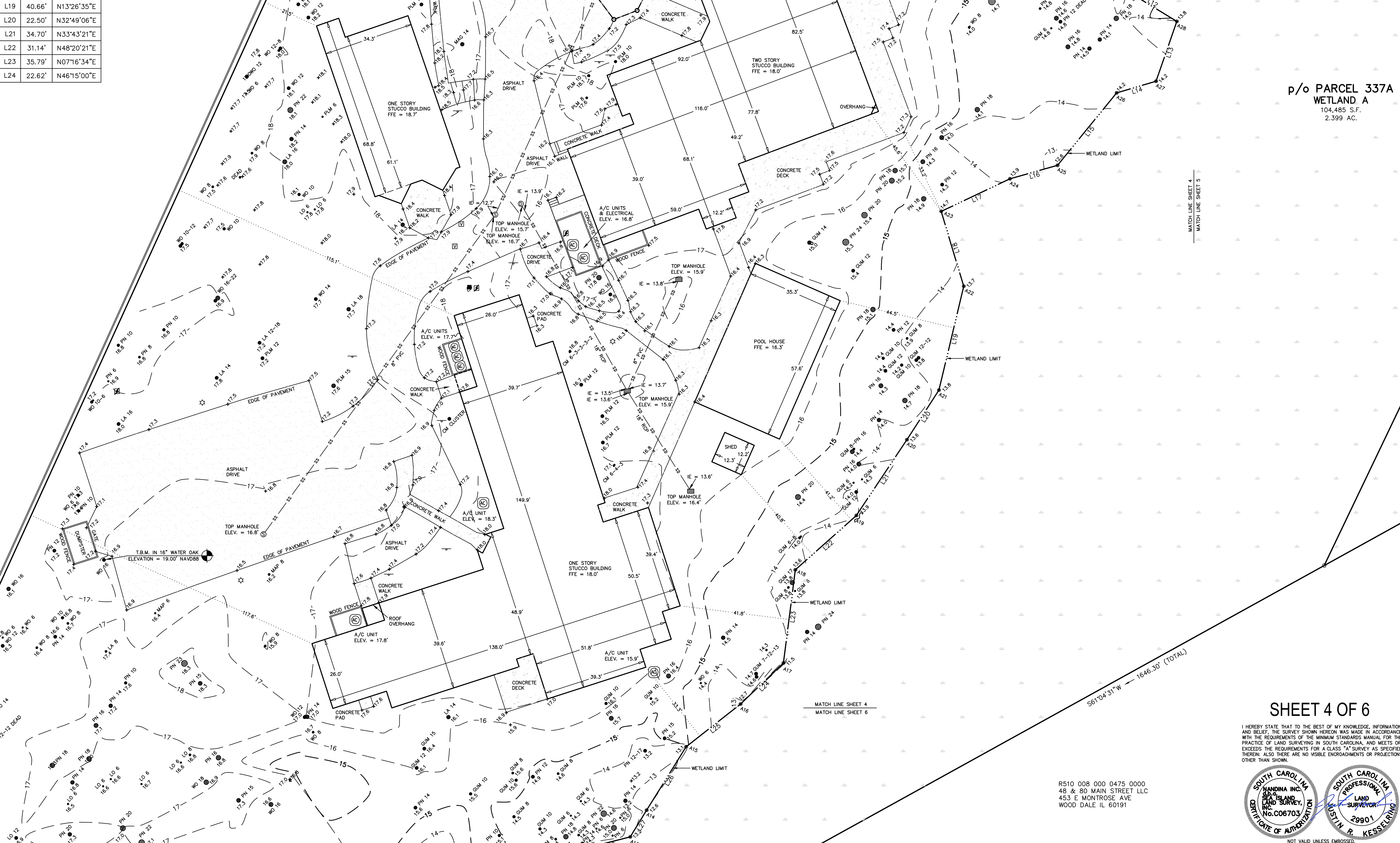
- 1) HILTON HEAD HOSPITAL PROPERTY, ISLAND INVESTMENT CORP.
AND PALMETTO HEADLANDS COMMERCIAL TRACTS,
HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
DRAWN: 5/10/1989
RECORDED IN BOOK 36, PAGE 202, DATED 8/22/89
ROD. BEAUFORT COUNTY, SC
BY: HUSSEY, GAY, BELL, & DEYOUNG CONSULTING ENGINEERS

PROPERTY AREA = 12.66 Ac. 551,533 Sq. Ft.
ADDRESS: 18 BETHEA DRIVE & 30 LAMOTTE DRIVE
DISTRICT: 510, MAP: 8, PARCELS: 337, 337A, & 452

THIS PROPERTY LIES IN F.E.M.A. ZONE X
BASE FLOOD ELEVATION = N/A
COMMUNITY NO. 450250, PANEL 0451G & 0452G, DATED: 3/23/2021

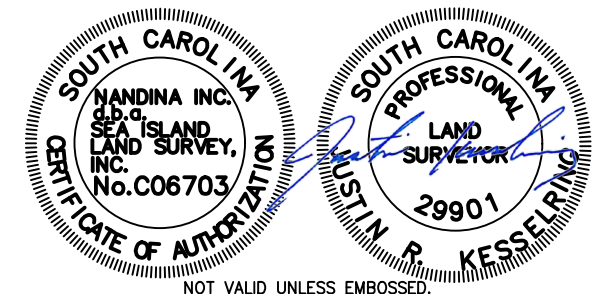
CURVE TABLE						
CURVE	LENGTH	RADIUS	TANGENT	CHORD	CHORD BEARING	DELTA
C1	23.59'	468.59'	11.80'	23.59'	S06°58'25"E	002°53'05"
C2	14.46'	468.59'	7.23'	14.45'	S15°15'48"E	001°46'03"
C3	97.29'	519.02'	48.79'	97.15'	S78°47'05"E	010°44'25"
C4	142.30'	317.44'	72.37'	141.11'	N83°00'22"E	025°41'05"
C5	66.78'	660.87'	33.42'	66.75'	N64°08'15"E	005°47'22"
C6	97.37'	223.86'	49.47'	96.60'	S70°33'55"W	024°55'13"
C7	77.78'	511.53'	38.97'	77.71'	S02°42'35"E	008°42'44"

LINE TABLE (WETLAND A)					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L5	34.03'	N76°25'56"E	L25	26.40'	N51°53'33"E
L6	35.82'	N38°03'37"E	L26	28.42'	N31°54'41"E
L7	36.20'	N07°21'55"W	L27	11.84'	N31°30'34"E
L8	32.44'	N29°38'28"E	L28	25.90'	N75°49'22"E
L9	29.37'	N00°08'40"W	L29	27.46'	N61°55'00"E
L10	68.42'	N16°10'52"E	L30	32.48'	N16°40'51"E
L11	8.62'	N28°27'39"E	L31	14.73'	N42°48'26"E
L12	22.89'	N58°39'25"W	L32	24.31'	N49°34'49"E
L13	24.13'	N19°11'17"E	L33	33.98'	S85°15'58"E
L14	15.66'	N73°30'56"E	L34	29.53'	N45°38'13"E
L15	35.62'	N39°14'28"E	L35	39.18'	N74°52'09"E
L16	18.84'	N74°07'11"E	L36	33.21'	N55°04'12"E
L17	28.99'	N64°40'17"E	L37	37.54'	N53°27'13"E
L18	29.80'	N16°45'52"W	L38	27.90'	N50°41'01"E



SHEET 4 OF 6

I HEREBY STATE THAT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF, THE SURVEY SHOWN HEREON WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE MINIMUM STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS "A" SURVEY AS SPECIFIED THEREIN; ALSO THERE ARE NO VISIBLE ENCROACHMENTS OR PROJECTIONS OTHER THAN SHOWN.



R510 008 000 0475 0000
48 & 80 MAIN STREET LLC
453 E. MONROSE AVE
WOOD DALE IL 60191

R510 003 000 0060 0000
HILTON HEAD PLANT PROP
PO BOX 21940
HILTON HEAD ISL SC 29925

R510 008 000 0475 0000
48 & 80 MAIN STREET LLC
453 E MONTROSE AVE
WOOD DALE IL 60151

LINE TABLE (BOUNDARY)		
LINE	LENGTH	BEARING
L1	39.17'	S24°27'40"W
L2	28.32'	S65°27'43"E
L3	26.74'	N46°22'20"W
L4	12.63'	N01°38'55"E

LINE TABLE (WETLAND A)					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L5	34.03'	N76°25'56"E	L25	26.40'	N51°53'33"E
L6	35.82'	N38°03'37"E	L26	28.42'	N31°54'41"E
L7	36.20'	N07°21'55"W	L27	11.94'	N31°30'34"E
L8	32.44'	N29°38'28"E	L28	25.90'	N75°49'22"E
L9	29.37'	N00°08'40"W	L29	27.46'	N61°55'00"E
L10	68.42'	N16°10'52"E	L30	32.48'	N16°40'51"E
L11	8.62'	N28°27'39"E	L31	14.43'	N72°48'26"E
L12	22.89'	N58°39'25"W	L32	24.31'	N49°34'49"E
L13	24.13'	N19°11'17"E	L33	33.98'	S85°15'58"E
L14	15.66'	N73°30'56"E	L34	29.53'	N44°35'43"E
L15	35.62'	N39°14'28"E	L35	39.18'	N74°52'09"E
L16	18.84'	N74°07'11"E	L36	33.21'	N55°04'12"E
L17	28.99'	N64°40'17"E	L37	37.54'	N53°27'13"E
L18	29.80'	N16°45'52"W	L38	27.90'	N51°41'01"E
L19	40.66'	N13°26'35"E			
L20	22.50'	N32°49'06"E			
L21	34.70'	N33°43'21"E			
L22	31.14'	N48°20'21"E			
L23	35.79'	N07°16'34"E			
L24	22.62'	N46°15'00"E			

LEGEND & SYMBOLS:

TREE SIZES ARE INCHES IN DIAMETER
17.1+
A33
3" CMF
1/2" IPF
1/2" IPS
TBM
FFE
PVC
RCP
LO
LA
MAG
PN
PLM
WO
MAP
DEAD
ELM
TUPE
GUM
BG
CM
SPOT ELEVATION
CONTOUR
WETLAND FLAG & ELEVATION
3" CONCRETE MONUMENT FOUND
1/2" IRON PIN FOUND
1/2" IRON PIN SET
TEMPORARY BENCH MARK
INVERT ELEVATION
FINISHED FLOOR ELEVATION
POLYVINYL CHLORIDE
REINFORCED CONCRETE PIPE
LIVE OAK
LAUREL OAK
MAGNOLIA
RED OAK
PINE
PALM
WATER OAK
MAPLE
DEAD TREE NO ID
ELM
TUPELO
GUM
BLACK GUM
CREPE MYRTLE
ELECTRIC TRANSFORMER
TELEPHONE SERVICE
TELEVISION SERVICE
VALVE BOX
IRRIGATION CONTROL VALVE
SANITARY MANHOLE
FIRE HYDRANT
SIGN
LIGHT POLE
CATCH BASIN
WETLAND FLAG
AC UNIT

- NOTES:
- 1) UNDERGROUND UTILITIES NOT LOCATED EXCEPT AS SHOWN.
 - 2) NANDINA, INC. CERTIFIES TO THE BOUNDARY, TOPOGRAPHIC AND ASBLT INFORMATION PROVIDED HEREON AS THE DATE OF THE SURVEY. THIS SURVEY MAY BE USED IN DIGITAL FORMAT AS A BASE FOR OTHERS AND ANY REVISIONS OR ADDITIONS MADE HEREFTER IS NOT THE RESPONSIBILITY OF NANDINA, INC. A HARD COPY AVAILABLE FROM NANDINA, INC. WILL BE THE ONLY OFFICIAL DOCUMENT.
 - 3) SUBJECT PROPERTY DOES NOT APPEAR TO BE AFFECTED BY THE BEACHFRONT SETBACK REQUIREMENTS OF THE S.C. BEACH PROTECTION ACT OF JULY 1, 1988.
 - 4) HORIZONTAL DATUM IS SC STATE PLANE, NAD83.
 - 5) VERTICAL DATUM IS NAVD88.
 - 6) CONTOUR INTERVAL IS 1'
 - 7) USE OF THIS PROPERTY MAY BE AFFECTED BY THE TERMS OF COVENANTS RELATING TO THIS PLANNED RESIDENTIAL COMMUNITY.
 - 8) BUILDING SETBACKS, WHETHER SHOWN OR NOT, SHOULD BE VERIFIED BY THE LOCAL BUILDING AUTHORITY OR ARCHITECTURAL REVIEW BOARD.
 - 9) THIS SURVEY HAS BEEN PREPARED WITHOUT BENEFIT OF A COMPLETE TITLE SEARCH AND IS SUBJECT TO EASEMENTS AND RESTRICTIONS OF RECORD.
 - 10) THIS SURVEY DOES NOT CERTIFY TO THE EXISTENCE OR ABSENCE OF FRESHWATER WETLANDS.
 - 11) IF IDENTIFICATION OF TREES IS CRITICAL TO DEVELOPMENT, AN ARBORIST SHOULD BE CONSULTED TO VERIFY SUCH TREE IDENTIFICATION.

SHEET 6 OF 6

I HEREBY STATE THAT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF, THE SURVEY SHOWN HEREON WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE MINIMUM STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS "A" SURVEY AS SPECIFIED THEREIN. ALSO, THERE ARE NO VISIBLE ENCROACHMENTS OR PROJECTIONS OTHER THAN SHOWN.

SOUTH CAROLINA
NANDINA, INC.
LAND SURVEYOR
No. C06703
JULIAN R. KESSELMAN
29901

SOUTH CAROLINA
PROFESSIONAL
LAND SURVEYOR
29901
JULIAN R. KESSELMAN

NOT VALID UNLESS EMBOSSED

ASBLT, BOUNDARY, TREE AND TOPOGRAPHIC SURVEY OF: PARCELS 337, 337A, & 452, HILTON HEAD HOSPITAL PROPERTY, HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
PREPARED FOR: HILTON HEAD REGIONAL HEALTHCARE
DATE: 02/26/2025 SCALE: 1" = 20'
GRAPHIC SCALE
0 20 40 60
NANDINA
d.b.a. Sea Island Land Survey, Inc.
10 Oak Park Drive, Unit C1,
Hilton Head Island, SC 29926
Tel: (843) 681-3248
email: admin@nandinainc.com
FILE No.: 23260.2 DWG No.: 4-23260.2
COPYRIGHT © BY NANDINA, INC. CAD: CG, CP, FLD: DB, MW

REFERENCE PLAT

1) HILTON HEAD HOSPITAL PROPERTY, ISLAND INVESTMENT CORP. AND PALMETTO HEADLANDS COMMERCIAL TRACTS, HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
DRAWN: 5/10/1989
RECORDED IN BOOK 36, PAGE 202, DATED 8/22/89
ROD. BEAUFORT COUNTY, SC
BY: HUSSEY, GAY, BELL, & DEYOUNG CONSULTING ENGINEERS

PROPERTY AREA = 12.66 Ac. 551,533 Sq. Ft.
ADDRESS: 18 BETHEA DRIVE & 30 LAMOTTE DRIVE
DISTRICT: 510, MAP: 8, PARCELS: 337, 337A, & 452
THIS PROPERTY LIES IN F.E.M.A. ZONE X
BASE FLOOD ELEVATION = N/A
COMMUNITY NO. 450250, PANEL 0451G & 0452G, DATED: 3/23/2021

CURVE TABLE						
CURVE	LENGTH	RADIUS	TANGENT	CHORD	CHORD BEARING	DELTA
C1	23.59'	468.59'	11.80'	23.59'	S06°58'25"E	002°53'05"
C2	14.46'	468.59'	7.23'	14.45'	S15°15'48"E	001°46'03"
C3	97.29'	519.02'	48.79'	97.15'	S78°47'05"E	010°44'25"
C4	142.30'	317.44'	72.37'	141.11'	N83°00'22"E	025°41'05"
C5	66.78'	660.87'	33.42'	66.75'	N64°08'15"E	005°47'22"
C6	97.37'	223.86'	49.47'	96.60'	S70°33'55"W	024°55'13"
C7	77.78'	511.53'	38.97'	77.71'	S02°42'35"E	008°42'44"

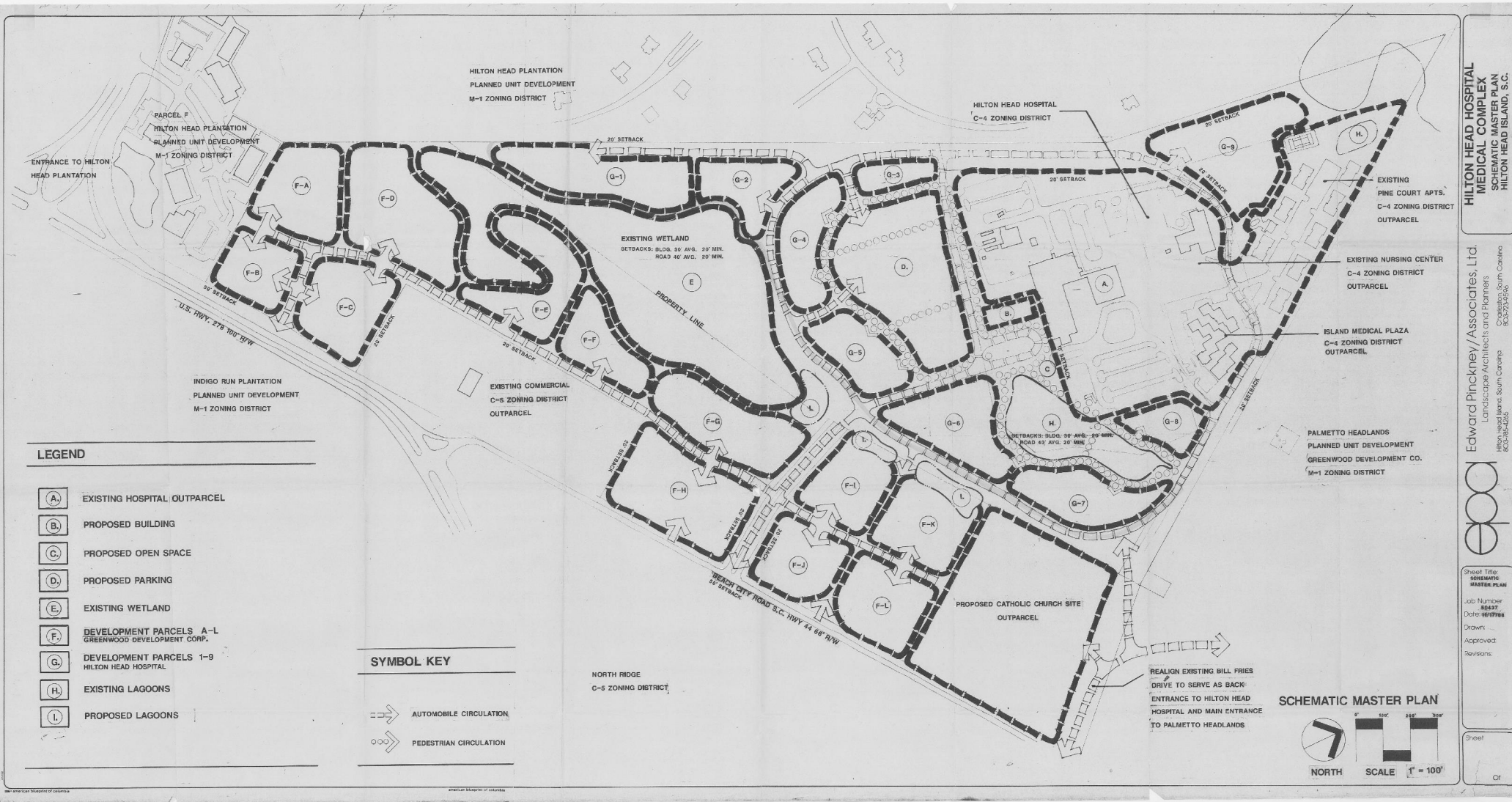
R510 008 000 0473 0000
FOILES WILLIAM M LISA J JTR05
PO DRAWER 23797
HILTON HEAD ISLAND SC 29925

Appendix D: Associated Maps and Surveys

1. Drainage Master Plan
2. Water and Sewer Master Plan
3. Current Schematic Master Plan for Palmetto Highlands / Hilton Head Hospital PD-2
4. Open Space Master Plan
5. Driveway Encroachment Plan
6. Wetland Survey – Newkirk April 2025













April 21, 2025

Mr. Brian Quinn
The Twelve Oaks Group
brian@adobelc.com
843.422.1661

**Re: 18 & 30 Bethea Drive – Wetland Findings Report
Beaufort County, South Carolina**

Dear Mr. Quinn:

At your request, Newkirk Environmental Inc. staff conducted a wetland determination to assess the presence and location of wetlands and other aquatic resources as defined by the US Army Corps of Engineers (USACE). Field studies were conducted on a 12.66 - acre tract of land located off Lamotte Drive, Hilton Head Island, Beaufort County, South Carolina.

NEI staff reviewed publicly available data as well as conducted a site visit. The delineation was done using methods outlined in the USACE Wetland Delineation Manual, 1987, the Regional Supplement to the Corps of Engineers Wetland Delineation Manual: Atlantic and Gulf Coastal Plain Region, November 2010. Under Section 404 of the Clean Water Act, Wetlands are defined as “areas that are inundated or saturated by surface or ground water at a frequency and duration sufficient to support, and that under normal circumstances do support, a prevalence of vegetation typically adapted for life in saturated soil conditions. Wetlands generally include swamps, marshes, bogs, and similar areas.”

Delineation Findings

NEI staff determined that the site does have a total of 6.96 acres of freshwater non-tidal wetlands on site, the attached **Wetland Plat** depicts our findings.

Please note, although NEI is confident in our assessment, the USACE is the only agency that can make final decisions regarding wetland delineations and jurisdictional status; therefore, all delineations are subject to change until written verification is obtained. This letter is the professional opinion of Newkirk Environmental Inc. and can be relied upon as that.

Sincerely,

Connor Breedlove

Connor Breedlove, Senior Biologist
Newkirk Environmental Inc. - Beaufort Office

Attachments: Wetland Plat

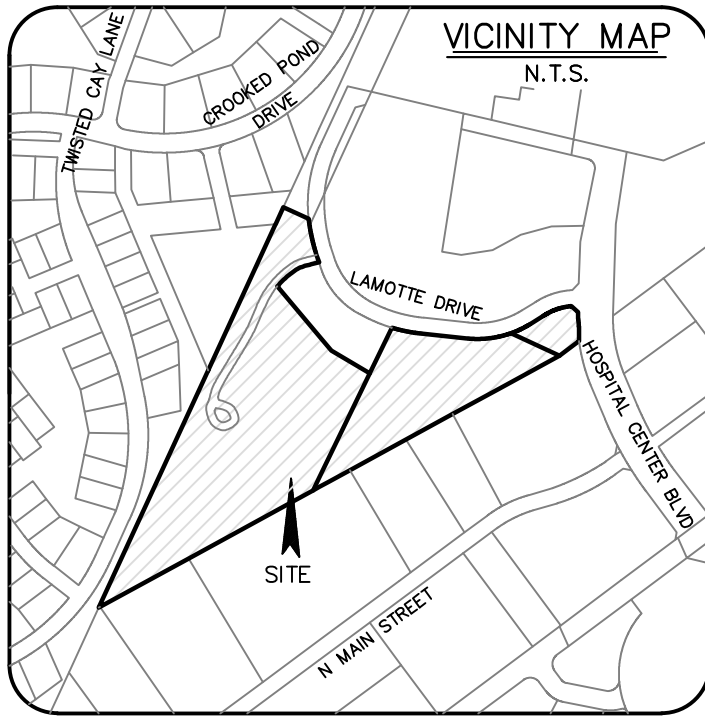
Figure 1: Project Location Map

Figure 2: USGS Topographical Map

Figure 3: National Wetland Inventory (NWI) Map

Figure 4: NRCS Soils Map

Site Photographs

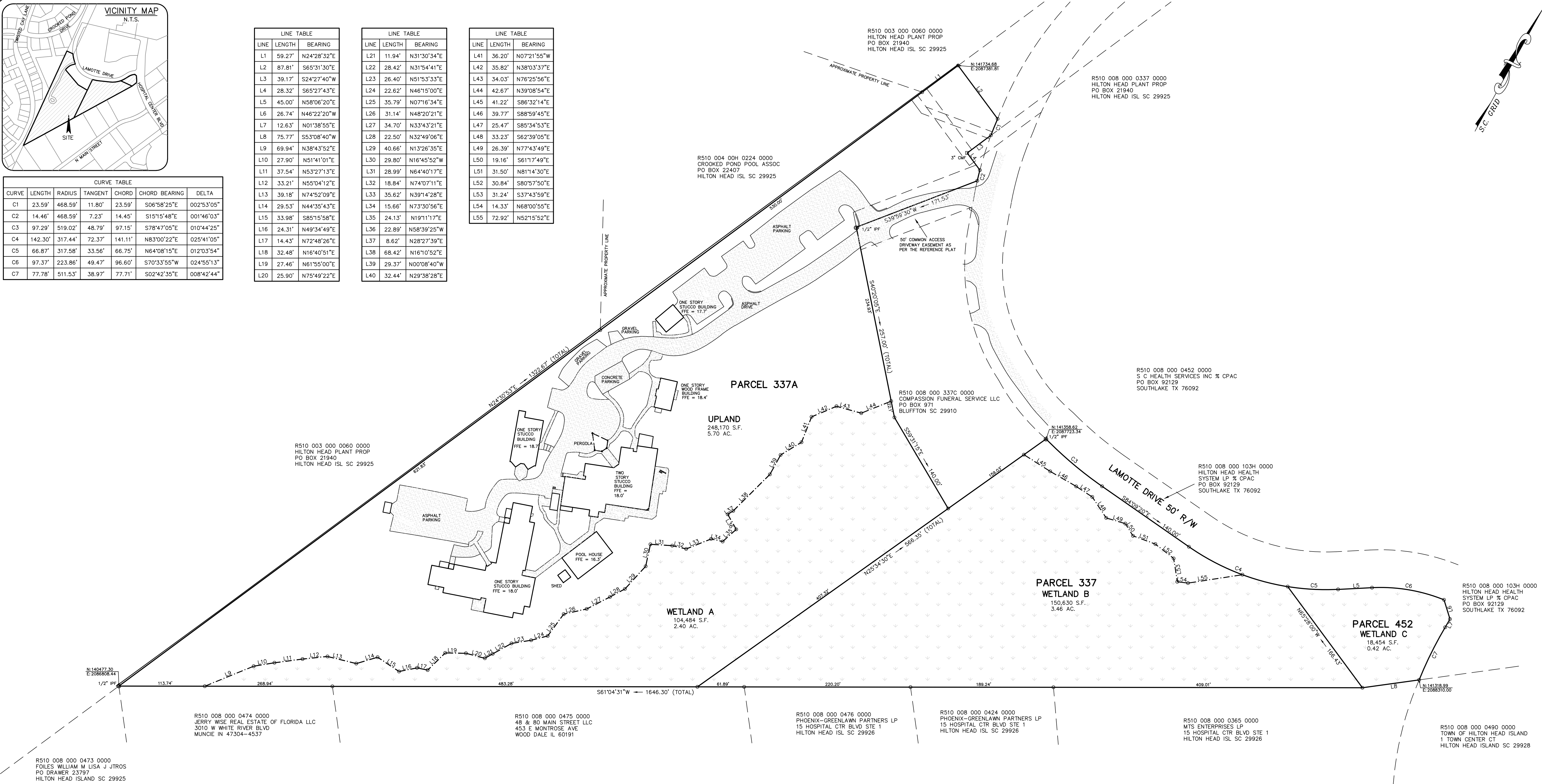


CURVE TABLE						
CURVE	LENGTH	RADIUS	TANGENT	CHORD	CHORD BEARING	DELTA
C1	23.59'	468.59'	11.80'	23.59'	S06°58'25"E	002°53'05"
C2	14.46'	468.59'	7.23'	14.45'	S15°15'48"E	001°46'03"
C3	97.29'	519.02'	48.79'	97.15'	S78°47'05"E	010°44'25"
C4	142.30'	317.44'	72.37'	141.11'	N83°00'22"E	025°41'05"
C5	66.87'	317.58'	33.56'	66.75'	N64°08'15"E	012°03'54"
C6	97.37'	223.86'	49.47'	96.60'	S70°33'55"W	024°55'13"
C7	77.78'	511.53'	38.97'	77.71'	S02°42'35"E	008°42'44"

LINE TABLE					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L1	59.27'	N24°28'32"E	L21	11.94'	N31°30'34"E
L2	87.81'	S65°31'30"E	L22	28.42'	N31°54'41"E
L3	39.17'	S24°27'40"W	L23	26.40'	N51°53'33"E
L4	28.32'	S65°27'43"E	L24	22.62'	N46°15'00"E
L5	45.00'	N58°06'20"E	L25	35.79'	N07°16'34"E
L6	26.74'	N46°22'20"W	L26	31.14'	N48°20'21"E
L7	12.63'	N01°38'55"E	L27	34.70'	N33°43'21"E
L8	75.77'	S53°08'40"W	L28	22.50'	N32°49'06"E
L9	69.94'	N38°43'52"E	L29	40.66'	N13°26'35"E
L10	27.90'	N51°41'01"E	L30	29.80'	N16°45'52"W
L11	37.54'	N53°27'13"E	L31	28.99'	N64°40'17"E
L12	33.21'	N55°04'12"E	L32	18.84'	N74°07'11"E
L13	39.18'	N74°52'09"E	L33	35.62'	N39°14'28"E
L14	29.53'	N44°35'43"E	L34	15.66'	N73°30'56"E
L15	33.98'	S85°15'58"E	L35	24.13'	N19°11'17"E
L16	24.31'	N49°34'49"E	L36	22.89'	N58°39'25"W
L17	14.43'	N72°48'26"E	L37	8.62'	N28°27'39"E
L18	32.48'	N16°40'51"E	L38	68.42'	N16°10'52"E
L19	27.46'	N61°55'00"E	L39	29.37'	N00°08'40"W
L20	25.90'	N75°49'22"E	L40	32.44'	N29°38'28"E

LINE TABLE					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L21	11.94'	N31°30'34"E	L41	36.20'	N07°21'55"W
L22	28.42'	N31°54'41"E	L42	35.82'	N38°03'37"E
L23	26.40'	N51°53'33"E	L43	34.03'	N76°25'56"E
L24	22.62'	N46°15'00"E	L44	42.67'	N39°08'54"E
L25	35.79'	N07°16'34"E	L45	41.22'	S86°32'14"E
L26	31.14'	N48°20'21"E	L46	39.77'	S88°59'45"E
L27	34.70'	N33°43'21"E	L47	25.47'	S85°34'53"E
L28	22.50'	N32°49'06"E	L48	33.23'	S62°39'05"E
L29	40.66'	N13°26'35"E	L49	26.39'	N77°43'49"E
L30	29.80'	N16°45'52"W	L50	19.16'	S61°17'49"E
L31	28.99'	N64°40'17"E	L51	31.50'	N81°14'30"E
L32	18.84'	N74°07'11"E	L52	30.84'	S80°57'50"E
L33	35.62'	N39°14'28"E	L53	31.24'	S37°43'59"E
L34	15.66'	N73°30'56"E	L54	14.33'	N68°00'55"E
L35	24.13'	N19°11'17"E	L55	72.92'	N52°15'52"E
L36	22.89'	N58°39'25"W			
L37	8.62'	N28°27'39"E			
L38	68.42'	N16°10'52"E			
L39	29.37'	N00°08'40"W			
L40	32.44'	N29°38'28"E			

LINE TABLE					
LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
L41	36.20'	N07°21'55"W	L61	1.42'	
L42	35.82'	N38°03'37"E	L62	1.43'	
L43	34.03'	N76°25'56"E	L63	1.44'	
L44	42.67'	N39°08'54"E	L64	1.45'	
L45	41.22'	S86°32'14"E	L65	1.46'	
L46	39.77'	S88°59'45"E	L66	1.47'	
L47	25.47'	S85°34'53"E	L67	1.48'	
L48	33.23'	S62°39'05"E	L68	1.49'	
L49	26.39'	N77°43'49"E	L69	1.50'	
L50	19.16'	S61°17'49"E	L70	1.51'	
L51	31.50'	N81°14'30"E	L71	1.52'	
L52	30.84'	S80°57'50"E	L72	1.53'	
L53	31.24'	S37°43'59"E	L73	1.54'	
L54	14.33'	N68°00'55"E	L74	1.55'	
L55	72.92'	N52°15'52"E			



REFERENCE PLAT
1) HILTON HEAD HOSPITAL PROPERTY, ISLAND INVESTMENT CORP. AND PALMETTO HEADLANDS COMMERCIAL TRACTS, HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
DRAWN: 5/10/1989
RECORDED IN BOOK 36, PAGE 202, DATED 8/22/89
ROD. BEAUFORT COUNTY, SC
BY: HUSSEY, GAY, BELL, & DEYOUNG CONSULTING ENGINEERS

PROPERTY AREA = 12.66 Ac. 551,533 Sq. Ft.
ADDRESS: 18 BETHEA DRIVE & 30 LAMOTTE DRIVE
DISTRICT: 510, MAP: 8, PARCELS: 337, 337A, & 452

THIS PROPERTY LIES IN F.E.M.A. ZONE X
BASE FLOOD ELEVATION = N/A
COMMUNITY NO. 450250, PANEL 0451G & 0452G, DATED: 3/23/2021

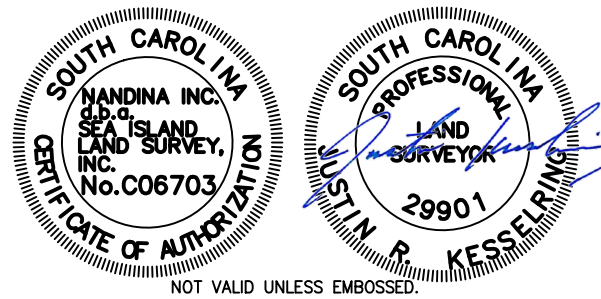
SOME OR ALL AREAS ON THIS PLAT ARE FLOOD HAZARD AREAS AND HAVE BEEN IDENTIFIED AS HAVING AT LEAST A ONE PERCENT CHANCE OF BEING FLOODED IN ANY GIVEN YEAR BY RISING TIDAL WATERS ASSOCIATED WITH POSSIBLE HURRICANES. LOCAL REGULATIONS REQUIRE THAT CERTAIN FLOOD HAZARD PROTECTIVE MEASURES BE INCORPORATED IN THE DESIGN AND CONSTRUCTION OF STRUCTURES IN THESE DESIGNATED AREAS. REFERENCE SHALL BE MADE TO THE DEVELOPMENT COVENANTS AND RESTRICTIONS OF THIS DEVELOPMENT AND REQUIREMENTS OF THE TOWN BUILDING OFFICIAL. IN ADDITION, FEDERAL LAW REQUIRES MANDATORY PURCHASE OF FLOOD INSURANCE AS A PREREQUISITE TO FEDERALLY INSURED MORTGAGE FINANCING IN THESE DESIGNATED FLOOD HAZARD AREAS.

AREA TABLE		
OBJECT	AREA (AC.)	AREA (S.F.)
UPLAND	6.38	277,965
WETLAND A	2.40	104,484
WETLAND B	3.46	150,630
WETLAND C	0.42	18,454
WETLAND TOTAL	6.96	303,363
TOTAL	12.66	551,533

SITE CALCULATIONS	
TOTAL UPLAND	277,965 S.F.
BUILDINGS	22,852 S.F.
DRIVEWAY & WALKS	51,500 S.F.
TOTAL IMPERVIOUS AREA	74,352 S.F.
TOTAL IMPERVIOUS AREA AS % OF UPLAND AREA	26.75%

- NOTES:
- THIS PLAT HAS BEEN PREPARED WITHOUT BENEFIT OF A COMPLETE TITLE SEARCH BY NANDINA, INC.
 - THIS PROPERTY MAY BE SUBJECT TO EASEMENTS OF RECORD AND COVENANT RESTRICTIONS AS RECORDED IN THE OFFICE OF THE ROD FOR BEAUFORT COUNTY.
 - SUBJECT PROPERTY DOES NOT APPEAR TO BE AFFECTED BY THE BEACHFRONT SETBACK REQUIREMENTS OF THE S.C. BEACH PROTECTION ACT OF JULY 1, 1988.
 - BUILDING SETBACKS, WHETHER SHOWN OR NOT, SHOULD BE VERIFIED BY THE LOCAL BUILDING AUTHORITY OR ARCHITECTURAL REVIEW BOARD.
 - USE OF THIS PROPERTY MAY BE AFFECTED BY THE TERMS OF COVENANTS RELATING TO THIS PLANNED RESIDENTIAL COMMUNITY.
 - HORIZONTAL DATUM IS SC STATE PLANE, NAD83.

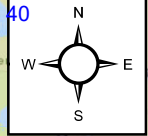
THIS MAP IS A GENERAL REPRESENTATION OF THE LOCATIONS OF 404 WETLANDS (FRESHWATER WETLANDS) LOCATED WITHIN THE PROPERTY AS SHOWN. THESE WETLANDS ARE SUBJECT TO REVIEW AND APPROVAL BY THE U.S. ARMY CORPS OF ENGINEERS, CHARLESTON DISTRICT. THE WETLANDS HAVE BEEN LOCATED AS FLAGGED BY NEWKIRK ENVIRONMENTAL, INC.



SITE CALCULATIONS FOR:
PARCELS 337, 337A, & 452, BETHEA DRIVE, LAMOTTE DRIVE, HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA
PREPARED FOR: ABODE DEVELOPMENT

DATE: 4/11/2025 SCALE: 1" = 60'
GRAPHIC SCALE: 0 8 16 24

d.b.a. Sea Island Land Survey, Inc.
10 Oak Park Drive, Unit C1, Hilton Head Island, SC 29926
Tel (843) 681-3248 Fax (843) 689-3871
E-mail: admin@nandinainc.com
FILE No : 23062.3 DWG No. : 4-23260.3
COPYRIGHT © BY NANDINA, INC. CAD: BA



Please note, although Newkirk Environmental, Inc. is confident in its assessments, the USACE is the only agency that can make final decisions regarding wetland delineations; therefore, all preliminary determinations are subject to change. Until verification is received from the USACE, no reliance may be made in this preliminary determination. Newkirk Environmental, Inc. strongly recommends that written verification be obtained prior to closing on the property, beginning any site work or making any legal reliance on this determination.

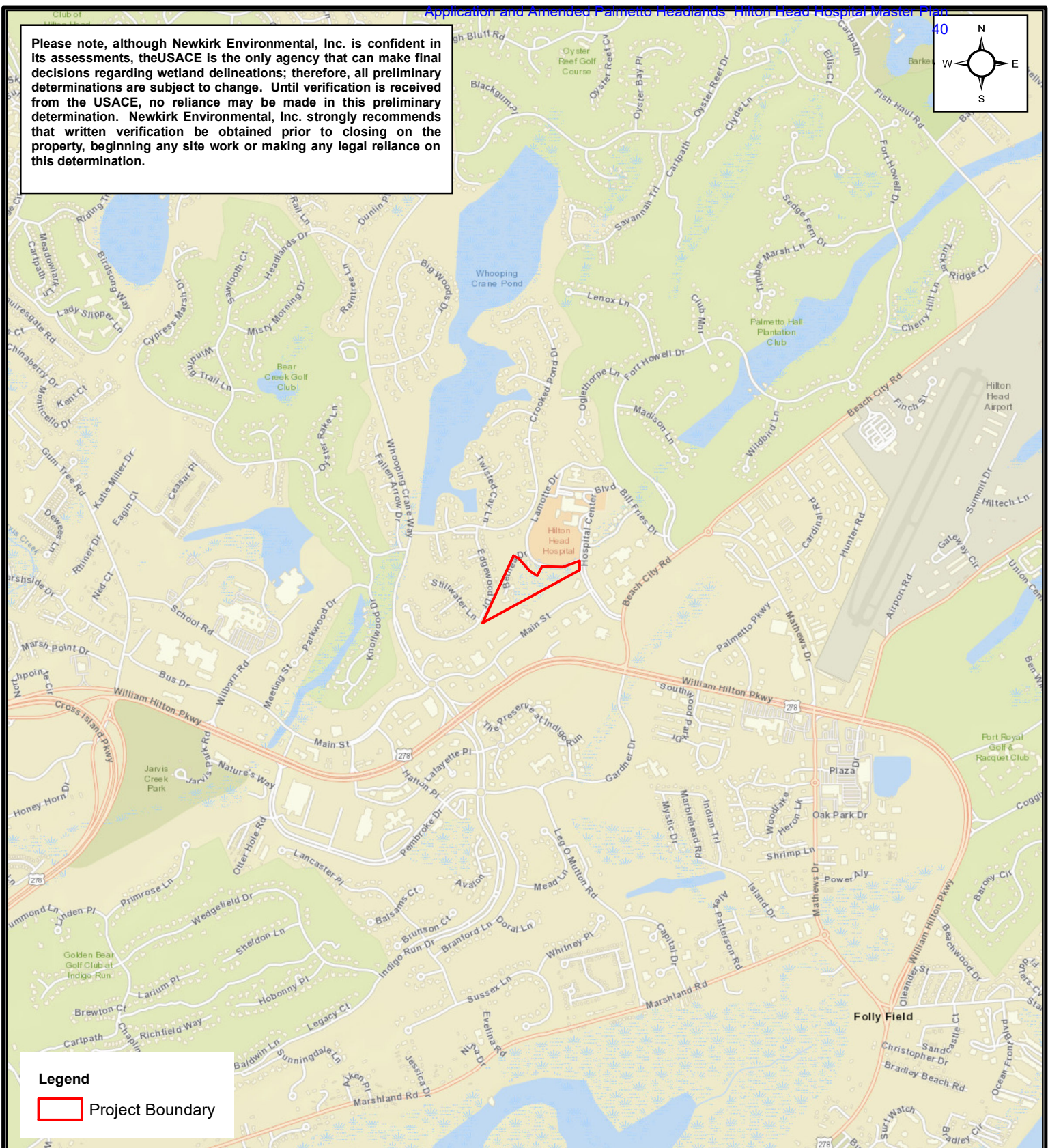


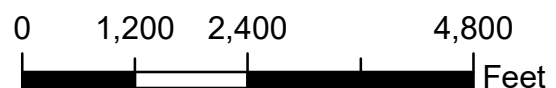
Figure 1: Project Location Map

Project #: 04-5938a Date: April 2025

Created by: CAB



18 & 30 Bethea Drive
Beaufort County, South Carolina



Please note, although Newkirk Environmental, Inc. is confident in its assessments, the USACE is the only agency that can make final decisions regarding wetland delineations; therefore, all preliminary determinations are subject to change. Until verification is received from the USACE, no reliance may be made in this preliminary determination. Newkirk Environmental, Inc. strongly recommends that written verification be obtained prior to closing on the property, beginning any site work or making any legal reliance on this determination.

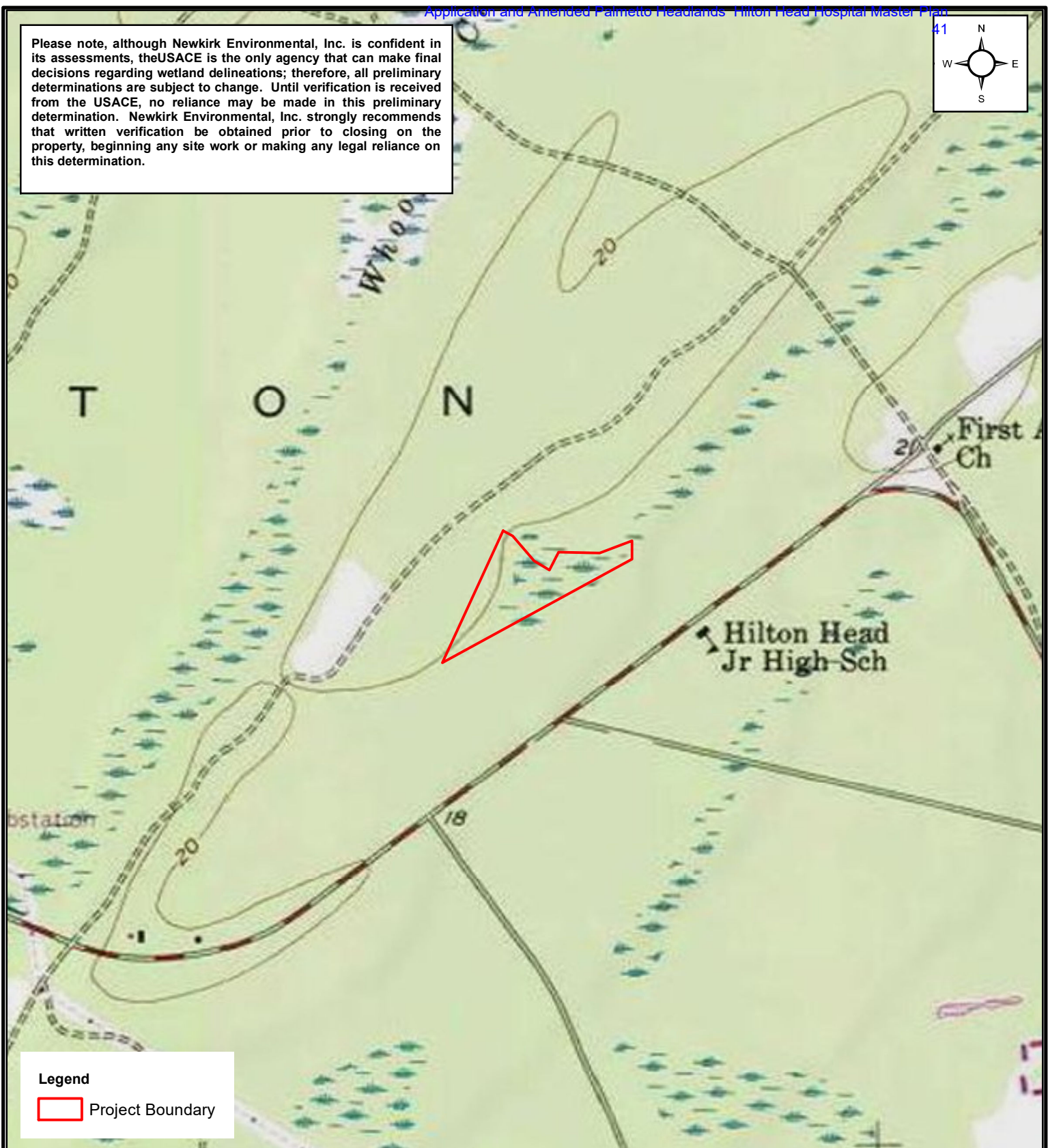
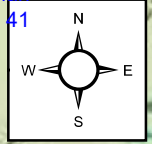


Figure 2: USGS Topographical Map

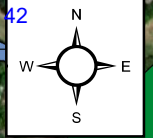
Project #: 04-5938a Date: April 2025

Created by: CAB

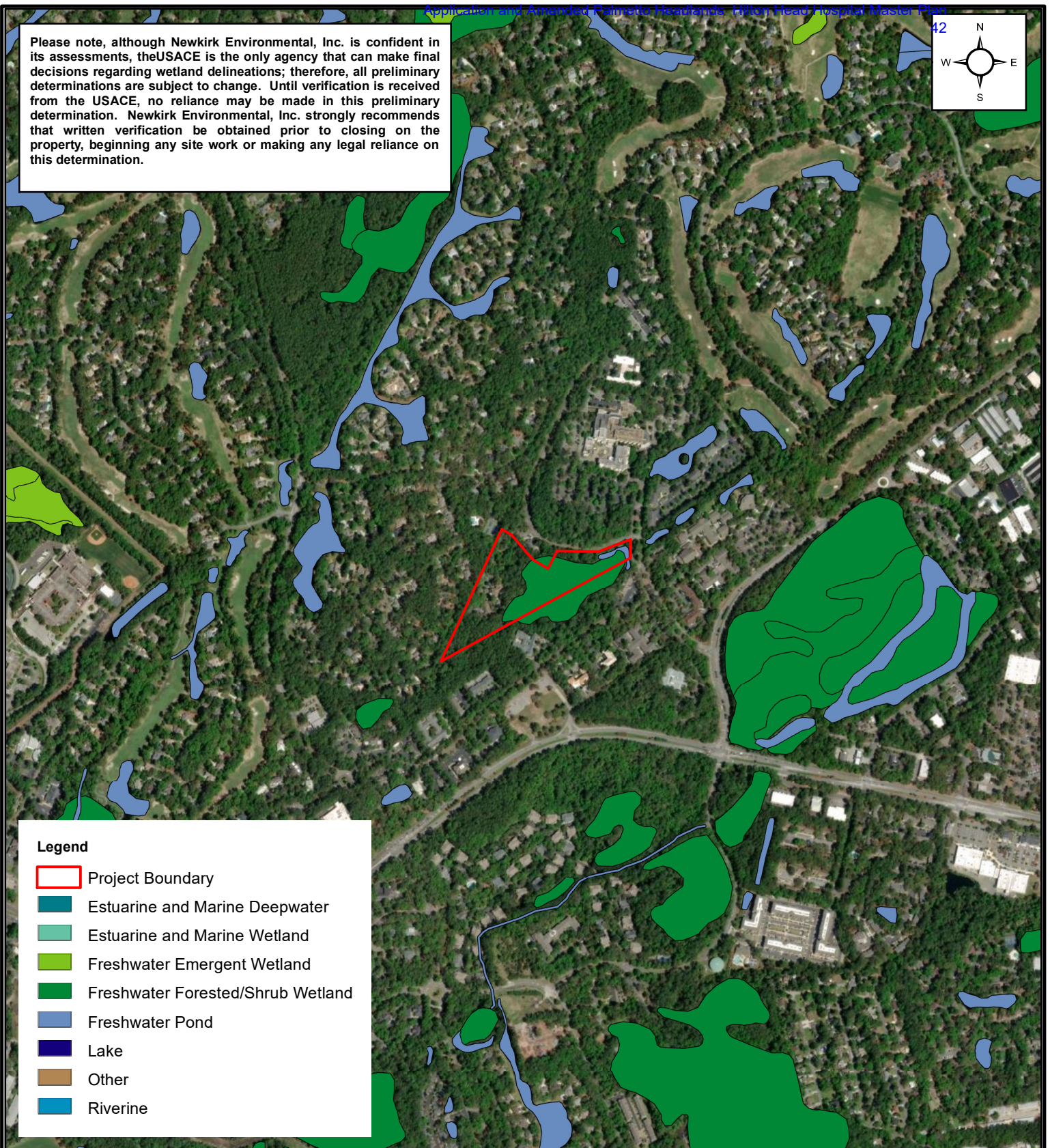
18 & 30 Bethea Drive
Beaufort County, South Carolina



0 625 1,250 2,500
Feet



Please note, although Newkirk Environmental, Inc. is confident in its assessments, the USACE is the only agency that can make final decisions regarding wetland delineations; therefore, all preliminary determinations are subject to change. Until verification is received from the USACE, no reliance may be made in this preliminary determination. Newkirk Environmental, Inc. strongly recommends that written verification be obtained prior to closing on the property, beginning any site work or making any legal reliance on this determination.



Legend

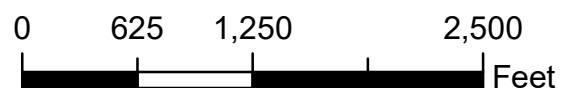
- Project Boundary
- Estuarine and Marine Deepwater
- Estuarine and Marine Wetland
- Freshwater Emergent Wetland
- Freshwater Forested/Shrub Wetland
- Freshwater Pond
- Lake
- Other
- Riverine

Figure 3: National Wetland Inventory (NWI) Map

Project #: 04-5938a Date: April 2025

Created by: CAB

18 & 30 Bethea Drive
Beaufort County, South Carolina



Please note, although Newkirk Environmental, Inc. is confident in its assessments, the USACE is the only agency that can make final decisions regarding wetland delineations; therefore, all preliminary determinations are subject to change. Until verification is received from the USACE, no reliance may be made in this preliminary determination. Newkirk Environmental, Inc. strongly recommends that written verification be obtained prior to closing on the property, beginning any site work or making any legal reliance on this determination.

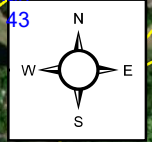


Figure 4: NRCS Soils Map

Project #: 04-5938a Date: April 2025

Created by: CAB

18 & 30 Bethea Drive
Beaufort County, South Carolina

0 625 1,250 2,500
Feet



Newkirk
ENVIRONMENTAL INC.

Back Matter: Formal Application Outline

Application Letter for Zoning Map Amendment	1
Affidavit of Ownership and Hold Harmless	2
Application for Zoning Map Amendment	3
Attachment A: Property Information	4
Attachment B: Narrative	5
Section 1. Application Summary for ZA-001007-2025	6
Section 2. Development Background	8
Section 3. Development Description	8
Section 4. Workforce Affordability	9
Section 5. Roles and Implementation	10
Section 6. Rezoning Criteria	11
Section 7. PD-2 Design Standards: #CUR-3-88 Palmetto Headlands / Hilton Head Hospital	14
Hilton Head Medical Workforce Housing Conceptual Master Plan	17-18
Proposed #CUR-3-88 Master Plan Overlay: Palmetto Headlands / Hilton Head Hospital PD-2	19-20
Appendix A: Architectural and Community Design Standards Summary	21
Appendix B: Tree Inventory	24
Appendix C: Boundary Maps	25
Appendix D: Associated Maps and Surveys	32
Back Matter: Application Outline	45

	TOWN OF HILTON HEAD ISLAND COMMUNITY DEVELOPMENT DEPARTMENT		
One Town Center Court	Hilton Head Island, SC 29928	843-341-4757	FAX 843-842-8908

STAFF REPORT ZONING MAP AMENDMENT

Case #	Name of Project	Public Hearing Date
ZA-001007-2025	Nightingale Commons Workforce Zoning Map Amendment	November 19, 2025

Parcel Data	Property Owner	Applicant
<u>Parcel Numbers:</u> 1. R510 008 000 337A 0000 2. R510 008 000 0337 0000 3. R510 008 000 0452 0000 <u>Size:</u> 12.66 acres <u>Address:</u> 18 Bethea Drive and 30 Lamotte Drive	Hilton Head Medical Center	Brian Quinn, of Abode Development, 14 New Orleans Road, Suite 14, Hilton Head Island, SC, 29928

Existing Zoning	Proposed Zoning
<u>Overlay District:</u> Planned Development Overlay (PD-2) District (Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan) <u>Allowable Uses in PD-2:</u> Medical-related uses, including hospital, nursing home, medical office, outpatient clinic, and accessory institutional support uses. <u>Zoning District:</u> All parcels are in the Medical (MED) District. <u>Allowable Uses:</u> Group Living, Mixed-Use, Multifamily, Workforce Housing, Community Service Uses, Education Uses, Government Uses, Major Utilities, Minor Utilities, Public Parks, Religious Institutions, Telecommunication Antenna, Collocated or Building Mounted, Telecommunication Towers, Monopole, Hospitals, Nursing Homes, Other Health Services, Other Office Uses, Other Commercial Services	<u>Overlay District:</u> Planned Development Overlay (PD-2) District (Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan) <u>Proposed Allowable Uses in PD-2:</u> Medical-related uses, including hospital, nursing home, medical office, outpatient clinic, and accessory institutional support uses; residential including Multifamily, and Workforce Housing. <u>Zoning District:</u> All parcels are in the Medical (MED) District. <u>Allowable Uses:</u> Group Living, Mixed-Use, Multifamily, Workforce Housing, Community Service Uses, Education Uses, Government Uses, Major Utilities, Minor Utilities, Public Parks, Religious Institutions, Telecommunication Antenna, Collocated or Building Mounted, Telecommunication Towers, Monopole, Hospitals, Nursing Homes, Other Health Services, Other Office Uses, Other Commercial Services

Application Summary:
The applicant, Abode Development, in partnership with Novant Health and the Coastal Community Development Corporation (CCDC), has submitted a request to amend the Palmetto Headlands / Hilton Head Hospital PD-2 Master Plan to modify the allowable uses on approximately 12.66 acres located along Bethea Drive (Parcels R510 008 000 0337, R510 008 000 337A, and R510 008 000 0452), (see Attachment B, Location Map). The proposed amendment would allow Multifamily and Workforce Housing uses in addition to the existing medical-related uses currently permitted by the PD-2 Master Plan. The proposed development, Nightingale Commons, consists of 114 mixed-income dwelling units in twelve (12) two-story townhome buildings on approximately 12.66 acres adjacent to Hilton Head Hospital. The unit mix includes 38 one-bedroom, 66 two-bedroom, and 10 three-bedroom units for a total of 114 residential dwelling units. The development will also include a community pavilion with a pool and wellness amenities. The applicant proposes a mixed-income housing program designed to serve a broad range of the Island's workforce, where 30% of the total units will be reserved for households earning at or below 80% of the Area Median Income (AMI), while the remaining 70% will serve households between 80% and 150% AMI. Affordability will be preserved through long-term deed restrictions administered in accordance with LMO Section 16-4-105, per the applicant. This request is driven by the Town's documented need for Workforce Housing and the desire to reuse underutilized parcels. By amending the PD-2 Master Plan to allow medical or residential uses, the applicant seeks to provide housing that supports the Island's healthcare workforce and broader

employment base while retaining the flexibility for future medical development on the site.

As a concurrent effort, the Town, through the Planning Commission by request of the applicant, is pursuing a related Land Management Ordinance (LMO) amendment to allow Workforce Housing as a permitted residential use within the Medical (MED) Zoning District. The amendment would establish qualification standards and development conditions specific to Workforce Housing in the MED District. In consideration of this proposed change, the applicant has submitted a Zoning Map Amendment to modify the Palmetto Headlands/Hilton Head Hospital PD2 Master Plan to allow medical or residential uses on the subject parcels. Approval of the Zoning Map Amendment is contingent upon the adoption of the LMO text amendment to permit Workforce Housing within the MED base district.

Staff Recommendation:

Staff recommends that the Planning Commission review this application and forward a recommendation to Town Council, based on those Findings of Facts as determined by the LMO Official and enclosed herein.

Should the Planning Commission recommend approval to Town Council, Staff recommends the following condition that: “All stormwater generated on-site shall be retained and managed within the project limits; no discharge shall be directed toward Hilton Head Plantation; and any existing drainage issues along the common property line with Hilton Head Plantation will be resolved to the greatest extent possible” be included.

Background:

The subject property is part of the Palmetto Headlands and Hilton Head Hospital PD-2 Master Plan (CUR388), which was approved in 1988 as a Planned Development Overlay District encompassing approximately 94 acres (see Attachment C, PD2 Master Plan – CUR 3-88). As part of that approval, the parcels identified as R510-008-000-0337, R510-008-000-337A, and R510-008-000-0452 were designated to support hospital, nursing home, and related medical office development as part of a coordinated healthcare campus.

In the years following approval, the site was developed with medical-related structures, several of which are now vacant and deteriorated. The applicant proposes demolishing the existing buildings and redeveloping the site in accordance with the amended Master Plan. The parcels are accessed via Bethea Drive and Lamotte Drive and are served by existing water, sewer, and stormwater systems constructed for the original campus, consistent with the PD-2 Master Plan.

The Palmetto Headlands Commercial Planning File highlights that the PD-2 Overlay was intentionally structured to allow long-term flexibility, including the ability to adapt land uses as community needs changed over time.

Today, the subject parcels are located near Hilton Head Hospital, nursing and rehabilitation facilities, and Hilton Head Plantation within the PD-2 Overlay (see Attachment D, Current Use Map). The proposed amendment would revise the PD-2 Master Plan to allow residential uses (Multifamily and Workforce Housing) on Parcels 337, 337A, and 452 in place of the current medical-only restriction to enable the development of Nightingale Commons, a 114-unit mixed-income community (see Attachment A, Application Materials). The requested change retains the parcels’ medical use potential while introducing residential use to address the Town’s documented Workforce Housing shortage.

The request directly advances multiple adopted Town policies. The Workforce Housing Strategic Plan (2019) calls for the production of 200 new housing units per year. It prioritizes locating Workforce Housing near major employment centers such as Hilton Head Hospital. The Housing Impact Analysis (2023) documents that over 14,000 workers commute to the Island daily and that more than 40% of Island households are cost-burdened, with healthcare workers identified among the most impacted employment sectors. This amendment also aligns with Our Plan 2020–2040 Core Values for Economy, Inclusive Community, and Infrastructure, and implements the Town’s Finding Home Framework adopted by Town Council in 2022. Approval of this request would represent a step in addressing the Island’s Workforce Housing crisis while utilizing underperforming parcels within the hospital district, consistent with the PD-2 Overlay’s intent.

The changes that would occur as a result of this amendment include the following:

- Current PD-2 Allowable Uses:
 - Medical-related uses, including hospital, nursing home, medical office, outpatient clinic, and accessory institutional support uses.
- Proposed PD-2 Allowable Uses:
 - Medical-related uses, including hospital, nursing home, medical office, outpatient clinic, and accessory institutional support uses.
 - Residential uses, including Multifamily and Workforce Housing.

All subject parcels are located in the Medical (MED) District.

- MED District Allowable Uses:
 - Group Living; Mixed-Use; *Multifamily; *Workforce Housing; Community Service Uses; Education Uses; Government Uses; Major Utilities; Minor Utilities; Public Parks; Religious Institutions; Telecommunication Antenna (Collocated or Building Mounted); Telecommunication Towers (Monopole); Hospitals; Nursing Homes; Other Health Services; Other Office Uses; Other Commercial Services.

**Sec. 16-4-102.B.1.b, “Multifamily use in the CC and MED Districts shall only be permitted as part of a commercial conversion that includes WFH per Sec. 16-10-102.B.1.”*

Uses adjacent to the sites are:

- North: Hilton Head Hospital and outpatient facilities – MED and PD-2 Overlay
- East: Nursing and other health services – MED and PD-2 Overlay
- South: Nursing and other health services – MED, PD-2 Overlay and Corridor Overlay
- West: Hilton Head Plantation – Planned Development Mixed-Use District (PD-1), residential

The Town’s LMO defines Workforce Housing as “Housing that is affordable at 60—100% of the Area Median Income (AMI) for Beaufort County.”

The applicant proposes a mixed-income housing program where 30% of the total (114) units will be reserved for households earning at or below 80% of the Area Median Income (AMI), while the remaining 70% will serve households between 80% and 150% AMI.

Applicant’s Grounds for ZMA:

The project focuses on providing sustainable, workforce housing options for essential workers, including healthcare professionals employed at Hilton Head Hospital, in direct alignment with the Town’s Finding Home: Workforce Housing Framework (2022) and the Workforce Housing Strategic Plan (2019).

The applicant is requesting approval to amend the PD2 Master Plan to allow residential uses (Workforce Housing and Multifamily) in addition to the current medical uses designation. This change, combined with the concurrent LMO text amendment to permit new construction of Multifamily Workforce Housing within the Medical (MED) District, provided such development is consistent with an adopted PD-2 Master Plan and meets Workforce Housing Program standards. The Town's LMO defines Workforce Housing as "Housing that is affordable at 60—100% of the Area Median Income (AMI) for Beaufort County."

The applicant asserts that the proposed PD-2 Master Plan amendment preserves the long-term medical potential of the parcels while expanding allowable uses to include residential development that meets current community housing needs. By establishing flexibility within the PD-2 framework, the amendment seeks to allow coordinated medical and residential use of the property.

Approval of this Zoning Map Amendment (ZA-001007-2025) is contingent upon adoption of the concurrent LMO Text Amendment authorizing the construction of new Workforce Housing in the MED District.

Summary of Facts and Conclusions:

Findings of Fact:

- The application was submitted on October 17, 2025, as set forth in LMO Section 16-2-103.C and Appendix D-1.
- Per LMO Section 16-2-102.E.1, when an application is subject to a hearing, the LMO Official shall ensure that the hearing on the application is scheduled for a regularly scheduled meeting of the body conducting the hearing.
- The LMO Official scheduled the public hearing on the application for the November 19, 2025, Planning Commission meeting, which is a regularly scheduled meeting of the Planning Commission.
- Per LMO Section 16-2-102.E.2, the LMO Official shall publish a notice of the public hearing in a newspaper of general circulation in the Town no less than 15 calendar days before the hearing date.
- Notice of the Nov. 19, 2025, public hearing was published in the Island Packet on Oct. 26, 2025.
- Per LMO Section 16-2-102.E.2, the applicant shall mail a notice of the public hearing by first-class mail to the owners of the land subject to the application and owners of record of properties within 350 feet of the subject land, no less than 15 calendar days before the hearing date.
- The applicant mailed notices of the Nov. 19, 2025, public hearing by first-class mail to the owners of record of properties within 350 feet of the subject land on Oct. 23, 2025.
- Per LMO Section 16-2-102.E.2, the LMO Official shall post conspicuous notice of the public hearing on or adjacent to the land subject to the application no less than 15 days before the hearing date, with at least one such notice being visible from each public thoroughfare that abuts the subject land.
- The LMO Official posted on Nov. 3, 2025, a conspicuous notice of the public hearing on the land subject to the application.

Conclusions of Law:

- The application was submitted in compliance with LMO Section 16-2-103.C and Appendix D-1.

Notice of the public hearing was published, mailed, and posted, in compliance with LMO Section 16-2-102.E.2.

As set forth in LMO Section 16-2-103.C.3. In determining whether to recommend that Town Council approve or deny a proposed Zoning Map Amendment (Rezoning), the Planning Commission may weigh the relevance of and consider the following:

Summary:

Criteria 1: Whether and the extent to which the proposed zoning is in accordance with the Comprehensive Plan (LMO Section 16-2-103.C.3.a.i):

Findings:

This application addresses the Comprehensive Plan in the following areas:

Core Value: Relentless Pursuit of Excellence

Goal

- Ideals of Excellence: To adopt and pursue Our Ideals of Excellence for Hilton Head Island.

Strategies & Tactics

- 2.10: Continue to provide an appropriate range of land uses that accommodate the needs of the community.
- 2.10.1: Encourage development and redevelopment opportunities that help Hilton Head Island be a competitive and affordable place to live and work.

Core Value: Revitalizing & Modernizing the Economy

Goal 3

- Brand: To manage evolving economic growth while maintaining Hilton Head Island's unique aesthetic.

Strategies & Tactics

- 3.2: Monitor demographics and economic trends to manage emerging growth and changes.
- 3.2.2: Monitor trends in housing development to provide housing options that meet market demands.

Goal 6

- Workforce: To have a high-quality Workforce Housing through effective incentives.

Strategies & Tactics

- 6.1: Encourage the development of Workforce Housing through effective incentives.
- 6.1.1: Continue to pursue the recommendations from the Town's Workforce Housing Strategic Plan.
- 6.1.2: Identify methods to support construction of new Workforce Housing by 2024.
- 6.1.6: Monitor changing demographics and trends in housing development to allow for housing options to meet market demands.
- 6.1.7: Continue to educate the public on the potential impact on their daily quality of life that is directly affected by the supply or lack of Workforce Housing.

Core Value: Fostering an Inclusive Multi-dimensional Community

Goal 3

- Community Development: To foster creation of sustainable, inclusive, equitable, and innovative community development on the entire Island.

Strategies & Tactics

- 3.3: Continue to implement the recommendations from the Town's Workforce Housing Strategic Plan.
- 3.4: Evaluate opportunities for diversity in housing costs and transportation modes by establishing incentives for redevelopment of abandoned and underutilized spaces.
- 3.5: Encourage employer-assisted housing programs to entice more employees of various professions (teachers, police officers, firefighters, etc.) to live within Town limits.
- 3.7: Address housing issues by using a systematic approach that integrates economic development, transportation, and land use.

Core Value: Building a Connected & Collaborative Community Fabric

Goal 2

- Built Environment: To promote designs for the built environment that capitalize on our natural beauty and community strengths, reinforcing our unique sense of place.

Strategies & Tactic

- 2.4: Create incentives and/or public/private partnerships for redevelopment with goals of diversity in housing types and cost, and types of transportation modes.

Goal 4

- Quality of Life: To foster an exceptional quality of life for residents, outstanding experiences for visitors, and economic opportunity for our workforce.

Strategies & Tactic

- 4.1.1: Continue to implement the recommendations from the Town's Workforce Housing Strategic Plan.

Core Value: Expanding to Embrace an Integrated Regional Focus

Goal 2

- Workforce: To improve and expand opportunities for workforce development and housing on Hilton Head Island and in the region.

Strategies & Tactic

- 2.1: Pursue regional cooperation of public, private, and nonprofit agencies in meeting area housing and workforce needs.

Core Value: Innovative Approach to Create "Right-Sized" Infrastructure

Goal 6

- Housing: To promote housing options to meet the needs of all current and future populations on the Island.

Strategies & Tactics

- 6.1: Adopt policies to support the recommendations of the Town's Workforce Housing Strategic Plan.
- 6.2: Continually assess development standards and building codes to ensure they encourage the development and redevelopment of needed housing.
- 6.2.1: Evaluate and study regulations to require or provide options for interconnection between developments, which promotes the establishment of neighborhoods, and to provide safe and convenient access to neighborhood level public facilities, particularly schools and parks.
- 6.3: Evaluate proposed changes to residential density to ensure they are appropriate for the character of the area and the neighboring properties.

Conclusions of Law:

- The application complies with the Comprehensive Plan because it implements Our Plan housing goals and Core Values.
- The amendment meets Criterion 1 because it supports adopted policies for Workforce Housing and integrated land use planning.
- The proposed rezoning is in accordance with the Comprehensive Plan, as described in the Land Use Element, as set forth in LMO Section 16-2-103.C.3.a.i.
- The proposed rezoning will modify the existing permitted land use to promote housing options to meet the needs of current and future populations on the Island and is consistent with the Core Value: Innovative Approach to Create “Right-Sized” Infrastructure.
- The proposed rezoning and LMO amendment will expand opportunities for workforce development and housing on Hilton Head Island and in the region.
- The proposed rezoning will modify the permitted land use of the property in conformance with the Town’s Comprehensive Plan.

Summary:

Criteria 2: Whether and the extent to which the proposed zoning would allow a range of uses that are compatible with the uses allowed on other property in the immediate vicinity (LMO Section 16-2-103.C.3.a.ii):

Findings:

- The applicant proposes to amend the Palmetto Headlands/Hilton Head Hospital PD-2 Master Plan to allow new construction of Workforce Housing and Multifamily residential uses in addition to the existing medical uses currently permitted within the PD-2 Overlay. The proposed development, Nightingale Commons, consists of 114 mixed-income dwelling units in twelve (12) two-story townhome buildings on approximately 12.66 acres adjacent to Hilton Head Hospital.
- Under the current LMO, both Workforce Housing and Multifamily are permitted in the MED District only when specific conditions are met, Sec. 16-4-102.B.1. Prior to the proposed Text Amendment, Multifamily uses in the MED District were limited to commercial-conversion projects that included Workforce Housing per Sec. 16-4-102.B.1.b.ii.
- Per Sec. 16-4-102.B.1.b.ii, Multifamily use in the MED District is permitted only as part of a commercial-conversion project that includes Workforce Housing. Likewise, Workforce Housing is allowed subject to compliance with the Workforce Housing Program outlined in Sec. 16-4-105. The requested amendment would therefore expand the allowable residential uses within the PD-2 Overlay to include new-construction Workforce Housing and Multifamily dwellings, consistent with the intent of the concurrent LMO text amendment under review.
- Adjacent land uses include Hilton Head Hospital and related outpatient medical facilities to the north and east, nursing and health service uses to the south, and residential properties within Hilton Head Plantation (PD-1) to the west. These surrounding uses are compatible in scale and intensity with the proposed Workforce Housing development.

Conclusions of Law:

- The proposed amendment meets Criterion 2 because it establishes a compatible mix of medical and residential uses within the PD-2 Overlay, maintaining consistency with adjacent institutional and residential development patterns.
- While Multifamily and Workforce Housing in the MED District are currently limited to commercial-conversion projects, the PD-2 amendment—if approved concurrent with the related LMO text amendment—would provide a coordinated framework for new-

construction Workforce Housing that complements the hospital campus and surrounding uses, in accordance with LMO Section 16-2-103.C.3.a.ii.

Summary:

Criteria 3: Whether and the extent to which the proposed zoning is appropriate for the land (LMO Section 16-2-103.C.3.a.iii):

Findings:

- The subject parcels are within the PD-2 Overlay and designated for medical-related uses under the Palmetto Headlands/Hilton Head Hospital Master Plan.
- The applicant proposes 114 mixed-income units, with 30% reserved for households earning at or below 80% of the Area Median Income (AMI) and 70% serving households between 80% and 150% AMI, with long-term affordability enforced through deed restrictions in accordance with LMO Section 16-4-105.
- The subject area is developed with vacant medical buildings, and is served by existing utilities and stormwater infrastructure.
- The PD-2 Overlay was designed to allow clustering of development on less environmentally sensitive areas and adaptive reuse over time.
- The project proposes no changes to height, density caps, or impervious coverage standards beyond those contemplated in the PD-2 Master Plan.
- The site has direct access to Hilton Head Hospital.

Conclusions of Law:

- The application meets Criterion 3 because the proposed use is appropriate given the existing infrastructure and PD-2 adaptive reuse intent.
- Redeveloping the parcels for Workforce Housing is consistent with the PD-2's goal of efficient land utilization.
- The proposed zoning is appropriate for the land in accordance with LMO Section 16-2-103.C.3.a.iii.

Summary:

Criteria 4: Whether and the extent to which the proposed zoning addresses a demonstrated community need (LMO Section 16-2-103.C.3.a.iv):

Findings:

- The Workforce Housing Strategic Plan suggests the Island should set a goal to facilitate the construction of 200 total net new, obtainable housing units yearly.
- The Comprehensive Plan, which was approved by Town Council, on page 112, suggests the Town attracts and maintains a diverse and multi-dimensional residential population, providing a competitive live-work option.
- The Comprehensive Plan on page 112 suggests that the Town continually adapts the Core Values and Comprehensive Plan to meet the needs of the present and the future.
- The Housing Impact Analysis documents more than 14,000 daily commuters to the Island, and over 40% of households are cost-burdened, with healthcare workers among the most impacted sectors.

- Finding Home recommends Workforce Housing near major employers and transit corridors.
- The applicant proposes 114 mixed-income units, with 30% reserved for households earning at or below 80% of the AMI and 70% serving households between 80% and 150% AMI, with long-term affordability enforced through deed restrictions in accordance with LMO Section 16-4-105.
- The proposed rezoning will expand opportunities for workforce development and housing on Hilton Head Island by adding Workforce Housing as an allowable principal use.

Conclusions of Law:

- The application meets Criterion 4 because it directly addresses the Town's documented Workforce Housing shortage.
- The amendment implements adopted policy recommendations from the Workforce Housing Strategic Plan and Housing Impact Analysis.
- The rezoning would fulfill a demonstrated community need in accordance with LMO Section 16-2-103.C.3.a.iv.

Summary:

Criteria 5: Whether and the extent to which the proposed zoning is consistent with the overall zoning program as expressed in future plans for the Town (LMO Section 16-2-103.C.3.a.v):

Findings:

- The MED base District permits Multifamily and Workforce Housing, subject to development standards; the PD-2 amendment would align the Master Plan with the underlying district.
- The Town's Finding Home Framework calls for zoning amendments to allow Workforce Housing where appropriate.
- The PD-2 Overlay is specifically designed to adapt to changing community needs through Master Plan amendments.

Conclusions of Law:

- The proposed zoning is consistent with the overall zoning program as expressed in the draft PD-2 plan.
- The application meets Criterion 5 because it maintains consistency with the Town's zoning program and supports adopted Workforce Housing initiatives.

Summary:

Criteria 6: Whether and the extent to which the proposed zoning would avoid creating an inappropriately isolated zoning district unrelated to adjacent and surrounding zoning districts (LMO Section 16-2-103.C.3.a.vi):

Findings:

- This application would rezone three parcels, totaling 12.66 acres, for Multifamily and Workforce Housing development.
- The subject parcels are within the PD-2 Master Plan and adjacent to MED and PD-1 districts.
- The amendment does not create a new zoning district; it modifies the allowable uses within an existing PD-2 Master Plan.
- Adjacent uses include medical facilities and multifamily housing, both compatible with the proposed residential use.

- The subject parcels are part of a larger coordinated PD-2 district.
- Surrounding parcels to the north and east are designated for medical uses under the same PD-2 Master Plan; to the west are multifamily residential uses.
- The MED base district, which underlies the subject parcels, permits both medical and residential uses.
- The requested amendment adds residential use but retains medical use.
- The parcels are accessed internally via Bethea Drive and share infrastructure with surrounding PD-2 parcels.
- The PD-2 Overlay was initially designed to prevent isolated zoning districts by allowing flexibility and integration of uses within a coordinated Master Plan.

Conclusions of Law:

- The application meets Criterion 6 because it maintains continuity with adjacent zoning and does not create an isolated district.
- The proposed zoning would avoid creating an inappropriately isolated zoning district unrelated to adjacent and surrounding zoning districts in accordance with LMO Section 16-2-103.C.3.a.vi because the existing adjacent zoning is complementary.

Summary:

Criteria 7: Whether and the extent to which the proposed zoning would allow the subject property to be put to a reasonably viable economic use (LMO Section 16-2-103.C.3.a.vii):

Findings:

- The parcels are currently vacant, dilapidated medical buildings, generating no economic value.
- The applicant's proposal includes deed-restricted workforce units with professional management.

Conclusions of Law:

- The proposed zoning would allow the subject property to be put to a reasonably viable economic use in accordance with LMO Section 16-2-103.C.3.a.vii.
- The rezoning would allow the site to be redeveloped with the residential use of Multifamily and Workforce Housing, making the site more compatible with the uses in the vicinity and allowing the property to be put to a reasonably viable economic use.

Summary:

Criteria 8: Whether and the extent to which the proposed zoning would result in development that can be served by available, adequate, and suitable public facilities (e.g., streets, potable water, sewerage, stormwater management) (LMO Section 16-2-103.C.3.a.viii):

Findings:

- The parcels are served by existing water, sewer, and stormwater systems constructed for the hospital campus.
- Per the LMO, a Major Development Plan Review (DPR) application would be required to redevelop the property. As part of the DPR application, any required infrastructure improvements, encroachment permits, or approvals from outside agencies such as PSD, Sparklight, Palmetto Electric, and SCOTD would be required prior to the approval of the DPR.

Conclusion of Law:

- The proposed zoning would result in development that can be and is already served by available public facilities in accordance with LMO Section 16-2-103.C.3.a.viii.

Summary:

Criteria 9: Is appropriate due to any changed or changing conditions in the affected area (LMO Section 16-2-103.C.3.a.ix):

Findings:

- The creation of Workforce Housing aligns with the Town's core values described in the Town's Master Plan, Section 3, Chapter 7, "Innovative Approach to Create 'Right-Sized' Infrastructure."
- Since 1988, the Town has adopted the Workforce Housing Strategic Plan (2019) and *Finding Home* Framework (2022), establishing Workforce Housing as a priority.
- The Housing Impact Analysis (2023) documents accelerating housing shortages and cost burden among the Island's workforce.
- Healthcare sector expansion and workforce displacement events (2022) have created changed conditions requiring additional housing near the hospital campus.
- The PD-2 Master Plan was designed to accommodate evolving land use needs over time.
- Shifts in employment and housing to the mainland have impacted the ability to attract the workforce and provide housing that meets the Workforce Housing needs on the Island.
- The availability of affordable, attainable Workforce Housing is limited and changing housing market conditions continue to increase the challenge of ensuring the availability of housing for the Town's workforce.

Conclusions of Law:

- The application meets Criterion 9 because it responds to changed and changing conditions and fulfills current policy priorities.
- The proposed rezoning is appropriate due to the changes in the area, including housing market challenges and housing supply, in accordance with LMO Section 16-2-103.C.a.ix.
- The proposed rezoning will allow Multifamily and Workforce Housing in close proximity to health care services.

As set forth in LMO Section 16-3-106.G.6.(a-h) Planned development Master Plans shall include the following elements:

Summary:

Criteria a: Arrangement of developed uses on the site considering natural features and natural drainage patterns, views, roadway access, and surrounding land uses.

Findings:

- A conceptual site plan has been provided for review.
- The plan meets the minimum planting requirements for a Type B Buffer – Option 2 but does not propose enhanced screening or visual mitigation for adjacent Planned Development Mixed-Use (PD-1) residential properties within Hilton Head Plantation (HHP).

Conclusion of Law:

- The proposed amendment meets Criterion (a) because the intended residential and medical uses are compatible with surrounding development patterns and consistent with the PD-2 Overlay's purpose of coordinated campus-style planning. The conceptual site plan demonstrates reasonable consideration of drainage and access, supporting the adaptive reuse intent of the PD-2 District.

Summary:

Criteria b: Clustering of development sites, especially buildings, so as to preserve natural or historic features and provide usable common open space

Findings:

- The parcels subject to this request are not designated as open space under the existing PD-2 Master Plan.
- Proposed buildings are clustered together, hugging the parking areas and roadway access.
- The conceptual site plan demonstrates compliance with the average wetland buffer requirements.
- Any development will require separate Development Plan Review (DPR) approval prior to the issuance of construction permits.

Conclusion of Law:

- The proposed amendment satisfies Criterion (b) because the site plan clusters residential buildings to preserve natural buffers and maximize usable open space. The integration of residential and medical uses maintains a cohesive development pattern. Although the parcels are not designated open space under the current PD-2 Master Plan, the proposed configuration efficiently uses the site while protecting environmental buffers.

Summary:

Criteria c: An integrated, coordinated circulation system with complete interconnection.

Findings:

- The conceptual site plan provides internal circulation designed to accommodate emergency vehicle access.
- Internal sidewalks and crosswalks connect the townhomes on the west to the community pavilion and pool on the east.
- Lamotte Drive, which connects to Bethea Drive, currently lacks sidewalk and bike path infrastructure for full off-site connectivity.

Conclusion of Law:

- The proposed amendment satisfies Criterion (c) because the conceptual plan provides adequate on-site circulation and pedestrian connectivity while allowing for future off-site connections. The layout is consistent with the PD-2 Overlay's intent for coordinated access and interconnectivity among uses.

Summary:

Criteria d: Maximum integration of other infrastructure—such as sewer, water, and drainage systems—in consideration of environmental factors.

Findings:

- The site is already served by existing utility infrastructure, including water, sewer, and stormwater facilities.
- Any new development will be subject to Development Plan Review (DPR) to ensure compliance with Town stormwater and environmental regulations.
- Through previous public comment on this application, it was discovered that there are potential drainage issues along the common property line with Hilton Head Plantation. Through a condition of approval, these issues can be assessed and addressed through the Development Plan Review process.

Conclusion of Law:

- The proposal meets Criterion (d) because existing utility systems can adequately serve the site. The applicant proposes to connect to the hospital's existing infrastructure network, minimizing new environmental disturbance and aligning with the PD-2 Overlay's goal of efficient and environmentally responsible infrastructure integration.

Summary:

Criteria e: Design and sizing of street, drainage, and utility systems to accommodate the overall service demand of the planned development.

Findings:

- Drive aisle widths comply with LMO standards—14 feet for one-way access and 24 feet for two-way access.
- The proposed parking spaces meet LMO requirements.
- Fire and service access have been designed to meet minimum safety and operational standards.
- Through previous public comment on this application, it was discovered that there are potential drainage issues along the common property line with Hilton Head Plantation. Through a condition of approval, these issues can be assessed and addressed through the Development Plan Review process.

Conclusion of Law:

- The conceptual site plan provides adequate access, parking, and service areas consistent with applicable LMO standards. Drainage and utility systems are designed to accommodate projected service demand. The proposed amendment maintains consistency with the Town's zoning framework and supports the implementation of the Workforce Housing Framework (2022) and Workforce Housing Strategic Plan (2019).

Summary:

Criteria f: Provision for the ownership and maintenance of common open space through a property owners' association or other mechanisms permitted under Section Sec. 16-5-104.E, Ownership, Management and Maintenance of Common Open Space.

Findings:

- The applicant indicates that common open space, stormwater facilities, and buffers will be owned and maintained by the Coastal Community Development Corporation (CCDC) under recorded covenants.

Conclusion of Law:

- The application conditionally meets Criterion (f). The applicant has identified CCDC as the responsible entity for maintaining open space and shared facilities. Final compliance will require submission of legally binding covenants prior to DPR approval. Subject to that condition, the proposal is consistent with PD-2 Master Plan intent and LMO Section 16-5-104.E.

Summary:

Criteria g: Architectural guidelines and standards throughout the planned development.

Finding:

- The application includes proposed architectural and community design guidelines addressing building materials (Hardie Plank, stucco, brick), color palette, roof forms, lighting, height, and fencing.
- The subject parcels are not located within the Corridor Overlay and the Town's Design Review Board would not review this project as part of a Development Plan Review.

Conclusion of Law:

- The proposed amendment satisfies Criterion (g) because it includes architectural and design standards consistent with PD-2 intent and requirements. These standards will ensure architectural cohesion and compatibility with surrounding development.

Summary:

Criteria h: Acreage sufficient to accomplish the basic purposes and features as outlined above.

Findings:

- The applicant's survey and conceptual plan demonstrate sufficient acreage (12.66 acres) to meet MED District density and development standards as defined in the concurrent LMO Text Amendment.
- The conceptual plan arranges townhomes and the multifamily building along the perimeter, using the internal road for site circulation.
- Flexibility for future site design modification may be limited due to the compact arrangement of building pads and parking areas.

Conclusion of Law:

- The proposal meets Criterion (h) because the 12.66-acre site provides adequate area to support proposed density, infrastructure, and open space requirements consistent with PD-2 standards. The acreage is sufficient to accommodate both current and future uses without creating adverse impacts to surrounding properties.

Note: If the proposed amendment is approved by Town Council, such action shall be by ordinance to amend the Official PD-2 Zoning Map. If it is denied by Town Council, such action shall be by resolution.

PREPARED BY:

MC

Michael Connolly
Senior Planner

October 27, 2025

DATE

REVIEWED BY:

TL

Trey Lowe
Development Services Manager

November 11, 2025

DATE

REVIEWED BY:

SL

Shawn Leininger, AICP
*Assistant Town Manager, Land Management
Official, and Interim Director of Planning*

November 12, 2025

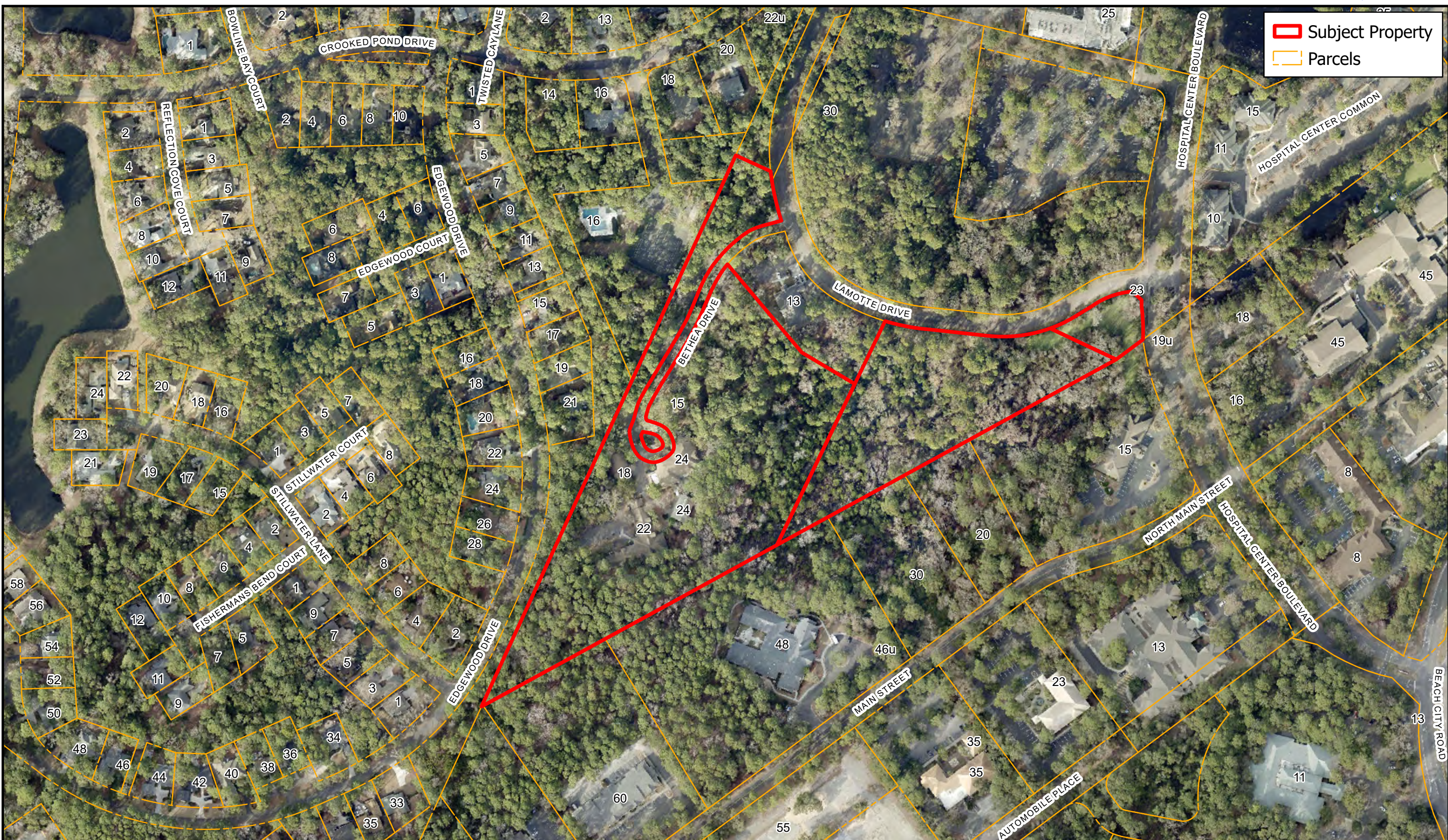
DATE

ATTACHMENTS:

- A) Application Materials
- B) Location Map
- C) PD-2 Master Plan – CUR 3-88
- D) Current Use Map

Subject Property

Parcels

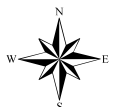
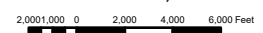


TOWN OF HILTON HEAD ISLAND
ONE TOWN CENTER COURT
HILTON HEAD ISLAND, S.C. 29928
PHONE (843) 341-4600
Date Created: Wednesday, July 30, 2025

Town of Hilton Head Island

18 Bethea Dr. (R510 008 000 337A 0000), 30 Lamotte Dr. (R510 008 000 0452 0000), Unaddressed Parcel (R510 008 000 0337 0000)

October 17, 2025



The information on this map has been compiled from a variety of sources and is intended to be used only as a guide. It is provided without any warranty or representation as to the accuracy or completeness of the data shown. The Town of Hilton Head Island assumes no liability for its accuracy or state of completion or for any losses arising from the use of the map.

Author: Trey Lowe
Page 318 of 318