



Town of Hilton Head Island
FINANCE AND ADMINISTRATIVE COMMITTEE
MEETING
Monday, February 9, 2026, 10:00 AM
Minutes

Call to Order

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

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

Other Members of Town Council Present: Steve Alfred

Adoption of the Agenda

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

Approval of the Minutes

Regular Meeting Minutes of January 12, 2026

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

Presentations

Town of Hilton Head Island FY2026 Monthly Financial Update – Dave Byrd, Finance Director

Dave Byrd, Finance Director, presented the Fiscal Year 2026 Financial Update for the period of July through December 2025. Total revenues across all funds were reported at \$58.2 million, reflecting a 46.7% increase over the prior year, primarily due to the issuance of the 2026 Beach Bond proceeds. When normalized to remove bond proceeds, revenues were essentially flat compared to the prior year. Notable revenue highlights included growth in Property Taxes (up 7.7%), Permits (up 44.4% due to increased residential and commercial activity), EMS Revenue (up 14.1%), and Real Estate Transfer Fees (up 45.0%). Staff also noted timing-related decreases in Business License and Short-Term Rental revenues.

Total expenses across all funds were reported at \$46.4 million, representing 52% of the overall budget. While total expenses increased year-over-year, normalized expenses remained consistent with the prior fiscal year. Key expense drivers included personnel-related costs across multiple departments, the early payoff of the 2017B Beach Bonds, and capital

investments such as land acquisition and park development. The Housing Fund reflected \$1 million in ARPA housing expenditures, and the Gullah Geechee CDC Fund included land acquisition costs associated with Memory Matters. Staff emphasized that several significant expenditures, including debt service and capital improvements, were planned and budgeted.

Mr. Byrd also provided an overview of capital project activity and fund balance projections. Through mid-year, 69% of the total CIP budget had been used or committed, with Beach Renourishment at 92% of budget and several park development projects nearing completion. The projected ending fund balance across all funds is approximately \$228.7 million, reflecting a positive variance compared to budget due to bond issuances and transfers. After accounting for Town Council fund balance policy reserves, the unrestricted ending fund balance is projected at approximately \$135.7 million.

The Committee held discussion and asked questions regarding actual versus committed funds, requested year-over-year projections for business license revenue, offered positive comments about the Town's financial position, and inquired about the Town's policy amendment process.

Unfinished Business

Consideration of a Funding Request Supporting the Lowcountry Regional Transportation Authority - Mary Lou Franzoni, Interim Executive Director

Mary Lou Franzoni, Interim Executive Director for the Lowcountry Regional Transportation Authority (LRTA), presented their revised FY 2026 budget request. The purpose of the presentation was to provide an updated funding request based on year-end projections and to support informed decision-making by Town Council. Ms. Franzoni highlighted its impact on island businesses and workforce mobility, noting that many employers rely on commuter transit services to mitigate labor shortages, as there are insufficient workers willing to drive to Hilton Head Island for employment. The Breeze Trolley service was also identified as an important transportation option for visitors and residents, helping to decrease congestion and support local spending.

The presentation outlined LRTA-generated revenue sources, including the sale of surplus vehicles (with up to \$10,000 retained per vehicle), advertising sales, miscellaneous revenue such as scrap metal and interest income, special event transportation partnerships, and fare revenue (not eligible for grant matching). Updated local funding partner contributions reflected shortfalls from original requests, including a revised contribution of \$402,528 from Hilton Head Island, resulting in a current shortfall of \$52,528. Ms. Franzoni noted that \$350,000 had previously been approved as an affiliated agency allocation and that the initial FY 2026 request totaled \$507,051 before being reduced mid-year. Possible long-term funding sources discussed included property taxes and a sales tax referendum. Ms. Franzoni formally requested \$52,528 from the Town to address the remaining funding gap.

The Committee held discussion and asked questions regarding the support for the need of additional funding and the work that LRTA does for our community; the committee shared concerns about the future viability of LRTA; thoughts that all municipalities should contribute

financially; questions regarding the potential partnership with the Town of Hardeeville due to the growth in the area; and a request to look into State funding as an option for future funding.

Ms. Brison made a motion to forward to Town Council for consideration a funding request approving \$52,528 to support the Lowcountry Regional Transportation Authority. Ms. Tunner seconded.

Chair Brown asked for public comment.
There was no public comment at this time.

Motion carried 3-0.

New Business

Review and Discussion of the Town of Hilton Head Island's Affiliated Agency Funding Request Applications for Fiscal Year 2027 - Dave Byrd, Finance Director

Dave Byrd, Finance Director, presented the Town of Hilton Head Island's FY2027 Affiliated Agency funding request applications. The application period opened on December 23, 2025, and closed on January 23, 2026. A total of seven applications were received, with combined funding requests totaling \$2,430,814. The memorandum was provided to bring all submitted applications to the Committee's attention in advance of the upcoming review process.

Mr. Byrd outlined the next steps in the funding cycle. Each of the seven affiliated agencies; Island Recreation Association, Coastal Discovery Museum, Mitchelville Preservation Project, Lowcountry Regional Transportation Authority (Palmetto Breeze), Beaufort County Economic Development Corporation, Outside Foundation, and Sea Turtle Patrol HHI will present reviews of their applications at the March 9, 2026, Finance & Administrative Committee meeting. The Committee is scheduled to consider and approve recommended funding allocations for inclusion in the FY2027 budget at its April 6, 2026 meeting.

The Committee held discussion and asked questions regarding the hearing of all the applicants and their funding needs; there was also a request to look into the current applicant to structure it differently to define and identify what an affiliated agency is for those applying; discussions surrounding denial of the agency even if they meet the criteria; request for each affiliated agencies memorandum of understanding to be attached to review; and a request for Staff to look into the submitted applications and request documents that were not previously included by the applicant.

Review and Discussion of the Town of Hilton Head Island Master Fee Schedule Amendment Regarding Short Term Rental Permit Fee - Dave Byrd, Finance Director

Dave Byrd, Finance Director, presented a proposed amendment to the Town of Hilton Head Island Master Fee Schedule related to the Short-Term Rental (STR) Permit Fee. The proposal responds to Town Council's October 21, 2025 adoption of comprehensive amendments to the STR Ordinance, which strengthened regulations concerning parking and occupancy, Town of Hilton Head Island Finance and Administrative Committee

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enforcement and compliance, fire and life-safety standards, and overall program accountability. At that time, Council directed the Town Manager to return with a separate funding, fee, and staffing proposal necessary to implement the enhanced ordinance. Staff reported that the Town currently permits 7,368 STR units, creating significant operational demands including proactive inspections, complaint response, 24/7 responsiveness, and increased coordination across departments.

Mr. Byrd explained that the existing STR program, funded by a \$250 flat annual permit fee, operates under a limited and distributed staffing model that is insufficient to support the amended ordinance. A review of current allocations and a 10% overhead adjustment resulted in an additional \$312,554 needed to maintain existing service levels, bringing the revised annual STR program cost to \$2,137,554. To create a sustainable funding structure, staff proposed a \$150 per-bedroom annual STR permit fee and a \$250 late renewal fee for permits submitted after May 15, 2026 (with future deadlines set for April 30). All revenues generated would be restricted exclusively to STR program operations to ensure costs are borne by STR activities rather than the general taxpayer.

The proposed funding would support significant program enhancements, including four new full-time equivalent (FTE) positions—two Senior Community Code Enforcement Officers, one Senior Fire Inspector, and one Dispatcher to operate a Town-managed 24/7 STR Rapid Response Hotline through Fire Rescue Dispatch—along with the conversion of two part-time Finance positions to full-time and the promotion of one Public Safety Supervisor to Manager. Additional capital and operational investments include three new vehicles, vehicle equipment upgrades, handheld radios, STR compliance software enhancements, and a comprehensive communications strategy. The total projected STR program cost under the proposed structure is \$3,031,050 annually. Staff concluded that the amendment establishes a sustainable, transparent, and accountable framework to effectively administer the STR program while protecting neighborhood quality of life and supporting the visitor economy.

The Committee held discussion and asked questions regarding clarification of new positions vs converted positions; overall positive thoughts on the cost and process; and a request to confirm when this comes before Town Council that eliminating the Fire Rescue hotline will not have any impact on the response times.

Ms. Brison made a motion to forward to Town Council for consideration the master fee schedule amendment regarding short-term rental permit fees. Ms. Tunner seconded.

Chair Brown asked for public comment.
There was no public comment at this time.

Motion carried 3-0.

Public Comment - Non Agenda Items

Chair Brown asked for public comment.
There was no public comment at this time.

Adjournment

Chair Brown adjourned the meeting at 11:20 a.m.

Approved: March 9, 2026

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