Town of Hilton Head Island
TOWN COUNCIL BUDGET WORKSHOP MEETING
Thursday, May 14, 2026, 5:00 PM
Minutes

Call to Order

Mayor Perry called the meeting to order at 5:00 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 (present via Teams Meeting); Steve Alfred, Ward 5; Melinda Tunner, Ward 6

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

Adoption of the Agenda

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

Workshop Discussion

Review and Discussion of Proposed Fiscal Year 2027 Consolidated Budget

i. General Fund
ii. Debt Service Fund
iii. Gullah Geechee Historic Neighborhoods Community Development Corporation Fund
iv. Housing Fund
v. Special Revenue Fund

The Town Manager, Marc Orlando, stated that John Carpenter, Assistant Finance Director and Dave Byrd, Finance Director, were also present for the presentation. He introduced the presentation and explained he would be reviewing the General Fund, the Debt Service Fund, the Gullah Geechee Historic Neighborhoods Community Development Corporation Fund, the Housing Fund and the Special Revenue Fund, with the intent of having as many questions answered for the benefit of Council and the community. Mr. Orlando briefly revisited items from the First Reading: Community Factors; Economic Drivers (Tourism, Healthcare & Wellness, and Real Estate, Property Management & Construction); the Island at a Glance (various aspects of the Island's real estate); Top Employers; Gross Sales by Fiscal Year; and the AAA Bond Rating from Moody's, Fitch and Standard & Poor's; Economic Factors pertaining to Businesses on the Island including property taxes and business licenses; Assessed/Market Value of Real Estate and Motor Vehicles; and Assets Managed by the Town (Land, Town Parks, Roads, Pathways and Town Buildings). Mr. Orlando revisited the organization chart of staff as well as the FY 2027 Consolidated Budget Strategic Plan Priorities and Budget Goals, all as presented in the First Reading on May 12, 2026. Mr. Orlando then turned the presentation over to Mr. Byrd.

Mr. Byrd presented the FY 2027 Proposed Consolidated Budget Definitions, giving brief definitions of Revenue, Expense, and Change in Fund Balance to provide a better understanding of how the Income Statement is compiled:

Revenue:

- Operating Revenue (Taxes, User Fees, Grants, Sale of Land and Investment Income); Recurring Direct Revenues = Increase Cash Flow
- Other Financing Sources (Bonds, Leases and Sales of Equipment and Vehicles; Nonrecurring Revenues = Increase Cash Flow
- Transfers-In (A Governmental Practice to Fund Operations or Capital from Other Funds); Recurring or Nonrecurring = No Cash Flow
- Uses of Funds (A Governmental Practice to Balance the Budget by Fund = No Cash Flow); Amounts come from fund balance = A withdrawal from the checking account

Expense:

- Operating Expense (Salaries and Benefits, Contracted Services, Capital Projects, Debt Service, General Operating, IT Software, etc.); Recurring or Nonrecurring Direct Expense = Reduce Cash Flow
- Transfers-Out (A Governmental Practice to Fund Operations or Capital from Other Funds); Recurring or Nonrecurring Expense = No Cash Flow
- Fund Balance Surplus (A Governmental Practice to Balance the Budget by Fund = No Cash Flow); Amounts go to fund balance = A deposit into the checking account

Change in Fund Balance:

- Operating Revenue + Other Financing Sources – Operating Expenses; Positive or Negative Change in Fund Balance = Positive or Negative Cash Flow
- Fund Balance Surplus – Fund Balance Use; Positive or Negative Change in Fund Balance = Positive or Negative Cash Flow
- Either Way will Result in the Same Net Change in Fund Balance = Cash Flow
- Transfers-In = Transfers-Out
- The Total Revenue Budget = Operating Revenue + Other Financing Sources + Transfers-In + Uses of Funds
- The Total Expense Budget = Operating Expense + Transfers-Out + Fund Balance Surplus

The Total Revenue Budget - The Total Expense Budget = A Balanced Budget

Mr. Byrd continued with the presentation, providing charts and information concerning FY 2027 Proposed Consolidated Budget Revenues - All Funds, FY 2027 Proposed Consolidated Budget Expenditures - All Funds, Millage Rates, Millage Values and FY 2027 Proposed Budget - Property Taxes.

Council members held a brief discussion with questions regarding accounting procedures and clarification regarding millage rates.

<u>General Fund</u> ($67,652,550.00) – used to account for all financial resources except those required to be accounted for in another fund; primary operating expenditures are general government, administrative services, sheriff and other public safety, fire, community services and public projects and facilities; principal sources of revenue are property taxes, business licenses, local ATAX and permit fees.

Mr. Byrd provided an overview of the FY 2027 Proposed General Fund Budget Revenues, including a pie chart showing a breakdown of Revenues, a list of Revenue Highlights, a list of Transfers-In Highlights, which includes a revised Proposed General Fund Budget Revenues Chart with a new column, "FY27 to FY26 Projection $ Change":

During the Town Council Meeting of May 12, 2026, Council asked why State ATAX is shown as going down when Local ATAX is shown as going up. Mr Byrd and Mr. Orlando relayed to Council that this is due to State law that allows distribution based on the formula the State sets up at the beginning of their year, resulting in less funds.

Council also raised a question with regard to Grants for the FY 2027 Proposed General Fund Budget showing as -0-. Mr. Byrd explained that Grants are not usually booked to the General Fund, they may perhaps go to the Capital Fund or the Special Revenues Fund, etc. Such specific funds would reflect the Grant activity for any specific Grant. Mr. Byrd relayed that the FY 2027 Proposed Consolidated Budget reflects a conservative view for budgeting Grants. Mr. Orlando relayed that he will provide a Grant Report to Council which shows the Grants the Town is currently administrating.

Mr. Byrd continued the presentation with an overview of FY 2027 Proposed General Fund Budget Expenditures, including a pie chart showing a breakdown of Expenditures, charts of FY 2027 Proposed General Fund Budget Expenditures, and lists of Expenditure Highlights, including the operating expenses that are driving some of the changes in the FY 2027 Proposed Consolidated Budget.

Council held discussion regarding the increase in funding requests by affiliated agencies.

<u>Debt Service Fund</u> ($11,513,988.00) – used for accumulating resources for the payment of interest and principal on general long-term obligation debt of the governmental funds; primary sources of revenue are property tax, beach preservation fees and hospitality tax.

Mr. Byrd provided an overview of FY 2027 Proposed Debt Service Fund Budget Revenues, Expenditures, and Budget Highlights as listed below.

<u>FY 2027 Debt Service Fund Expenditure Highlights</u>:

Total Budget is a decrease of $19.6m / 63%:

- Principal - $8.6m / 17.5% increase based on new bonds
- Interest - $2.9m / 50.8% increase based on new bonds
- Bank Fees - $20.0k / 23.6% increase

<u>Gullah Geechee Historic Neighborhoods Community Development Corporation (CDC) Fund</u> ($1,694,756.00) – used to account for and report the costs associated with the actions of the Corporation to protect the Town's historic and culturally sensitive neighborhoods; the focus is to enhance the quality of life for community residents, encourage entrepreneurship, prevent gentrification, assist in business attraction, expansion and retention, provide land planning and development assistance, pursue affordable housing opportunities, identify infrastructure needs and provide critical financial opportunities; primary sources of revenue are State and County Grants.

Mr. Orlando continued the presentation with a brief background of the formation of the CDC and the FY 2027 Proposed CDC Fund Budget Revenues, Expenditures, and Budget Highlights.

Council held discussion regarding the CDC funding.

<u>Housing Fund</u> ($3,211,498.00) – used to account for and report the costs associated with the development, implementation and delivery of the strategies and tactics identified within the Town's adopted Workforce Housing Framework; current sources of revenue are transfers from the State Accommodations Tax Fund and prior year fund balance.

Mr. Orlando provided a brief background of the creation of the Housing Fund and the FY 2027 Proposed Budget Revenues, Expenditures, and Budget Highlights.

Council raised the possible use of ATAX funds for lateral sewer connections - Mr. Orlando explained that lateral sewer connections represent improvements on private property, so this would not be a good use of ATAX funds and that he expects to have additional information regarding a possible grant from the Beaufort-Jasper Housing Trust in connection with the lateral sewer connections in the near future.

<u>Special Revenues Fund</u> ($86,422,841.00) – used to account for local taxes and fees including State ATAX, hospitality tax, beach preservation fees, real estate transfer fees, electric franchise fees, short-term rental permit fees, fire truck lease proceeds and Grants; supports the General Fund, Debt Service Fund, Capital Improvements Program

and Housing Funds; direct expenses consist primarily of ATAX Grants, Destination Marketing Organization funding, beach monitoring, deed processing and grant expenses.

Mr. Byrd provided an overview of the Special Revenues Fund and the FY 2027 Proposed Budget Revenues, Expenditures, and Budget Highlights, and completed the presentation with the FY 2027 Proposed Reserve Policies - Revised (Reserve Policies for the Funds) and the Special Revenues Fund - Beach Preservation Fees FY 2027-2023.

Council held brief discussion regarding the presentation focusing on the reserve fund.

The entire presentation is available on the Town's website at www.hiltonheadislandsc.gov.

Mayor Perry asked for public comment with regard to the FY 2027 Proposed Consolidated Budget.

Skip Hoagland addressed Council regarding the use of ATAX funds, DMO contracts and legal opinions.

Richard Bisi addressed Council to request that the Town find ways to decrease spending.

Public Comment - Non Agenda Items

Mayor Perry asked for public comment.

Skip Hoagland addressed Council regarding legal services and contracts.

Adjournment

The Town Council Budget Workshop Meeting was adjourned at 8:04 p.m.

Kimberly Gammon

Kimberly Gammon, Town Clerk

Alan R. Perry

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