Town of Hilton Head Island
FINANCE AND ADMINISTRATIVE COMMITTEE
REGULAR MEETING
Tuesday, August 27, 2024 – 10:00 AM
Minutes

Call to Order

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

Committee Members Present: Alex Brown, Chair; Ward 1; David Ames, Ward 3; Steve Alfred Ward 5; and Glenn Stanford, Ward 6

Adoption of the Agenda

Mr. Ames moved to adopt the agenda. Mr. Stanford seconded. Motion carried 4-0.

Approval of the Minutes

Regular Meeting Minutes of July 9, 2024

Mr. Ames moved to approve. Mr. Alford seconded. Motion carried 4-0.

New Business
Monthly Financial Report and Presentation – Adriana Burnett, Finance Director

Mrs. Burnett, Finance Director presented the new monthly financial report, highlighting significant achievements and key financial metrics for 2024. A notable success was the Town's upgraded credit rating to AAA, attributed to strong leadership and management. Preliminary 2024 revenue numbers showed a 24% increase, with actual revenues reaching $93.8 million, up from the projected $75.8 million. Major revenue contributors included a $10 million increase from investment income and higher-than-expected business licenses and property taxes.

Mrs. Burnett emphasized that these are preliminary figures, as the fiscal year is still being closed. Expenses were controlled effectively, with actual expenditures coming in 29% below the forecasted $143 million. The discussion also addressed the management of multi-year CIP projects, where $27 million of the approved $55 million was spent, with remaining funds to be carried forward. A new finance team is being created to better track and report the progress of these projects, ensuring transparency and accurate financial oversight.

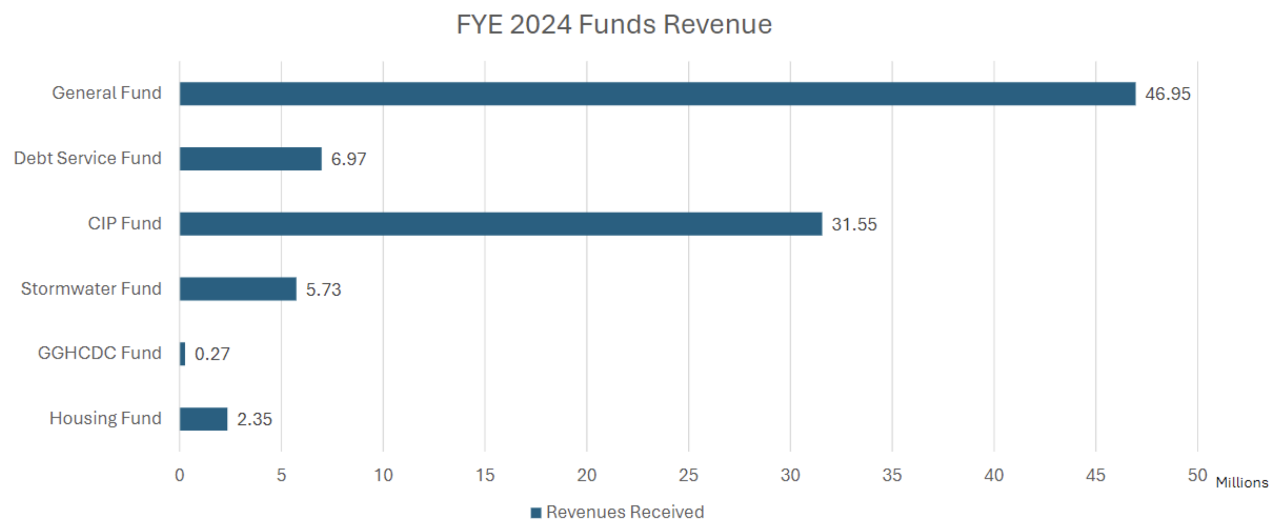
Questions from the council focused on revenue forecasting, the impact of fluctuating interest rates, and the importance of clear communication regarding multi-year project expenditures.

TOWN OF HILTON HEAD ISLAND

FUNDS REVENUE

Consolidated Funds Revenue Only

FYE 2024	%	FYE 2023	%	FYE 2022
$93,819,867	24%	$75,608,414	20%	$63,255,379



TOWN OF HILTON HEAD ISLAND

REVENUE HIGHLIGHTS

Preliminary Revenue Decreases

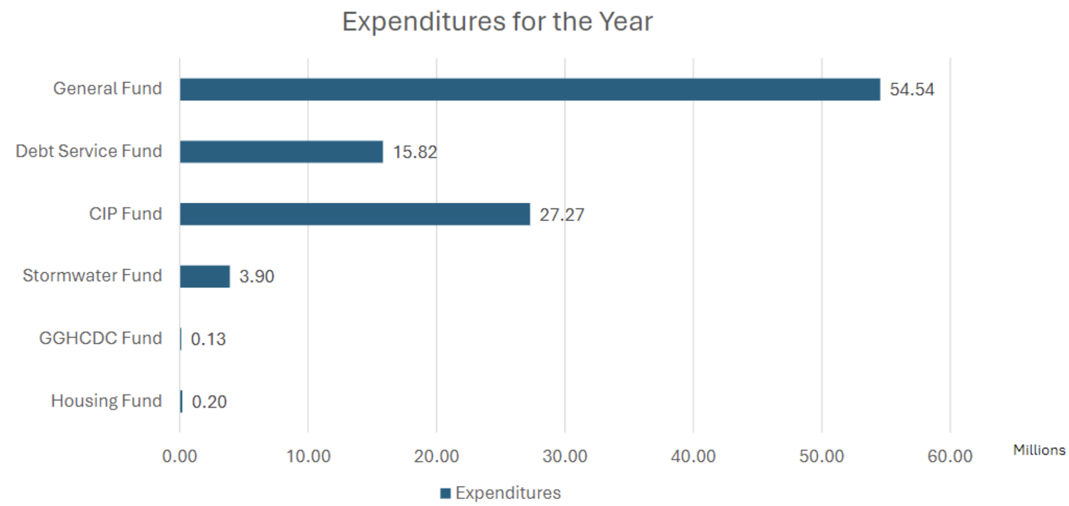
ATAX – State	Budgeted: $13,828,654	Received: $12,790,329	Difference: ($1,038,325)

Preliminary Revenue Increases

Investment Income	Budgeted: $719,315	Received: $10,699,425	Difference: $9,980,110
Business Licenses	Budgeted: $12,421,015	Received: $14,749,382	Difference: $2,328,368
Property Taxes	Budgeted: $22,412,300	Received: $24,582,416	Difference: $2,170,116

FUNDS EXPENDITURES

	FYE 2024	%	FYE 2023	%	FYE 2022
Consolidated Funds Expenditures Only	$101,864,459	12%	$91,244,080	26%	$72,396,627



TOWN OF HILTON HEAD ISLAND

CONSOLIDATED PRELIMINARY FINANCIALS**

	FYE 2024**	%	FYE 2023	%	FYE 2022
Year End Consolidated Financials Comparison	$229,756,256	8%	$211,421,584	11%	$189,619,956

	BEGINNING BALANCE - 7/1/23	FYE 2024 REVENUES	FYE 2024 EXPENDITURES	FYE 2024 ENDING BALANCE	FYE 2023	FYE 2022
GENERAL FUND	$ 33,502,808	$ 46,953,890	$ 54,541,460	$ 25,915,238	$ 33,502,808	$ 29,062,865
DEBT SERVICE FUND	$ 12,159,356	$ 6,965,171	$ 15,822,721	$ 3,301,806	$ 12,159,356	$ 11,239,657
CIP FUND	$ 3,402,646	$ 31,549,021	$ 27,270,807	$ 7,680,860	$ 3,402,646	$ 8,796,482
STORMWATER UTILITY FUND	$ 13,178,610	$ 5,726,307	$ 3,898,806	$ 15,006,111	$ 13,178,610	$ 10,540,740
GGHNCDC FUND	$ 5,415,560	$ 275,478	$ 129,142	$ 5,561,896	$ 5,415,560	$ -
HOUSING FUND	$ -	$ 2,350,000	$ 201,523	$ 2,148,477	$ -	$ -
Sub-Total Funds Balance	$ 67,658,980	$ 93,819,867	$ 101,864,459	$ 59,614,388	$ 67,658,980	$ 59,639,744
Other Financing Sources	$ 143,762,604	$ 63,095,400	$ 10,211,642	$ 196,646,362	$ 143,762,604	$ 129,980,212
Transfers in/out		$ 27,937,570	$ 54,442,064	$ (26,504,494)		
CONSOLIDATED PRELIMINARY FINANCIALS	**$ 211,421,584**	**$ 184,852,837**	**$ 166,518,165**	**$ 229,756,256**	**$ 211,421,584**	**$ 189,619,956**

EXPENDITURE HIGHLIGHTS

Preliminary Expenditure Decreases

Operating (non-personnel)	Budgeted: $17,912,923	Spent: $14,642,065	Difference: ($3,270,858)
Personnel & Benefits	Budgeted: $36,525,601	Spent: $35,860,967	Difference: ($664,634)
CIP Projects	Budgeted: $55,211,171	Spent: $27,270,807	Difference: ($27,940,364)

Preliminary Expenditure Increases

**None to Report - Preliminary

In addition, the following points were made:

1. Public Understanding and Budget Variance: Emphasis was placed on the importance of public understanding of the town's financial situation. There was a concern about the potential misinterpretation of budget increases, stressing the need to clearly communicate how fund balances support ongoing projects. The $74 million approved for the budget does not imply that all will be spent in one year, as projects from previous years are still in progress.

2. Clarity on Financial Reporting: The discussion highlighted the need for clearer financial reporting, particularly in showing variances and explaining how much of the Capital Improvement Plan (CIP) budget is allocated for the current fiscal year versus future years. Transparency in financial presentations is essential for the public's understanding.

3. Operating Budget and Savings: The town budgeted $17.9 million for operating expenses but only spent $14.6 million, resulting in a $3.3 million savings. Additionally, there was a $664,000 difference in personnel and benefits expenses, largely due to unfilled positions.

4. CIP Budget Breakdown: A detailed breakdown of CIP spending by program was provided, showing the unspent funds and progress by project. There was a discussion about the need for better communication to the public regarding the timelines for these projects.

5. Budget Amendments: The importance of reflecting budget amendments in financial reports was discussed, along with the need to communicate the reasons behind these amendments to the public to avoid any suspicion of poor planning.

6. Disaster Fund and Financial Reserves: Concerns were raised about the adequacy of the disaster fund in light of inflation since the last major disaster, Hurricane Matthew. A request was made for a report comparing current disaster fund levels with past expenses, adjusted for inflation.

7. Audit Timeline and Financial Processes: The goal is to have audited financials by October, which is more aggressive than the previous December timeline. Improvements in internal processes are needed to achieve this and are happening as she has implemented new policy and procedures for her department.

8. Controls Against Inappropriate Actions: The final point addressed the need for strong controls against inappropriate actions, such as theft or loss, particularly in purchasing and use of funds. Mrs. Burnett indicated that there are policies in place that protect the Town from such actions happening.

Chair Brown asked for public comment.

Melinda Tunner Addressed the Committee and congratulated the Town on receiving its recent AAA credit rating. She commended them for their forward-thinking approach to decision-making and cash flow management.

At the conclusion of public comment, Chairman Brown and the Committee thanked Mrs. Burnett for her time and the presentation made.

Public Comment – Non-Agenda Items

There were no public comments made.

Adjournment

The meeting was adjourned at 10:48 a.m.

Approved: September 24, 2024

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