Town of Hilton Head Island

Finance and Administrative Committee Meeting

Tuesday, October 29, 2024, 10:00 AM
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. **Adoption of the Agenda**
3. **Approval of the Minutes**
   a. Regular Meeting Minutes of September 24, 2024
4. **New Business**
   a. Monthly Financial Report and Presentation - Adriana Burnett, Finance Director
5. **Public Comment - Non Agenda Items**
6. **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
FINANCE AND ADMINISTRATIVE COMMITTEE MEETING
Tuesday, September 24, 2024, 10:00 AM
Minutes

Call to Order

Chairman Brown 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 August 27, 2024

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

New Business

Consideration of a Resolution Authorizing the Execution of Standardized Stormwater Agreements for Broad Creek Landing, Paddocks on Jarvis Creek, Ribaut Island, and Victoria Square - Jeff Netzinger, Stormwater Program Manager

Jeff Netzinger presented.He stated that after the creation of the Storm Water Utility in 2001, the Town offered to accept 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.

The Town currently has similar drainage agreements and easements with twenty-two (22) PUDs, property owners' associations, and homeowners' associations. These potential new partners have requested service via drainage agreements with the Town. All four (4) of the requesting entities meet the qualifications for acceptance of new systems, including the presence of shared, common road rights-of-way within their respective private communities. All new agreements use the standardized terms and conditions approved by Town Council on November 4, 2020.

The Committee and Mr. Netzinger discussed the resolution, standardized agreement, and the Stormwater Fund balance, currently at $13 million. They addressed prioritizing deficiencies outside the Town's usual responsibilities. Mr. Netzinger explained that identified issues are handled through the corrective maintenance program, using a scoring system to rank and prioritize repairs, applied uniformly across all areas. The Committee recognized the value of a standardized agreement and expressed satisfaction with the report. The discussion also highlighted the need to prioritize drainage improvements outside the current Planned Unit Developments (PUDs), although challenges exist due to ownership of some roads by Beaufort County and the South Carolina Department of Transportation. The Committee requested that the upcoming Town Council workshop include a discussion on how Town Staff ranks identified priorities for a better understanding of the process.

Mr. Brown asked for public comment. There were no requests made to speak during that time.

Mr. Ames moved to forward the resolution to Town Council for review and consideration of approval. Mr. Alfred seconded. Motion passed 4-0.

<u>Monthly Financial Report and Presentation - Adriana Burnett, Finance Director</u>

Mrs. Burnette provided the committee with a monthly financial report, outlining key financial metrics and trends. The presentation covered an overview of revenue sources and expenditure patterns, year-to-date budget performance and variances, as well as highlights of significant financial changes or anomalies. Additionally, she offered recommendations for addressing any identified issues or opportunities for improvement.

Mrs. Burnette discussed with the committee the Town's preparation for disasters, highlighting how previous financial policies set by Town Council have increased reserves. The Town's reserve percentage has risen from 35% to 40%. Currently, the Town's reserves stand at $23 million, representing 40% of the next fiscal year's general fund. Overall, the Town has approximately $79 million available for natural disaster response. She also outlined the FY 2025 Consolidated Preliminary Financials with YTD results (July-Aug). These totals are preliminary, as not all revenues have been received yet. Mrs. Burnette noted that adjustments may be necessary once the final figures are in, ensuring an accurate reflection of the Town's financial status. The FY 2025 Budget Analysis represented the year-to-date activity by funding source and highlights the top uses of funds for the general fund and debt service fund. Mrs. Burnette emphasized the importance of monitoring these activities to ensure financial accountability and effective resource allocation.

In the proposed budget amendment that will be reviewed by Town Council, Mrs. Burnette is not requesting to carry forward any unspent budget from FY24. The total amount proposed to be carried forward is $8.4 million. This funding will assist in the replacement of two stormwater pumps damaged during Tropical Storm Debbie, the purchase of the remaining fire trucks for fleet maintenance, and the acquisition of a new building.

Mrs. Burnette also provided an overview of the year-to-date funding expenditures for various Capital Improvement Program (CIP) funds. She advised the Committee to adopt a long-term vision when preparing CIP projects for FY26, noting that projects typically span multiple years. She emphasized that aligning expectations with a realistic mindset—recognizing that projects may take three to five years—can help when considering the broader budget picture.

CIP project updates are listed below:

- The design phase for the Islanders Beach Park project is complete, and construction is set to begin in November 2024. Citizens can track the project's progress using the Town's GIS system.
- The design phase of the Taylor Family Park project is scheduled to start in February 2025, with construction anticipated to begin in late fall 2025. Citizens can track the project's progress using the Town's GIS system.
- The design phase of the Patterson Family Park project is set to start in March 2025, with construction anticipated to begin in December 2025. Citizens can track the project's progress using the Town's GIS system.
- Construction for William Hilton Parkway Segment 3 began in September 2024. The project includes roadway safety improvements, upgrades to pathways, and enhanced lighting. Completion is expected by December 2024.
- The Lawton Pump Station project in Sea Pines began in 2021 and involves constructing a new control building, installing a generator, electronic controls, and three new pumps, with the final pump installed in September 2024.
- The 2025 Beach Renourishment project is underway. The process to secure a consultant is in progress, followed by bid solicitation, pricing assessments, identifying funding sources for the full project, evaluating the potential impact, and educating the public.

Mrs. Burnette's presentation highlighted the Town's financial health and preparedness for potential challenges, emphasizing the importance of maintaining robust reserves and a proactive approach to financial management. The session concluded with a Q&A segment, allowing Committee Members to discuss specific concerns or seek clarification on the report.

<u>Public Comment - Non Agenda Items</u>

None

Adjournment

Mr. Ames moved to adjourn the meeting. Mr. Alford seconded. Motion carried 4-0. The meeting was adjourned at 11:24 a.m.

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

FY 2025 FINANCIAL UPDATE

October 29, 2024

FINANCIAL UPDATE
FY 25 - QUARTER 1

TABLE OF CONTENTS

EXECUTIVE SUMMARY	PAGE 3
FY 25 CONSOLIDATED FUND BALANCE	PAGE 4
FY 25 APPROVED BUDGET ANALYSIS	PAGE 5
FY 25 APPROVED CIP ANALYSIS	PAGE 6
CONTACT INFORMATION	PAGE 7

EXECUTIVE SUMMARY

QUARTER 1- (July – September)

The purpose of this financial update is to provide a high-level summary of the Town's financial performance for the first quarter of the 2025 fiscal year.

The Town's total net position decreased by $15,826,231 from the start of the fiscal year. This decline is primarily attributed to operating expenses in the General Fund amounting to $12,371,144, CIP Fund expenses totaling $9,821,466 actuals, and Debt Service Fund expenditures of $4,371,513. All of these expenditures were anticipated. The General Fund covers the Town’s operating expenses, while CIP expenditures include both actual costs incurred for approved projects and encumbered expenses under vendor contracts for designated work. Additionally, the Debt Service expenditures reflect payments on the Town’s long-term debt, covering both principal and interest.

Revenues received during the first quarter account for only 9% of the total projected for the fiscal year, which is why current expenditures exceed revenues. This trend is expected to reverse in the third and fourth quarters. Overall, the Town’s consolidated financials show a balance that is $2,453,407 higher than the total balance at the end of the 2023 fiscal year. Consolidated fund balances for FY25 Q1 are 10% higher compared to FY24 Q1 fund balances.

FY 2025 CONSOLIDATED FINANCIALS YTD FUND BALANCES – Quarter 1

CORE FUNDS	YEAR BEGINNING BALANCE	QUARTER 1 (YTD) REVENUES	QUARTER 1 (YTD) EXPENDITURES	YTD ENDING BALANCE 9/30/24	FY23	FY22
GENERAL FUND	$ 25,871,533	$ 4,901,395	$ 12,371,144	$ 18,401,784	$ 33,502,808	$ 29,062,865
DEBT SERVICE FUND	$ 3,303,946	$ 232,202	$ 4,371,513	$ (835,365)	$ 12,159,356	$ 11,239,657
CIP FUND	$ 7,675,347	$ 178,629	$ 9,821,466	$ (1,967,490)	$ 3,402,646	$ 8,796,482
STORMWATER UTILITY FUND	$ 14,739,709	$ 183,272	$ 658,444	$ 14,264,537	$ 13,178,610	$ 10,540,740
GGHNCDC FUND	$ 5,561,896	$ 89,668	$ 42,828	$ 5,608,737	$ 5,415,560	$ -
HOUSING FUND	$ 2,148,477	$ -	$ 33,962	$ 2,114,515	$ -	$ -
SUBTOTAL	$ 59,300,908	$ 5,585,166	$ 27,299,357	$ 37,586,717	$ 67,658,980	$ 59,639,744
OTHER FINANCING SOURCES	$ 197,506,179	$ 6,924,710	$ 3,856,750	$ 200,574,139	$ 143,762,604	$ 129,980,212
TRANSFERS IN/OUT	$ (27,035,620)	$ 28,809,231	$ 25,989,231	$ (24,215,620)		
TOTAL	$ 229,771,467	$ 41,319,107	$ 57,145,338	$ 213,945,236	$ 211,421,584	$ 189,619,956

FY 2025 BUDGET ANALYSIS - Quarter 1

	FY25 BUDGET APPROV	YTD NET ACTIVITY	REMAINING BALANCE
GENERAL FUND	$ 60,924,381	$ 7,469,749	$ 53,454,632
DEBT SERVICE FUND	$ 16,700,000	$ 4,139,311	$ 12,560,689
CIP FUND	$ 74,381,459	$ 9,642,837	$ 64,738,622
STORMWATER UTILITY FUND	$ 7,525,525	$ 475,172	$ 7,050,353
GGHNCDC FUND	$ 3,405,501	$ (46,841)	$ 3,452,342
HOUSING FUND	$ 4,000,000	$ 33,962	$ 3,966,038
CONSOLIDATED BUDGET	$ 166,936,866	$ 21,714,191	$ 145,222,675

September Notes:

General Fund:

a. Top uses of funds included $2.8M in personnel expenses and $1.1M in operating expenses.
b. Tops sources of funds included $241K in Local ATAX and $310K in interest earned.

Debt Service Fund:

a. No significant expenses in September.
b. Tops sources of funds included $71k in Interest earned and $30K in Property Tax.

CIP Fund:

a. Top uses of funds included $1.3M for new Fire Trucks and $1.8M in land acquisition.

b. Tops sources of funds included $47K in interest earned.

Stormwater Utility Fund:

a. Top uses of funds included $159K for Personnel & Operating expenses and $77K in Stormwater Maintenance.

b. Tops sources of funds included $31K in Interest and $23k in Stormwater Fees.

GGHNCDC Fund:

a. Top uses of funds included $15K for Personnel & Operating expenses.

b. Tops sources of funds included $36K in Interest .

Housing Fund:

a. Top uses of funds included $15K for Workforce Housing consulting and events.

FY 2025 APPROVED CIP BUDGET BALANCES - Quarter 1

Summary	FY 2025 Approved Budget	YTD Expenditures	YTD Encumbrances	FY 2025 Remaining Budget
Beach Program	$ 21,599,000	$ 56,218	$ 597,003	$ 20,945,779
Pathway Program	$ 5,500,000	$ 55,449	$ 95,400	$ 5,349,151
Roadway Program	$ 10,317,218	$ 274,502	$ 535,999	$ 9,506,717
Park Program	$ 19,815,273	$ 290,377	$ 5,502,108	$ 14,022,788
Facility & Equipment Program	$ 8,402,291	$ 492,947	$ 600,412	$ 7,308,932
Stormwater Program	$ 1,200,000	$ 27,286	$ 418,613	$ 754,101
Fleet Program	$ 7,297,677	$ 3,788,351	$ 3,333,511	$ 175,815
Land Acquisition & Administration	$ 250,000	$ 4,836,337	$ 20,399	$ (4,606,736)
Total	**$ 74,381,459**	**$ 9,821,467**	**$ 11,103,445**	**$ 53,456,547**

QUESTIONS:

ADRIANA BURNETT
FINANCE DIRECTOR

EMAIL: ADRIANAB@HILTONHEADISLANDSC.GOV